UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON WAYS AND MEANS OF THE UNITED STATES HOUSE OF REPRESENTATIVES ON PROPOSED TARIFF LEGISLATION [1]

[**Date approved**: August 30, 2000 ][2]

**Bill No.**: S. 2652; 106th Congress

Introduced by: Mr. Coverdell

Similar and/or related[3] bills: The tariff treatment of the subject electrical machines and apparatus for use in DVD production would be affected by S. 2648, which would reclassify this machinery under HTS subheading 8477.10.40 or 8479.89.85, as appropriate (see technical comments and following table). See also H.R. 3784 (withdrawn).

Summary of the bill:[4]

The bill would suspend the general rate of duty[5] on--

> Electrical machines and apparatus, whether imported separately or as an entirety, and parts thereof, for use in the manufacture of digital versatile discs (DVDs) (provided for in subheading 8543.30.00).
>
> 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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[1] International trade analyst: Theresa H. Canavan (202-205-3442); 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).

[5] 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)[6] |
| Panasonic | Washington, DC | April 5, 2000 | Y |
| Toolex International, represented by Collier, Shannon, Rill & Scott, PLLC | Washington, DC | April 5, 2000 | Y |
| International Electronics Manufacturers and Consumers of America, Inc. (IEMCA) | 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[7] of the subject product after importation to its facilities in the United States (Y/N)*: See below.

*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.

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

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

[7] 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 |
| The electroforming process is the process through which a nickel "stamper" is produced from a glass master. Electrolytic plating machines and galvanics machines are interchangeable terms for the machines that produce the nickel stampers. Digital information is recorded by laser beam onto photo-resist or dye polymer material on a glass substrate to form a glass master. The glass master is then metallized with a microscopically thin coat of vaporized nickel, through either an evaporation, sputtering, or chemical process.<br><br>After a glass master is produced as described above, it is inspected and then put through the electroforming process. Nickel electroforming or plating is the electrolytic deposition of a layer of nickel. Electrolytic plating machines apply a nickel coating to the glass master. The process used is electrochemical, and the thin nickel coating acts as a cathode attracting free nickel ions. The glass master is placed into a container, or "cell," and immersed in a plating solution containing nickel ions. A layer of nickel forms on the glass master.<br><br>The nickel "father" resulting from the above process is separated from the glass master and electrolytically cleaned of all photo-resist or dye polymer material prior to replication. The glass master is also thoroughly cleaned (through a separate process) so it can be reused. The father, containing a negative impression of the master, can be used in production runs for replication. Typically, however, the surface of the father is passivated (an oxide layer is formed on the surface) immediately after cleaning and a "mother,"containing a positive impression, is produced from the father, through the electrolytic process described above. The oxide layer is necessary to allow the mother to separate from the father. The mother is cleaned and passivated, and stampers containing a negative impression are then produced from the mother through this same electrolytic process.<br><br>Electrolytic cleaning can be done through either of two processes, and these two processes can also be used consecutively. In the first process, a caustic chemical solution is used. In the second process, a gas-filled chamber is used. An electric current reacts with either the solution or the gas to remove either the photo-resist or dye polymer material. When both processes are used, the gas process is used after the solution process. In the final part of the electroforming process, stampers are thoroughly cleaned through a mechanical backsanding process and then cut (punched) to fit into the mold used in replication machines. | Germany, Japan, Sweden |

– 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 number *used in the bill*: 8543.30.00** [8] | | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| General rate of duty[9] (AVE)[10] | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% |
| Estimated value ***dutiable*** imports | 2,520,000 | 2,100,000 | 840,000 | 840,000 | 840,000 |
| Customs revenue loss | $65,520 | $54,600 | $21,840 | $21,840 | $21,840 |

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

| **HTS number *recommended by the Commission*: n/a** [11] | | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| General rate of duty (AVE) | | | | | |
| Estimated value ***dutiable*** imports | | | | | |
| Customs revenue loss | | | | | |

[8] The HTS number is 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] If a different HTS number is recommended, see technical comments.

