

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON FINANCE OF THE UNITED STATES
SENATE ON PROPOSED TARIFF LEGISLATION ¹

[**Date approved:** June 28, 2000]²

Bill No.: S. 2245; 106th Congress

Introduced by: Mr. GRASSLEY

Similar and/or related³ bills: H.R. 4229.

Summary of the bill:⁴

The bill would amend the Harmonized Tariff Schedule (HTS) of the United States to modify the article description with respect to certain hand-woven fabrics. This change would affect such fabrics made of carded wool and “yarns of different colors” containing 85 percent or more by weight of wool.

Effective: The 30th day after the date of enactment.

Through: Permanent amendment to the HTS.

Retroactive effect: None.

[The remainder of this memorandum is organized in five parts: (1) information about the bill's proponent(s) and the product which is the subject of this bill; (2) information about the bill's revenue effect; (3) contacts by Commission staff during preparation of this memorandum; (4) information about the domestic industry (if any); and (5) technical comments.]

¹ International trade analyst: Kimberlie Freund (202-708-5402); attorney: Jan Summers (202-205-2605).

² Access to an electronic copy of this memorandum is available at <http://www.usitc.gov/billrpts.htm>. Access to a paper copy is available at the Commission's Law Library (202-205-3287) or at the Commission's Main Library (202-205-2630).

³ “Similar bills” are bills in the other House, in the current Congress, which address, at least in part, the substance of this bill. “Related bills” are bills in the **same** House, in the current Congress, but which are either earlier (or later) in time than the bill which is the subject of this memorandum.

⁴ The product nomenclature is as set forth in the bill. See technical comments for suggested changes (if any).

– THE PROPONENT AND THE IMPORTED PRODUCT –

The proponent firm/organization(s)			
Name of firm	Location contacted (city/state)	Date contacted	Response (Y/N) ⁵
British Embassy	Washington, DC	04/28/00	N
The St. Andrews Textile Co., Inc.	New York, NY	05/02/00	N
The Harris Tweed Authority	United Kingdom	05/17/00	Y

An Embassy official indicated that the Government of Great Britain supports this legislation so that Harris Tweed manufacturers in Great Britain can maintain access to the U.S. market. According to the British Embassy, HTS subheadings 5111.11.30 and 5111.19.20 were intended to include all Harris Tweed fabrics. In response to customer preferences, Harris Tweed manufacturers have started producing hand-woven Harris Tweed fabrics in widths wider than the 75 centimeters currently allowed under these two HTS subheadings.

*Does the proponent plan **any** further processing or handling⁶ of the subject product after importation to its facilities in the United States (Y/N):*N

If “Yes,” provide location of this facility if different from above (city/state):

If “No,” provide location of proponent’s headquarters or other principal facility if different from above (city/state): n/a

⁵ Non-confidential written responses received prior to approval of this report by the Commission, if any, will be included in appendix C.

⁶ The phrase “further processing or handling” can include repackaging, storage or warehousing for resale, etc.

The imported product	
Description and uses	Country(s) of origin
<p>The subject fabrics include Harris Tweed made on handlooms in Scotland, although similar fabrics could originate in other countries. These hand-woven wool fabrics are made on looms less than 76 centimeters wide and are referred to as “narrow-width fabrics.” Similar fabrics made on wider looms (“wide-width fabrics”) now fall in residual or “basket” HTS subheadings 5111.11.70 and 5111.19.60. The bill would eliminate the width limit of 76 cm on the two cited provisions and add “yarns of different colors” to the product description. The 2001 rate of duty on the reclassified wider fabrics would fall from 28.3 percent ad valorem to a compound rate of 5.3 cents per kilogram plus 10.8 percent ad valorem (an ad valorem equivalent of 10.9 percent, based on 1999 trade). The addition of “yarns of different colors” to the product description would reclassify an unknown but probably small quantity of hand-woven wool fabrics now classified in HTS subheadings 5111.11.30 and 5111.19.20 into the higher duty HTS subheadings. Virtually all of the subject fabrics are believed to be Harris Tweed fabrics made in the Outer Hebrides of Scotland. The bill would also cover yarn-dyed hand-woven wool fabrics from other countries.</p> <p>Harris Tweed fabrics are woven by hand under specific standards established by The Harris Tweed Authority and are stamped with its Orb trademark to certify that they are genuinely hand-woven in the Outer Hebrides of Scotland. Harris Tweed fabrics are by definition yarn-dyed, because they are woven from yarn produced with dyed wool. These fabrics traditionally have been woven in widths of 75 centimeters, but modern handlooms can weave wide-width fabrics. According to Authority, Harris Tweed fabrics now are hand-woven in widths of up to 150 centimeters,⁷ forcing them out of the tariff provisions for handloomed fabrics less than 76 centimeters in width. Apparel manufacturers, the major users of these fabrics, generally prefer wider width fabrics (150 centimeters). Wide-width fabrics are easier to use with automated cutting equipment and help to minimize costs associated with cutting and constructing the garment. Harris Tweed fabrics sell at the upper end of the fabric market, with prices ranging from \$10 per square meter to more than \$25 per square meter.</p>	UK

⁷ Information on the Harris Tweed Authority and Harris Tweed fabric can be found at <http://www.harristweed.com>.

