September 10, 1997

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]

Bill no., sponsor, and sponsor's state: H.R. 1889 (105th Congress), Representative McDermott, (WA).

Companion bill: None.

Title as introduced: To suspend temporarily the duty on spring steel.

Summary of bill:[2]

This bill would temporarily suspend import duties through 1999 on spring steel edges for use in the manufacture of skis and snowboards.

Effective date: 15th day after enactment.

Retroactive effect: None

Statement of purpose:

Abstract of Representative McDermott's remarks from the Congressional Record:[3]

K2 Corporation, Vashon Island, Washington, is the last remaining major U.S. manufacturer of skis and one of three major makers of snowboards in the United States. All K2 snowboards and virtually all K2 and Olin-brand skis sold throughout the world are individually crafted by technicians on Vashon Island. K2 sources almost all of the components for its skis and snowboards in the United States stimulating the U.S. economy through its purchases of raw materials from U.S. suppliers, especially in the Pacific Northwest region of the country. However, for two key ski and snowboard components, i.e., spring steel edges and polyethylene base materials, K2 has been unable to find a domestic supplier for these needs. Therefore, K2 has been forced to import these products, which are subject to U.S. customs duties. This legislation provides for a temporary suspension of customs duty on the two raw materials which are vital to the U.S. production of skis and snowboards and which are unavailable from domestic producers. K2 has endured as a U.S. ski manufacturer in the face of fierce price competition, while several

[1] Industry analyst: Tracy Quilter (205-3437); attorney: Leo Webb (205-2599).
[2] See appendix A for definitions of tariff and trade agreement terms.
[3] Representative McDermott's remarks regarding H.R. 540, a Bill to suspend temporarily the duty on certain materials (i.e. spring steel edges and polyethylene base materials) used in the manufacture of skis and snowboards, Congressional Record, p. E-156, Feb. 4, 1997. No additional comments were made on introducing HR 1889.

other major ski companies no longer manufacture skis in the United States. This temporary duty suspension legislation would support jobs in the region, as well as help K2 preserve and increase its competitiveness in the global market place. K2 is the only major exporter of skis made in the United States, and one of three principal exporters of U.S. made snowboards. Thus, K2's exports of U.S. manufactured skis and snowboards represent a substantial percentage of U.S. skis and snowboards sold worldwide. The temporary duty suspension proposed by this legislation would help prevent the shutdown of the only remaining U.S. producer of skis, and thus help to prevent the disappearance of U.S. manufactured skis from the global marketplace.

Product description and uses:

Spring steel edges: Spring steel edges are used by manufacturers of skis and snowboards to provide an edge that will cut into ice and snow for ease in turning and maneuverability. Spring steel edges are “L” shaped wire products of high carbon steel with holes punched on the long side of the “L,” that has been cut to length and bent to customers specifications. The spring steel edge continues around the entire perimeter of the snowboard while skis have a spring steel edge on either side of the ski. Spring steel edges are produced from wire rod which undergoes the following processes: pickling (immersion in an acid or chemical bath), drawing, annealing (heat treatment), and then forming by rolling. It is then oil tempered to improve hardness and strength, and finally it is coiled. The coils of spring steel are further processed by cutting to length, sand blasting to clean the spring steel edge, punched, and bent to the shape of the ski or snowboard. The punching process forms holes of uniform shape and size through which the spring steel edge adheres to the base materials.

Tariff treatment:[4]

Product	HTS subheading	Col. 1-general rate of duty
L-shaped edges of spring steel for use in the manufacture of skis and snowboards.	7217.10.90	3.8% ad valorem

Structure of domestic industry (including competing products):

Spring steel edges: Two U.S. producers of spring steel edges for skis and snowboards have been identified, Profiles, Inc. of Massachusetts and Bekaert Corp. of Ohio. Bekaert Corp. is a subsidiary of the Belgian firm N.V. Bekaert S.A. and works with another U.S. firm to produce the spring steel edges. Several U.S. companies import spring steel edges for U.S. consumption primarily from C.D. Walzholz, a German firm, and Friedreich Deutsche of Austria. In some cases, the spring steel

[4] See appendix B for column 1-special and column 2 duty rates.

edge is imported in coils and further processed in the United States by ski and snowboard manufacturers or intermediate parties.

