

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON FINANCE OF THE UNITED STATES  
SENATE ON PROPOSED TARIFF LEGISLATION <sup>1</sup>

[**Date approved:** August 30, 2000 ]<sup>2</sup>

**Bill No.:** S. 2646; 106<sup>th</sup> Congress

Introduced by: Mr. Coverdell

Similar and/or related<sup>3</sup> bills: The tariff treatment of the in-line system would be affected by S.2648, which would reclassify this machinery under HTS subheading 8477.10.40 or 8479.89.85; some machines covered by individual bills may be included in a mastering in-line system or a replicating in-line system (see S. 2655, 2653, 2656, 2663, 2664, and 2650 or S. 2656–2664.) (See the table after technical comments for a summary of all bills regarding DVD manufacturing equipment.) See also H.R. 3780 (withdrawn).

Summary of the bill:<sup>4</sup>

The bill would suspend the general rate of duty<sup>5</sup> on--

in-line system machines, whether imported as an entirety, or in components, or parts thereof, for use in the manufacture of digital versatile discs (DVDs) (provided for in subheading 8479.89.97)

Effective: The 15th day after the date of enactment.

Through: December 31, 2003.

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*

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<sup>1</sup> International trade analyst: Melani Schultz (202-205-3436); attorney: Jan Summers (202-205-2605).

<sup>2</sup> 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).

<sup>3</sup> "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.

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

<sup>5</sup> See appendix A for definitions of tariff and trade agreement terms.

revenue effect; (3) contacts by Commission staff during preparation of this memorandum; (4) information about the domestic industry (if any); and (5) technical comments.]

– THE PROPONENT AND THE IMPORTED PRODUCT –

The proponent firm/organization(s)			
Name of firm	Location contacted (city/state)	Date contacted	Response (Y/N) <sup>6</sup>
Panasonic	Washington, DC	April 5, 2000	Y
Toolex represented by Collier, Shannon, Rill & Scott	Washington, DC	April 5, 2000	Y
International Electronics Manufacturers and Consumers of America, Inc.	Washington, DC	April 5, 2000	Y
JVC Disc America Co.	Elk Grove, CA	May 1, 2000	Y

Note: JVC is a member of IEMCA. Therefore, it has been included as a proponent of the bill. JVC’s submission can be found in appendix C.

*Does the proponent plan **any** further processing or handling<sup>7</sup> of the subject product after importation to its facilities in the United States (Y/N):* Yes, prior to resale.

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

Panasonic’s headquarters is in Osaka, Japan; its U.S. corporate headquarters is in Secaucus, NJ. Panasonic’s factory automation division in Elgin, IL imports the machinery to be assembled into DVD manufacturing systems.

Toolex imports the machinery to be assembled into DVD manufacturing systems in a recently purchased facility in Irvine, CA.

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

IEMCA is a Washington, DC trade association that represents electronics manufacturers and consumers.

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<sup>6</sup> Non-confidential written responses received prior to approval of this report by the Commission, if any, will be included in appendix C.

<sup>7</sup> The phrase “further processing or handling” can include repackaging, storage or warehousing for resale, etc.

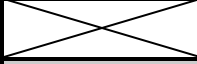
JVC imports DVD production machinery to manufacture DVDs in Sacramento, CA.