– EFFECT ON CUSTOMS REVENUE –

[Note: This section is divided in two parts. The first table addresses the effect on customs revenue based on the duty rate for the HTS number set out in the bill. The second table addresses the effect on customs revenue based on the duty rate for the HTS number recommended by the Commission (if a different number has been recommended). Five-year estimates are given based on Congressional Budget Office “scoring” guidelines. If the indicated duty rate is subject to “staging” during the duty suspension period, the rate for each period is stated separately.]

HTS numbers used in the bill: 5111.11.30 and 5111.19.20⁸					
	2001	2002	2003	2004	2005
General rate of duty ⁹ (AVE) ¹⁰	10.9	10.6	10.3	10.0	10.0
Estimated value <i>dutiable</i> imports	\$650,000 ¹¹	\$825,000	\$1,050,000	\$1,330,000	\$1,690,000
Customs revenue loss	\$69,000	\$95,000	\$125,000	\$162,000	\$215,000

This bill affects both narrow-width fabrics (now in HTS subheadings 5111.11.30 and 5111.19.20) and wide-width fabrics (classifiable in the basket provisions cited earlier). The proposed changes would have two possible effects: wide-width handloomed wool fabrics made from yarns of different colors could shift into these two subheadings, and any narrow-width fabrics not made with yarns of different colors would shift from the two subheadings into the basket rate lines. The quantity of the latter type of fabrics cannot be identified from official data but is assumed to be nonexistent for purposes of this computation. Thus, no revenue change is predicted as to imported narrow-width fabrics.

Separate official data on shipments of all wide-width fabrics made from yarns of different colors are not collected, and the estimates here are computed based on available industry information. According to the Harris Tweed Authority, wide-width Harris Tweed exports to the United States totaled 12,518 linear meters in 1999 (equivalent to about 18,777 square meters assuming a fabric width of 150 centimeters.) The estimated value of these exports is roughly \$260,000 dollars (calculated using a unit value of \$13.70 per square meter, based on the unit value of imports from the UK of narrow-width fabrics in 1999.) Total dutiable imports were estimated by taking the value of imports of narrow-width fabrics and the estimated value of wide-width fabrics in 1999 and steadily increasing the value to a level in 2005 that is roughly equivalent to the value of narrow-width fabric imports in 1995, the recent year with the highest imports. U.S. imports of narrow-width fabrics declined steadily from \$1.7 million in 1995 to a low of \$263,000 in

⁸ The HTS number are as set forth in the bill. See technical comments for suggested changes (if any).

⁹ See appendix B for column 1-special and column 2 duty rates.

¹⁰ AVE is ad valorem equivalent expressed as percent. Staged rates may be found at: <http://dataweb.usitc.gov>.

¹¹ Dutiable imports data relate to the currently classifiable narrow-width fabrics plus expected imports of wide-width fabrics that would change classification.

1999. This decline can be attributed to a preference on the part of apparel manufacturers to use wide-width fabrics and to current fashion trends favoring non-wool fabrics. Future growth in demand for hand-woven wool fabrics likely will shift from narrow-width fabrics to wide-width fabrics, based on changing purchaser preferences. This growth would likely be encouraged by enactment of the bill, because there would be little incentive to import narrow-width fabrics if wide-width fabrics could be imported at the same duty rate. For these wide-width fabrics, the general rate of duty for 2001 is 28.3 percent ad valorem, compared with an estimated 10.9 percent ad valorem equivalent under this bill. The revenue loss is estimated based on the difference in duty for the wide-width fabrics under the bill and the duty that would apply if the legislation were not in effect, multiplied by the estimated value of U.S. imports of wide-width fabrics. For 2001, the revenue loss equals a 17.4 percent difference in the duty rate multiplied by projected imports of wide-width fabrics estimated at \$395,000.

