

June 22, 1998

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON FINANCE OF THE UNITED STATES
SENATE ON PROPOSED TARIFF LEGISLATION¹

Bill no., sponsor, and sponsor's state: S. 1632 (105th Congress), Senator Thurmond (SC).

Companion bill: None.

Title as introduced: To reduce temporarily the duty on certain weaving machines.

Summary of bill:²

The proposed bill would reduce through December 31, 1999, the general rate of duty on certain shuttleless weaving machines of subheading 8446.30.50 of the Harmonized Tariff Schedule of the United States (HTS). New HTS heading 9902.84.46 covering such machines would have a general rate of duty that is 4 percent less than would otherwise apply based on Presidential Proclamation 6763 of December 23, 1994.³

Effective date: The 15th day after enactment.

Retroactive effect: The duty reduction would be made retroactive to January 1, 1998.

Statement of purpose:

Senator Thurmond made no statement about the bill in the *Congressional Record*. The bill reportedly was introduced on behalf of members of the American Textile Manufacturers Institute (ATMI).⁴

Product description and uses:

Weaving machines: Weaving machines (looms) produce fabric by interlacing warp yarns, which run lengthwise through woven fabric, with filling yarns, which run crosswise at right angles, in an over-and-under fashion. Looms usually produce flat goods; however,

¹Industry analyst: William Greene (202-205-3405); attorney: Jan Summers (202-205-2605).

²See appendix A for definitions of tariff and trade agreement terms.

³Presidential Proclamation 6763 implemented trade agreements resulting from the Uruguay Round of multilateral trade negotiations with respect to the United States and gave effect to U.S. tariff concessions recorded in Schedule XX, attached to such agreements.

⁴Mr. Doug Bulcao, American Textile Manufacturing Institute (ATMI), Apr. 22, 1998.

some tubular fabrics are woven on broad looms and some on circular looms. The different types of looms are named according to the type of mechanism used or fabric type produced, such as shuttle or shuttleless looms (projectile/missile, airjet, water jet, rapier, and fly) and pile looms. Looms range in size from very wide machines (up to 90 feet), such as those producing broadloom carpets, to narrow looms (less than 12 inches), for producing ribbons and belts. The shuttleless weaving machines covered by the proposed bill represent nearly 71 percent of all weaving machines imported into the United States during 1997.

Tariff treatment:

<u>Product</u>	<u>HTS subheading</u>	<u>Col. 1-general rate of duty</u>
Certain shuttleless weaving machines.....	8446.30.50	3.9% ad val. (1999 and thereafter--3.7%)

Structure of domestic industry (including competing products):

Weaving machines: Foreign manufacturers presently supply the bulk of all weaving machines purchased by U.S. textile mills and apparel manufacturers. Foreign manufacturers were able to surpass domestic producers in terms of technological sophistication in the late 1970s. Although a 1992 U.S. Census Bureau publication reported that there were at least 5 U.S. companies manufacturing weaving machines, with shipments valued at more than \$10 million, the American Textile Machinery Association (ATMA) reports that, at present, there are no domestic producers of weaving machines.⁵ According to Commission records, the last known U.S. producer of weaving machines was the Draper Corp. of Greensboro, NC.⁶

ATMA officials indicate that there are domestic producers of parts, accessories, and auxiliary machinery for weaving machines. The ATMA indicated that discussions with the American Textile Manufacturers Institute resulted in an agreement that parts, accessories, and auxiliary machinery for weaving machines would be excluded from this bill.

Private-sector views:

The Commission contacted 2 entities representing importers, producers, and their representatives

⁵U.S. Bureau of the Census, *1992 Census of Manufactures, MC 92-I-35D, Special Industry Machinery, Except Metalworking Machinery Industry*, 1992, p. 35D-18. Mr. Clay Tyeryar, Government Affairs, American Textile Machinery Association, Apr. 22, 1998.

⁶Attempts to contact Draper Corp. in April 1998 proved unsuccessful.

concerning this legislation.⁷ No written submissions had been received as of the date of preparation of this report.

⁷The following individuals were contacted: Mr. Clay Tyeryar, Government Affairs, American Textile Machinery Association (ATMA); Mr. Doug Bulcao, American Textile Manufacturers Institute (ATMI).