<b>The imported product</b>	
Description and uses	Country(s) of origin
<p>The DVD manufacturing process comprises 2 major stages. The first is mastering, in which the glass master is prepared. An in-line machine can either be a mastering system or a replicating system. The in-line mastering system machine performs only the first part of the mastering process. This machine chemically cleans and mechanically polishes the blank glass master disc. It then spin coats the disc with a light-sensitive photo-resist or dye-polymer material to a precise thickness and fuses the coating to the disc by baking. The laser encoder then records information onto the surface of the glass disc by burning digitally encoded information in the form of a spiral track of microscopic pits. If photoresist is used the disc then passes through a developing stage to eliminate the unpolymerized photoresist. If dye-polymer is used this step is unnecessary. This processing can be done either by an in-line or integrated system or by modular units attached on site; and a firm may import the system or any individual parts thereof.</p> <p>After the master is created in the in-line mastering system it passes through the second part of the mastering process called electroforming in which a stamper is created.</p> <p>The second major stage of DVD production is the replication process. The in-line replicating system machine makes copies of the master disc. Initially the stamper is placed in two molds and two injection molding machine create copies. The two replicas are transferred to a cooling station and then are metallized with either aluminum or gold on the media-recorded side of the disc. The aluminum metallized disc is transported to a holding station while the gold metallized disc (in DVD-9 production or another aluminum disc in DVD-5 or 10 production) is coated in the center with a bead of resin or lacquer. The aluminum disc is placed on top and is rotated to spread the laquer which acts to bond the discs together. The bonded disc then passes through a UV curing station to further enhance the strength of the bond. The replica DVD is then scanned, tested for defects, and stacked on the appropriate spindle for printing and packaging.</p>	<p>United Kingdom, Netherlands, Japan, Germany, Sweden</p>




– 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.]

<b>HTS number used in the bill: 8479.89.97 <sup>8</sup></b>					
	2001	2002	2003	2004	2005
General rate of duty <sup>9</sup> (AVE) <sup>10</sup>	2.5	2.5	2.5	2.5	2.5
Estimated value <i>dutiable</i> imports	\$225,072,000	\$180,900,000	\$72,225,000	\$72,225,000	\$72,225,000
Customs revenue loss	\$6,571,125	\$5,475,938	\$2,190,375	\$2,190,375	\$2,190,375

Note: Estimated value of dutiable imports calculated based upon industry estimates of imports, prices, and projected number of mastering and replicating lines. Customs revenue loss is estimated value of dutiable imports times the general rate of duty. See technical comments for further explanation of revenue loss estimates.

<b>HTS number recommended by the Commission: n/a <sup>11</sup></b>					
	2001	2002	2003	2004	2005
General rate of duty (AVE)					
Estimated value <i>dutiable</i> imports					

<sup>8</sup> The HTS number is as set forth in the bill. See technical comments for suggested changes (if any).

<sup>9</sup> See appendix B for column 1-special and column 2 duty rates.

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

<sup>11</sup> If a different HTS number is recommended, see technical comments.

<b>HTS number recommended by the Commission: n/a <sup>11</sup></b>					
Customs revenue loss					

– CONTACTS WITH OTHER FIRMS/ORGANIZATIONS –

<b>Contacts with firms or organizations <i>other than</i> the proponents</b>			
Name of firm	Location contacted (city/state)	Date contacted	Response (Y/N) <sup>12</sup>
Optical Storage Technology Association (OSTA)	Santa Barbara, CA	April 5, 2000	N
The DVD Association (DVDA) & Interactive Digital Media Association (IDMA)	Solon, OH	April 5, 2000	N
DVD Forum	Tokyo, Japan	April 5, 2000	N
International Optical Disc Replicators Association (IODRA)	Geneva, Switzerland	April 5, 2000	N
Steag HamaTech, Inc.	Saco, ME	April 6, 2000	N
Multi Media Machinery, Inc. (4M)	Santa Clara, CA	April 7, 2000	N
D'Onofrio & Associates, for the International Optical Disc Replicators Association (IODRA)	Washington, DC	April 10, 2000	N
Sumitomo–SHI Plastics Machinery Inc. of America	Norcross, GA	April 12, 2000	N
Marubeni Disc Systems	Southfield, Michigan	April 12, 2000	N
Toolex International/USA	Irvine, CA/Hilliard, OH	April 13, 2000	N
Optical Disc Manufacturing Association	Monmouthshire, UK	April 14, 2000	N

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<sup>12</sup> 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.