HTS number recommended by the Commission: n/a ¹²					
	2001	2002	2003	2004	2005
General rate of duty (AVE)					
Estimated value <i>dutiable</i> imports					
Customs revenue loss					

– CONTACTS WITH OTHER FIRMS/ORGANIZATIONS –

Contacts with firms or organizations other than the proponents			
Name of firm	Location contacted (city/state)	Date contacted	Response (Y/N) ¹³
Northern Textile Association ¹⁴	Boston, MA	4/6/00	Y

¹² If a different HTS number is recommended, see technical comments.

¹³ Non-confidential written responses received prior to approval of this report by the Commission, if any, will be included in appendix D. Only statements submitted in connection with **this** bill will be included in the appendix.

¹⁴ The Northern Textile Association represents over 80 percent of domestic firms manufacturing wool yarn and fabric.

– THE DOMESTIC INDUSTRY –

*[Note: This section is divided in two parts. The first part lists non-confidential written submissions received by the Commission which assert that **the imported product itself** is produced in the United States and freely offered for sale under standard commercial terms. The second part lists non-confidential written submissions received by the Commission which assert either that (1) the imported product will be produced in the United States in the future; or (2) another product which **may compete** with the imported product is (or will be) produced in the United States and freely offered for sale under standard commercial terms. All submissions received by the Commission in connection with this bill prior to approval of the report will be included in appendix D. The Commission cannot, in the context of this memorandum, make any statement concerning the validity of these claims.]*

Statements concerning current U.S. production			
Name of product	Name of firm	Location of U.S. production facility	Date received
None.			

Statements concerning “future” or “competitive” U.S. production			
Name of product	Name of firm	Location of U.S. production facility	Date received
None.			

– TECHNICAL COMMENTS –

*[The Commission notes that references to HTS numbers in temporary duty suspensions (i.e., proposed amendments to subchapter II of chapter 99 of the HTS) should be limited to **eight** rather than ten digits. Ten-digit numbers are established by the Committee for Statistical Annotation of Tariff Schedules pursuant to 19 U.S.C. 1484(f) and are not generally referenced in statutory enactments.]*

Recommended changes to the nomenclature in the bill:

The proposed bill would change the product coverage of the two cited provisions, subheadings 5111.11.30 and 5111.19.20, and also of the basket categories 5111.11.70 and 5111.19.60. To avoid serious problems in the Census and Customs computer systems for recording trade data as well as data comparability problems, all four subheadings should be redesignated. The following language would do so:

- (b) Subheadings 5111.11.20, 5111.11.70, 5111.19.20 and 5111.19.60 are redesignated as 5111.11.25, 5111.11.65, 5111.19.25 and 5111.19.65, respectively.

If that is done, an additional subdivision is needed to continue the previously proclaimed scheduled staged reductions in rates of duty:

- (c) Subheadings 5111.11.25, 5111.11.65, 5111.19.25 and 5111.19.65 (as redesignated in subsection (b)) shall be accorded the same staged reductions in rates of duty previously proclaimed by the President prior to the effective date of this Act for former subheadings 5111.11.30, 5111.11.70, 5111.19.20 and 5111.19.60, respectively.

Existing subsection (b) would be renumbered as (d).

Recommended changes to any C.A.S. numbers in the bill (if given): n/a

Recommended changes to any Color Index names in the bill (if given): n/a

*Basis for recommended changes to the HTS number used in the bill:*¹⁵ n/a

Other technical comments (if any):

We note that, because most machine-woven fabric is made in widths wider than 75 centimeters, the U.S. Customs Service has used width as a first-line means of detecting importer fraud in the form of entries of machine-woven fabric under the lower-rate hand-woven fabric provision. According to a U.S. Customs Service specialist, a trained technician is required to differentiate between hand-woven and machine woven fabrics. The technician must examine the pattern repeat in a length of fabric (about five yards) and look at the nature of the flaws in the fabric. The types of mistakes present in hand-woven and machine-woven fabrics tend to be different.¹⁶ Thus, eliminating the width limit might present some enforcement complications for Customs.

¹⁵ The Commission may express an opinion concerning the HTS classification of a product to facilitate the Committee's consideration of the bill, but the Commission also notes that, by law, the U.S. Customs Service is the only agency authorized to issue a binding ruling on this question. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

¹⁶ U.S. Customs Import Specialist, telephone discussion with USITC staff, Apr. 25, 2000.

APPENDIX A

TARIFF AND TRADE AGREEMENT TERMS

In the **Harmonized Tariff Schedule of the United States** (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the **Tariff Schedules of the United States** (TSUS) effective January 1, 1989.