– 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)[12] |
| 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, MI | April 12, 2000 | N |
| M2 Gauss Corporation | Valencia, CA | 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 |
| Optical Disc Corporation | Santa Fe Springs, CA | April 19, 2000 | Y |

[12] 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 *other than* the proponents** | | | |
|---|---|---|---|
| Digital Matrix Corporation | Hempstead, NY | April 21,2000 | Y |
| Record Products of America | Hamden, CT | April 21,2000 | N |
| Reflekt | Concord, MA | April 21, 2000 | N |
| Reynolds Tech | East Syracuse, NY | April 21, 2000 | N |
| Technotrans America, Inc. | Chicago, IL | April 24, 2000 | N |
| Convac (formerly Fairchild Technologies) | Fremont, CA | April 24, 2000 | N |
| U.S. Customs Service | New York, NY | April 24, 2000 | N |
| Warner Advanced Media Operations (WAMO) | Olyphant, PA | April 25, 2000 | Y |

– 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 equipment[13] | Optical Disc Corporation | Santa Fe Springs, CA | April 26, 2000 |

[13] Optical Disc Corporation manufactures laser encoding equipment, glass recovery and cleaning equipment, and spin coating equipment, but is also an integrator, providing "turnkey" (complete) systems. Optical Disc Corporation physically manipulates components which are sourced from other vendors and incorporates them into a complete mastering system.

| Statements concerning current U.S. production | | | |
|---|---|---|---|
| Electroforming equipment[14] | Digital Matrix Corporation | Hempstead, NY | April 26, 2000 |

| Statements concerning "future" or "competitive" U.S. production | | | |
|---|---|---|---|
| Name of product | Name of firm | Location of U.S. production facility | Date received |
| Mastering equipment[15] | Optical Disc Corporation | Santa Fe Springs, CA | April 26, 2000 |
| Mastering and replicating equipment[16] | Toolex USA, Inc. | Irvine, CA | May 1, 2000 |

– 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*:

First, it is suggested that the expression "having individual functions," be inserted after the word "apparatus," in the article description of the proposed heading to clarify further the types of machines and apparatus concerned. Second, because it can be difficult to classify goods that may be shipped and presented in different forms, we are uncomfortable with the broad nature of the proposed heading and particularly with its inclusion of entireties. It is not easy to know whether the subject machine would always fall in the cited 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 8543.30.00. Moreover, it would not seem desirable to suggest that

[14] Digital Matrix Corporation manufactures electrolytic plating and cleaning equipment, but also supplies a full range of support equipment required in the electroforming process, including stamper-punching equipment, filtration equipment, wastewater equipment, and control equipment (a "turnkey" system). Digital Matrix Corporation acts as an integrator, incorporating components sourced from other vendors into a complete electroforming system.

[15] Please refer to footnote 13.

[16] Toolex manufactures mastering, electroforming, and replicating equipment and incorporates them into complete "turnkey" systems.

other machines or articles shipped along with the subject machines would automatically be eligible for a duty suspension. We suggest that Customs be consulted with regard to classification issues.

*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*:[17]

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 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.

It is also important to note that electroforming equipment can be used to produce products other than DVDs and CDs with minimal or no adjustment. Specifically, eyeglass and magnifying lenses are produced from nickel stampers created using electroforming equipment. Electroforming equipment of the basic type used in DVD production can also be used to create flat-panel screens, and it is used by the holographics industry to create holographs.

[17] 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.

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

| 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 |
|---|---|---|---|---|---|---|
| Complete Process–Mastering and Replicating | H.R. 3778<br>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<br>8479.89.85 | Free | H.R. 3779-3795<br>S. 2647-2664 | All companies listed below. |
| Mastering | H.R. 3780<br>S. 2646;<br>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)<br>See also in-line replication system machine below. | 8479.89.97<br><br>9013.80.90 | 2.5<br><br>4.5 | H.R. 3778 / S. 2648<br>H.R. 3787 / S. 2655<br>H.R. 3785 / S. 2653<br>H.R. 3788 / S. 2656<br>H.R. 3795 / S. 2663<br>H.R. 3782 / S. 2650 | Optical Disc Corporation (ODC)[18] |
| Mastering | H.R. 3787<br>S. 2655 | Glass cleaning machine for recycling/recovering glass substrate | 8464.90.90 | 2.0 | H.R. 3778 / S. 2648<br>H.R. 3780 / S. 2646 | ODC<br>Reynolds Tech |
| Mastering | H.R. 3785<br>S. 2653 | Polishing of glass substrates, done periodically | 8464.20.50 | 2.0 | H.R. 3778 / S. 2648<br>H.R. 3780 / S. 2646 | ODC |
| Mastering | H.R. 3788<br>S. 2656 | Coating machine (photo-resist or dye-polymer) | 8479.89.97 | 2.5 | H.R. 3778 / S. 2648<br>H.R. 3780 / S. 2646 | ODC |
| Mastering | NA | Baking station | NA | NA | NA | ODC |
| Mastering | H.R. 3795<br>S. 2663 | Inspection for defects and measurement of thickness | 9031.49.90 | 3.5 | H.R. 3778 / S. 2648<br>H.R. 3780 / S. 2646 | Integral Vision, Inc.<br>ODC |
| Mastering | H.R. 3782<br>S. 2650 | Laser encoder machine | 8479.89.97 | 2.5 | H.R. 3778 / S. 2648<br>H.R. 3780 / S. 2646 | ODC |