Contacts with firms or organizations <i>other than the proponents</i>			
Optical Disc Corporation	Santa Fe Springs, CA	April 19, 2000	Y
Digital Matrix Corporation	Hempstead, NY	April 21, 2000	Y
Warner Advanced Media Operations (WAMO)	Olyphant, PA	April 25, 2000	Y
Singulus	Victorville, CA	May 1, 2000	Y
Sony	Woodcliff Lake, NJ	May 1, 2000	N
CD Associates	Irvine, CA	May 16, 2000	Y
Georgetown Economic Services	Washington, DC	May 20, 2000	N

– 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
Mastering system <sup>1</sup> and glass cleaning machines	Optical Disc Corporation	Santa Fe Springs, CA	April 26, 2000
Electroforming/mastering system <sup>2</sup>	Digital Matrix	Hempstead, NY	April 25, 2000
DVD test equipment <sup>3</sup>	CD Associates	Irvine, CA	May 16, 2000

<sup>1</sup>Optical Disc Corp. produces and sells mastering systems; although it does not produce backsanders for DVD/CD production, it does purchase this machinery for inclusion into the mastering systems it sells

because the machine is integral to providing a mastering system to customers. See appendix D for ODC’s statement.

<sup>2</sup>Digital Matrix produces electroforming equipment, including electrolytic plating and cleaning machines, which is an integral part of a complete mastering system. See appendix D for Digital Matrix’s statement.

<sup>3</sup>CD Associates manufactures DVD and CD test equipment. See attachment D for CD Associates statement.

Statements concerning “future” or “competitive” U.S. production			
Name of product	Name of firm	Location of U.S. production facility	Date received
Mastering system <sup>1</sup> and glass cleaning machines	Optical Disc Corporation	Santa Fe Springs, CA	April 26, 2000
Mastering and replication systems <sup>2</sup>	Toolex USA, Inc.	Irvine, CA	May 1, 2000
Electroforming/mastering system <sup>2</sup>	Digital Matrix	Hempstead, NY	April 25, 2000
DVD test equipment <sup>3</sup>	CD Associates	Irvine, CA	May 16, 2000

<sup>1</sup>Optical Disc Corp. produces and sells mastering systems; although it does not produce backsanders for DVD/CD production, it does purchase this machinery for inclusion into the mastering systems it sells because the machine is integral to providing a mastering system to customers. See appendix D for ODC’s statement.

<sup>2</sup>Toolex USA, Inc., produces and sells mastering and replication systems, and claims that it will be expanding its facilities in the United States to manufacture and assemble this equipment. See appendix C for Toolex’s statement.

<sup>3</sup>Digital Matrix produces electroforming equipment including electrolytic plating and cleaning machines, which is an integral part of a complete mastering system. See appendix D for Digital Matrix’s statement.

<sup>4</sup>CD Associates manufactures DVD and CD test equipment. See attachment D for CD Associates statement.

– 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:*

In view of the fact that the subject machinery falls into a residual or “basket” category in the HTS, two



problems are apparent with regard to the proposed description. First, it is helpful to Customs and to users of the schedule if the article description of the chapter 99 provision tracks as much of the language from the permanent tariff provision covering the good as is possible and appropriate. Thus, the subject goods might be described as “Machines and mechanical appliances having individual functions, not elsewhere specified or described, and parts thereof, the foregoing for use in the manufacture...”. This language would also eliminate language which could be confusing—namely, the phrase “whether imported separately or as an entirety”—especially with respect to a product known commercially as a “system.” When a chapter 99 provision refers only to one permanent tariff provision, the product scope of the latter sets the maximum possible coverage of the chapter 99 provision, which is itself further delineated by the words used there to describe the intended good. Because the permanent provision is a residual or “basket” category, whose scope is determined by elimination of the products falling in heading 8479 but named in subheadings 8479.10.00 through 8479.89.87, it is difficult to determine the scope of subheading 8479.89.97, and particularly with respect to goods that may be shipped and presented in different forms. Thus, it is not easy to know whether the subject machine would always fall in the latter category if shipped as an entirety. That shipment would be examined in its condition as imported and, depending on the nomenclature and scope of competing provisions, could be classifiable elsewhere than subheading 8479.89.97. Moreover, it would not seem desirable to suggest that other machines or articles shipped along with the subject plasma-etchers would automatically be eligible for a duty suspension. If the bill is amended in this fashion, we note that it would duplicate HR 3782 and suggest that only one provision need be added to chapter 99 to cover both products.

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

None.