U.S. consumption:

Weaving machines:	<u>1995</u>	<u>1996</u>	<u>1997</u>
	-----(\$1,000)-----		
U.S. production.....	(¹)	(¹)	(¹)
U.S. imports.....	196,823	104,846	142,660
U.S. exports ²	4,168	2,015	3,039
Apparent U.S. consumption.....	(¹)	(¹)	(¹)

¹Not available.

²Industry sources are not sure if U.S. exports represent U.S. shipments of new machinery only or include shipments of used or reconditioned machinery.

Principal import sources: Belgium, Japan, Germany.

Principal export markets: Pakistan, Mexico, Spain.

Effect on customs revenue:⁸

Future (1998-1999) effect: Customs revenue loss exceeding \$8 million (based on 1996-1997 imports and on 6 months of duty suspension during 1998).

1998:	Average annual value of U.S. imports	\$142.7 million
	<u>x column 1-general rate of duty</u>	<u>x 0.039</u>
	Annual revenue loss	\$5,565,300
	(Monthly estimated loss	\$ 463,775)
1999:	Average annual value of imports	\$142.7 million
	<u>x col. 1-general duty rate</u>	<u>x 0.037</u>
	Annual revenue loss	\$5,279,900

Retroactive effect: The retroactive revenue loss would depend on the volume and value of shipments during the period from January 1, 1998, through the bill's effective date and on the goods' importers making proper claims for refunds. As such, the figure cannot be computed precisely; the monthly estimate given above might help predict the maximum expected revenue loss.

Technical comments:

First, it is suggested that the proposed article description be modified slightly, as follows:

Weaving machines (looms), shuttleless type, for weaving fabrics of a width exceeding 30 cm but

⁸Actual revenue loss may be understated if a significant increase in imports occurs during the duty suspension period.

not exceeding 4.9m (provided for in subheading 8446.30.50), if entered without off-loom or large loom take-ups, drop wires, heddles, reeds, harness frames or beams.

Second, both the 1998 general duty rate of 3.9 percent ad valorem and the future scheduled rate of duty (3.7 percent) for textile weaving machines entering under HTS subheading 8446.30.50 are already lower than the duty rate proposed in the bill, and the HTS does not contain negative duty rates. To avoid this problem, it is suggested that the proposed general duty rate in the bill be deleted and a duty rate of "Free" substituted therefor.

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.

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APPENDIX B

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

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

105TH CONGRESS
2D SESSION

S. 1632

To reduce temporarily the duty on certain weaving machines.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 11, 1998

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

A BILL

To reduce temporarily the duty on certain weaving machines.

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. WEAVING MACHINES.**

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:

“	9902.84.46	Weaving machines (looms) for weaving fabrics of a width exceeding 30 cm but not exceeding 4.9 m, shuttleless type, if imported without off-loom or large loom take-ups, drop wires, heddles, reeds, harness frames, and beams (provided for in subheading 8446.30.50)	A rate of duty that is 4% less than the rate of duty that would otherwise apply based on Presidential Proclamation 6763, dated December 23, 1994	No change	No change	On or before 12/31/99	”.
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1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) applies to goods entered, or withdrawn from
3 warehouse for consumption, on or after the date that is
4 15 days after the date of enactment of this Act.

5 (c) RETROACTIVE APPLICATION.—Notwithstanding
6 section 514 of the Tariff Act of 1930 or any other provi-
7 sion of law, upon proper request filed with the Customs
8 Service within 180 days after the date of enactment of
9 this Act, any entry, or withdrawal from warehouse for con-
10 sumption, of goods described in subheading 9902.84.46 of
11 the Harmonized Tariff Schedule of the United States (as
12 added by subsection (a))—

13 (1) that was made after December 31, 1997,
14 and before the date that is 15 days after the date
15 of enactment of this Act; and

16 (2) with respect to which there would have been
17 no duty or a lower duty if the amendment made by
18 subsection (a) applied to such entry or withdrawal,

- 1 shall be liquidated or reliquidated as if such amendment
- 2 applied to such entry or withdrawal.