Duty rates in the **general** subcolumn of HTS column 1 are normal trade relations rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those listed in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam) plus Serbia and Montenegro, which are subject to the statutory rates set forth in **column 2**. Specified goods from designated general-rate countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the **special** subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The **Generalized System of Preferences** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of September 30, 2001. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The **Caribbean Basin Economic Recovery Act** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the **United States-Israel Free Trade Area Implementation Act** of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the **Andean Trade Preference Act** (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the **North American Free Trade Agreement**, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular **products of insular possessions** (general note 3(a)(iv)), **products of the West Bank and Gaza Strip** (general note 3(a)(v)), goods covered by the **Automotive Products Trade Act (APTA)** (general note 5) and the **Agreement on Trade in Civil Aircraft (ATCA)** (general note 6), **articles imported from freely associated states** (general note 10), **pharmaceutical products** (general note 13), and **intermediate chemicals for dyes** (general note 14).

The **General Agreement on Tariffs and Trade 1994** (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX. Pursuant to the **Agreement on Textiles and Clothing (ATC)** of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement (MFA)**). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

Rev. 1/4/00

APPENDIX B

**SELECTED PORTIONS OF THE
HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES**

[Note: Appendix may not be included in the electronic version of this memorandum.]

APPENDIX C

STATEMENTS SUBMITTED BY THE PROPONENTS

[Note: Appendix C may not be included in the electronic version of this memorandum posted on the Commission's web site if an electronic copy of the statement was not received by the Commission.]

APPENDIX D

STATEMENTS SUBMITTED BY OTHER FIRMS/ORGANIZATIONS

[Note: Appendix D may not be included in the electronic version of this memorandum posted on the Commission's web site if an electronic copy of the statement was not received by the Commission.]

To: iSMTP@MASTER7@ADP7[<TextileNTA@aol.com>],
iSMTP@MASTER7@ADP7[<KarlNTA@aol.com>]

From: <TextileNTA@aol.com>

Cc:

Subject: NTA Response to proposed wool tariff change

Attachment:

Date: 5/12/00 3:40 PM

NTA has submitted the following in response to a proposal to allow wide
(=>76cm) hand-loomed woolen fabric to enter the US at a reduced rate of
duty now reserved for narrow hand-loomed woolens

A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Singleton:

I am writing to express opposition to HR 4229, a bill that would amend the current tariff provision to allow wider hand-loomed fabric to enter at a lower rate of duty currently reserved for hand-loomed woolen fabric of less than 76cm in width. The Northern Textile Association would also oppose including such language in any bill considered by the Ways and Means Committee this year making technical corrections to US trade laws or suspending import duties.

The Northern Textile Association is made up of nearly 200 member companies engaged in all aspects of the textile industry. Our members, who manufacture yarn and fabric in many of the States, include several manufacturers of wool fabrics that directly compete with these imported fabrics. We have not opposed the existing favorable tariff treatment afforded hand-loomed wool fabrics of less than 76cm width because we have found the width restriction has provided an effective and apparently easily administered way of restricting the benefit to genuinely hand-loomed fabrics such as Harris Tweed. We oppose the proposal to allow wider fabrics to enter under this favorable treatment. Absent the width restriction there will be no way, other than accepting the importer's word, to certify that the fabric is hand-loomed. Experts knowledgeable about weaving often cannot tell the difference between hand-loomed and machine-loomed fabric.

We note that total US 1999 imports of woolen fabric (HTS 5111.11 and

5111.19) totaled 4.5 million square meters, a 114% increase over imports in 1998. With no width restriction, and no other means to ensure that only genuinely hand-loomed fabrics are entered under the favorable tariff treatment for hand-loomed fabrics, there will be a great incentive for exporters and importers to improperly claim that fabric is "hand-loomed" and so get the benefit of the low rate of duty.

We see this proposal as yet another threat to a particularly import-sensitive industry which has suffered from heavy imports in recent years.

Yours,

Karl Spilhaus
President

David Trumbull
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106TH CONGRESS
2D SESSION

S. 2245

To amend the Harmonized Tariff Schedule of the United States to modify the article description with respect to certain hand-woven fabrics.

IN THE SENATE OF THE UNITED STATES

MARCH 9, 2000

Mr. GRASSLEY introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Harmonized Tariff Schedule of the United States to modify the article description with respect to certain hand-woven fabrics.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. CERTAIN HAND-WOVEN FABRICS.**

4 (a) IN GENERAL.—Subheadings 5111.11.30 and
5 5111.19.20 of the Harmonized Tariff Schedule of the
6 United States are amended by striking “, with a loom
7 width of less than 76 cm” each place it appears and insert-
8 ing “yarns of different colors”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 subsection (a) applies with respect to goods entered, or

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- 1 withdrawn from warehouse for consumption, on or after
- 2 the 30th day after the date of enactment of this Act.

○