*Recommended changes to any Color Index names in the bill (if given):*

None.

*Basis for recommended changes to the HTS number used in the bill:*<sup>13</sup>

n/a

*Other technical comments (if any):*

It is important to note that several manufacturers (domestic and foreign) have indicated that much of the machinery is produced to be used in either CD or DVD production. While DVD-only production equipment is available, this machinery is not currently the majority of production equipment sold. Revenue loss estimates are based on equipment used only in DVD production and assuming inclusion of a use

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<sup>13</sup> 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.

provision in the bill. Although this is somewhat burdensome, specifying the products' use is likely to be the only way that the scope of the duty suspension can be restricted to the subject machines. While it is virtually impossible for U.S. Customs to distinguish between machinery used in CD versus DVD production based on its physical characteristics, it is unlikely that these machines would be imported for CD production only based on machinery price differentials. For example, a CD/DVD replication line may cost at least three times as much as a CD replication line.

In ruling HQ 962354, July 23, 1999, U.S. Customs determined that the Sony Lean Integrated Mastering system (SLIM-HD) is provided for in heading 9013 and classifiable in subheading 9013.80.90. This in-line mastering system includes (1) glass cleaning and recycling machine, (2) glass polishing machine, (3) coating and curing machine, and (4) laser encoder machine. The product described by the bill is virtually identical and performs the same function as that described in the Customs ruling, and may be viewed by Customs as having the same tariff classification. It is suggested that Customs be consulted in this regard.

Use of the descriptive language "in-line system machine" for the subject goods may be confusing and inappropriate. Although it is not stated in the bill, an "in-line machine" may refer to either a mastering or replicating in-line system machines, which may have differing tariff classifications. Manufacturers (domestic and foreign) have indicated that modular mastering systems and in-line mastering systems are both automated, both are marketed as mastering systems, and they directly compete with each other. Modular systems offer more flexibility in terms of which manufacturers' machines will be incorporated into the system. Integrators can theoretically incorporate different manufacturers' machinery into either type of system as requested by the customer. According to industry representatives, machinery is imported and sold in packages, except where replacement machinery is needed. The mastering system in particular is sold as a mastering equipment package with either in-line or modular design and includes the laser beam recorder, metallizer, oven, glass cleaner and spin coater. All producers or integrators of this equipment are either developing or currently offer at least one in-line and one modular mastering system, according to industry representatives. Most, if not all, replicating systems are in-line in design. The system may or may not contain the bonding machine as part of the in-line machine. For this memorandum, estimates were made based on the price and imports (customs value) of the complete in-line mastering and replicating systems.



**Proposed legislation related to DVD production machinery, July 2000**

<b>DVD production process</b>	<b>Bill No.</b>	<b>Machine(s) used in DVD production</b>	<b>Harmonized Tariff System (HTS) subheading</b>	<b>2000 duty rate (percent ad valorem)</b>	<b>Related bills, No.</b>	<b>U.S. Producer/s</b>
Complete Process– Mastering and Replicating	H.R. 3778 S. 2648	Rename HTS for DVD production machinery. Reclassifies all machines listed below for which there is a bill into either HTS 8477.10.40 (injection molding machines) or 8479.89.85 (machines for DVD production)	8477.10.40 8479.89.85	Free	H.R. 3779-3795 S. 2647-2664	All companies listed below.
Mastering	H.R. 3780 S. 2646; S. 2664	In-line system machine (typically includes the following stations: glass cleaning, glass polishing, coating, baking, inspection, laser encoding, developing, and nickel sputter coating) See also in-line replication system machine below.	8479.89.97  9013.80.90	2.5  4.5	H.R. 3778 / S. 2648 H.R. 3787 / S. 2655 H.R. 3785 / S. 2653 H.R. 3788 / S. 2656 H.R. 3795 / S. 2663 H.R. 3782 / S. 2650	Optical Disc Corporation (ODC) <sup>14</sup>
Mastering	H.R. 3787 S. 2655	Glass cleaning machine for recycling/recovering glass substrate	8464.90.90	2.0	H.R. 3778 / S. 2648 H.R. 3780 / S. 2646	ODC Reynolds Tech
Mastering	H.R. 3785 S. 2653	Polishing of glass substrates, done periodically	8464.20.50	2.0	H.R. 3778 / S. 2648 H.R. 3780 / S. 2646	ODC
Mastering	H.R. 3788 S. 2656	Coating machine (photo-resist or dye-polymer)	8479.89.97	2.5	H.R. 3778 / S. 2648 H.R. 3780 / S. 2646	ODC
Mastering	NA	Baking station	NA	NA	NA	ODC
Mastering	H.R. 3795 S. 2663	Inspection for defects and measurement of thickness	9031.49.90	3.5	H.R. 3778 / S. 2648 H.R. 3780 / S. 2646	Integral Vision, Inc. ODC
Mastering	H.R. 3782 S. 2650	Laser encoder machine	8479.89.97	2.5	H.R. 3778 / S. 2648 H.R. 3780 / S. 2646	ODC