Private-sector views:

The Commission contacted 15 companies which produce, use, or import this product.[5] Four of these companies have provided written comments to the Commission as of July 30, 1997.[6]

U.S. consumption:

Spring steel edges:	1994	1995	1996
	($thousands)		
U.S. production...............................	([1])	([1])	([1])
U.S. imports...................................	([2])	([2])	1,000
U.S. exports....................................	([1])	([1])	([1])
Apparent U.S. consumption............	([3])	([3])	([3])

Principal import sources: Austria and Germany
Principal export markets: ([1])

[1] Business proprietary information
[2] HTS 7217.10.90 did not exist prior to 1996
[3] Not available

Effect on customs revenue:[7]

Future (1997-1999) effect:

1997 imports of \$1,000,000 x 3.8%[8] = revenue loss of \$38,000
1998 revenue loss of \$33,000
1999 revenue loss of \$28,000

Retroactive effect: None

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[5] The companies contacted are Mr. Tony Chow, K2 Corp., Vashon, WA; Ms. Karen Bysiewicz, Coudert Brothers, New York, NY; Mr. Robert Brock, Profiles, Inc., Ware, MA; Ms. Joyce Dinehart and Mr. Steve Wray, Bekaert Corp., Cincinnati, OH; Ms. Tammy Hendrick, Burton Snowboards, Burlington, VT; Mr. Girish Govind, Ride Manufacturing, Corona, CA; Rossignol Ski Company, Inc., Williston, VT; Ms. Kristine Muir, Volant Ski Corp., Boulder, CO; Ms. Kathy Wickman, Snow-Tek USA, Seattle, WA; Nitro USA, Hood River, OR; Mr. Charles Meckem, Edge Tech, Redmond, WA; Mr. Otto Simmerman, Contours, Inc., Orrville, OH; Mr. Jeff Bassman, Jeffco, San Diego, CA; Ms. Stephanie Kapsi, Mervin Snowboards, Seattle, WA; Mr. David Zenker, CDW Edge, Cleveland, OH. One company preferred to remain anonymous.

[6] See attached statements

[7] Actual revenue loss may be understated in the event of a significant increase in imports over the duty suspension period.

[8] Calculations based on staged tariff reductions.

Technical comments:

Research indicates that imports of spring steel edges used in the manufacture of skis and snowboards are imported under several different HTS numbers. In addition to HTS 7217.10.90, importers also use HTS 7216.61.00 for coils of spring steel edges that have not been punched,[9] while HTS 7216.91.00 and 7216.69.00 are used for coils that have been punched.

[9] The U.S. Customs Service has made a determination that imported, unpunched, spring steel ski and snowboard edges are properly classified under HTS 7217.10.90.

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 most-favored-nation (MFN) 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 enumerated in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam), which are subject to the statutory rates set forth in **column 2**. Specified goods from designated MFN-eligible 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 June 30, 1998. 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 or 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. 8/12/97

APPENDIX B

SELECTED PORTIONS OF THE
HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES

(Appendix not included in the electronic version of this report.)

APPENDIX C

OTHER ATTACHMENTS

(Appendix not included in the electronic version of this report.)

I

105TH CONGRESS
1ST SESSION

H. R. 1889

To suspend temporarily the duty on spring steel.

IN THE HOUSE OF REPRESENTATIVES

JUNE 12, 1997

Mr. MCDERMOTT introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To suspend temporarily the duty on spring steel.

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

SECTION 1. SUSPENSION OF DUTY ON SPRING STEEL.

(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:

"	9902.72.17	L-shaped edges of spring steel for use in the manufacture of skis and snowboards (provided for in subheading 7217.10.90)	Free	No change	No change	On or before 12/31/99	".

(b) APPLICABILITY.—The amendment made by this section applies 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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