[18] 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.

| 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 |
|---|---|---|---|---|---|---|
| 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<br>S. 2652 | Electrolytic plating–charged nickel sulphamate bath to grow metal layers | 8543.30.00 | 2.6 | H.R. 3778 / S. 2648<br>H.R. 3786 / S. 2654 | Digital Matrix<br>Reflekt, Inc.<br>Reynolds Tech<br>Technotrans America, Inc. |
| Electroforming (Mastering) | H.R. 3786<br>S. 2654 | Electrolytic cleaning of nickel master or stamper | 8543.89.96 | 2.6 | H.R. 3778 / S. 2648<br>H.R. 3784 / S. 2652 | Digital Matrix<br>Reflekt, Inc.<br>Reynolds Tech<br>Technotrans America, Inc. |
| Electroforming (Mastering) | H.R. 3779<br>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<br>MetroLine Industries<br>Nordson Corp (March Instruments, Advanced Plasma Systems)<br>Yield Engineering Systems |
| Mastering finishing | H.R. 3781<br>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<br>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<br>S. 2657 | Injection molding of DVD disc (molding of DVDs against the stamper) | 8477.10.90 | 3.1 | H.R. 3778 / S. 2648<br>H.R. 3794 / S. 2662 | |
| Replication | H.R. 3794<br>S. 2662 | DVD mold | 8480.79.90 | 3.1 | H.R. 3778 / S. 2648<br>H.R. 3789 / S. 2657 | |
| Replication | H.R. 3780<br>S. 2646;<br>S. 2664 | In-line system machine (in-line replication machine typically includes the following stations: cooling/feeder, metallizing, bonding, curing, inspection and sorting.)<br>See also In-line mastering system machine above. | 8479.89.97 | 2.5 | H.R. 3778 / S. 2648<br>H.R. 3788 / S. 2656<br>H.R. 3790 / S. 2658<br>H.R. 3791 / S. 2659<br>H.R. 3792 / S. 2660<br>H.R. 3793 / S. 2661<br>H.R. 3795 / S. 2663 | Steag Hamatech, Inc. (Steag)[19] |
| Replication | NA | Cooling/feed unit–transfers the molded replicas to the metallizer units | NA | NA | NA | Steag |
| Replication | H.R. 3793<br>S. 2661 | Sputter (or spin) aluminum on DVD disc | 8479.89.97 | 2.5 | H.R. 3778 / S. 2648<br>H.R. 3792 / S. 2660 | |
| Replication (DVD-9) | H.R. 3792<br>S. 2660 | Sputter (or spin) gold (or silicon) on DVD disc | 8479.89.97 | 2.5 | H.R. 3778 / S. 2648<br>H.R. 3793 / S. 2661 | |
| Replication | H.R. 3788<br>S. 2656 | Coating machine–laquer coating used as bonding agent | 8479.89.97 | 2.5 | H.R. 3778 / S. 2648<br>H.R. 3790 / S. 2658 | Steag |
| Replication (DVD-only) | H.R. 3790<br>S. 2658 | Bonding machine | 8479.89.97 | 2.5 | H.R. 3778 / S. 2648<br>H.R. 3788 / S. 2656 | Steag |

[19] 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 | NA | UV curing station | NA | NA | NA | |
| Replication | H.R. 3795<br>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[20] |
| Replication | H.R. 3791<br>S. 2659 | Stacker machine | 8479.89.97 | 2.5 | H.R. 3778 / S. 2648 | Staeg |
| 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. | | | | | | |

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.

[20] 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. 2652

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).

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. TEMPORARY SUSPENSION OF DUTY.**

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| " | 9902.84.08 | Electrical machines and apparatus, whether imported separately or as an entirety, and parts thereof, for use in the manufacture of digital versatile discs (DVDs) (provided for in subheading 8543.30.00) ..... | Free | No change | No change | On or before 12/31/03 | ". |

(b) EFFECTIVE DATE.—The amendment made by this section applies with respect to goods entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of the enactment of this Act.

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