<sup>14</sup> Although ODC does not claim to produce all of the components included in a mastering system, it does sell a complete system including all the items listed under mastering.

<b>DVD production process</b>	<b>Bill No.</b>	<b>Machine(s) used in DVD production</b>	<b>Harmonized Tariff System (HTS) subheading</b>	<b>2000 duty rate (percent ad valorem)</b>	<b>Related bills, No.</b>	<b>U.S. Producer/s</b>
Mastering	NA	Developer machine to develop areas of the glass disc exposed by the laser encoder (If dye-polymer is used to coat the disc this stage is skipped.)	NA	NA	NA	
Mastering	NA	Nickel/silver sputter coating to produce a metallized disc that conducts electricity in the electroforming stage	NA	NA	NA	
Electroforming (Mastering)	H.R. 3784 S. 2652	Electrolytic plating—charged nickel sulphamate bath to grow metal layers	8543.30.00	2.6	H.R. 3778 / S. 2648 H.R. 3786 / S. 2654	Digital Matrix Reflekt, Inc. Reynolds Tech Technotrans America, Inc.
Electroforming (Mastering)	H.R. 3786 S. 2654	Electrolytic cleaning of nickel master or stamper	8543.89.96	2.6	H.R. 3778 / S. 2648 H.R. 3784 / S. 2652	Digital Matrix Reflekt, Inc. Reynolds Tech Technotrans America, Inc.
Electroforming (Mastering)	H.R. 3779 S. 2647	Plasma-etch to remove photo-resist from nickel stamper (“ashing machine”)	8456.99.90	2.2	H.R. 3778 / S. 2648	Anatech LTD MetroLine Industries Nordson Corp (March Instruments, Advanced Plasma Systems) Yield Engineering Systems
Mastering finishing	H.R. 3781 S. 2649	Lapping machine to sand/finish back of nickel stamper (“backsander”)	8460.40.40	4.4	H.R. 3778 / S. 2648	Record Products of America (RPA)
Mastering finishing	H.R. 3783 S. 2651	Center hole and outside diameter punching of nickel stamper	8462.41.00	4.4	H.R. 3778 / S. 2648	RPA

DVD production process	Bill No.	Machine(s) used in DVD production	Harmonized Tariff System (HTS) subheading	2000 duty rate (percent ad valorem)	Related bills, No.	U.S. Producer/s
Note: Mastering systems may be in-line or modular. Mastering systems are often sold in two packages including a mastering package and electroforming package. Additionally, ashing machines may be sold separately from the electroforming package.						
Replication	H.R. 3789 S. 2657	Injection molding of DVD disc (molding of DVDs against the stamper)	8477.10.90	3.1	H.R. 3778 / S. 2648 H.R. 3794 / S. 2662	
Replication	H.R. 3794 S. 2662	DVD mold	8480.79.90	3.1	H.R. 3778 / S. 2648 H.R. 3789 / S. 2657	
Replication	H.R. 3780 S. 2646; S. 2664	In-line system machine (in-line replication machine typically includes the following stations: cooling/feeder, metallizing, bonding, curing, inspection and sorting.) See also In-line mastering system machine above.	8479.89.97	2.5	H.R. 3778 / S. 2648 H.R. 3788 / S. 2656 H.R. 3790 / S. 2658 H.R. 3791 / S. 2659 H.R. 3792 / S. 2660 H.R. 3793 / S. 2661 H.R. 3795 / S. 2663	Steag Hamatech, Inc. (Steag) <sup>15</sup>
Replication	NA	Cooling/feed unit—transfers the molded replicas to the metallizer units	NA	NA	NA	Steag
Replication	H.R. 3793 S. 2661	Sputter (or spin) aluminum on DVD disc	8479.89.97	2.5	H.R. 3778 / S. 2648 H.R. 3792 / S. 2660	
Replication (DVD-9)	H.R. 3792 S. 2660	Sputter (or spin) gold (or silicon) on DVD disc	8479.89.97	2.5	H.R. 3778 / S. 2648 H.R. 3793 / S. 2661	
Replication	H.R. 3788 S. 2656	Coating machine—laquer coating used as bonding agent	8479.89.97	2.5	H.R. 3778 / S. 2648 H.R. 3790 / S. 2658	Steag

<sup>15</sup> In February 2000, German company Steag Hamatech, Inc. purchased First Light located in Seco, Maine, and continues to produce replication equipment for the production of DVDs. According to industry representatives, Steag has a large market share in CD-R (recordable CDs) production machinery but has not had much success with its DVD production machinery.

DVD production process	Bill No.	Machine(s) used in DVD production	Harmonized Tariff System (HTS) subheading	2000 duty rate (percent ad valorem)	Related bills, No.	U.S. Producer/s
Replication (DVD-only)	H.R. 3790 S. 2658	Bonding machine	8479.89.97	2.5	H.R. 3778 / S. 2648 H.R. 3788 / S. 2656	Staeg
Replication	NA	UV curing station	NA	NA	NA	
Replication	H.R. 3795 S. 2663	Inspection machine/optical laser scanner–Data Verification System test (DVS)	9031.49.90	3.5	H.R. 3778 / S. 2648	Integral Vision Inc.
Replication	NA	Electrical Test–signal verification test	NA	NA	NA	CD Associates <sup>16</sup>
Replication	H.R. 3791 S. 2659	Stacker machine	8479.89.97	2.5	H.R. 3778 / S. 2648	Staeg
<p>Note: Most, if not all, replication machinery is in-line. Although the testing machinery is listed near the end of the replication process, it may be used throughout the production process. Additional tests may also be conducted, including environmental tests such as storage tests and heat cycle tests used to ensure longevity of the DVDs.</p>						

NA–Not applicable. Existing draft bills, including H.R. 3778 and S. 2648 encompassing all DVD production machinery, omit certain machinery integral to DVD production.

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<sup>16</sup> CD Associates produces machinery that verifies the performance of the replica DVD or the stamper produced at the end of the mastering process. While its equipment is not directly contained in any of the bills listed, the equipment is may be bundled with other replication equipment and sold together.

## 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.]*

106TH CONGRESS  
2D SESSION

# S. 2646

To suspend temporarily the duty on machines, and their parts, for use  
in the manufacture of digital versatile discs (DVDs).

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IN THE SENATE OF THE UNITED STATES

MAY 25, 2000

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

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## A BILL

To suspend temporarily the duty on machines, and their  
parts, for use in the manufacture of digital versatile  
discs (DVDs).

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. TEMPORARY SUSPENSION OF DUTY.**

4 (a) IN GENERAL.—Subchapter II of chapter 99 of  
5 the Harmonized Tariff Schedule of the United States is  
6 amended by inserting in numerical sequence the following  
7 new heading:

“	9902.84.06	In-Line System Machines, whether imported as an entirety, or in components, or parts thereof, for use in the manufacture of digital versatile discs (DVDs) (provided for in sub-heading 8479.89.97) .....	Free	No change	No change	On or before 12/31/03	”.
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1           (b) **EFFECTIVE DATE.**—The amendment made by  
2 this section applies with respect to goods entered, or with-  
3 drawn from warehouse for consumption, on or after the  
4 15th day after the date of the enactment of this Act.

