

June 11, 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. 1824 (105th Congress), Senator Torricelli (NJ).

Companion bill: None.²

Title as introduced: To amend the Harmonized Tariff Schedule of the United States to provide duty-free treatment for certain skating boots used for in-line skates.

Summary of bill:³

The bill amends the Harmonized Tariff Schedule of the United States (*HTS*) by providing duty-free treatment to imports of certain skating boots with textile uppers classifiable under *HTS* subheading 6404.11.90, for use in the manufacture of in-line skates. The 1998 column 1 duty rate for such footwear is 20 percent ad valorem.

Effective date: 15th day after enactment

Retroactive effect: None

Statement of purpose:

No formal statement concerning the bill was published in the *Congressional Record* by the sponsor at the time the bill was introduced. Staff in the sponsor's office stated that the bill was introduced on behalf of V-Formation, Inc., Lincoln Park, NJ.⁴ According to the sponsor's staff, the purpose

¹Industry analyst assigned: Sundar A. Shetty (205-3486); attorney assigned: Leo Webb (205-2599).

²S. 1101 (105th Congress), introduced by Senator Jeffords (VT) and Senator Leahy (VT), would amend the *Harmonized Tariff Schedule of the United States* by creating a new subheading 6404.11.10 specifically for ski-boots, cross-country ski footwear, and snowboard boots with outsoles of rubber or plastics and textile uppers, and applying the same duty rates as those for ski footwear with leather uppers. Currently, ski boots and snowboard boots with textile uppers are dutiable under subheading 6404.11.90 at 20 percent ad valorem. The ski footwear with leather uppers are dutiable under subheading 6403.12.60 at 2 percent.

³See appendix A for definitions of tariff and trade agreement terms.

⁴Mr. Michael Merola, legislative assistant, telephone interview with USITC staff, April 27, 1998. During the interview, Mr. Merola indicated that the bill S. 1824 covers only skating boots with textile uppers for use in the manufacture of in-line skates. This bill is less broad than S. 1288 which covered a range of sports footwear with textile uppers (see bill report on S. 1288).

of the bill is to correct the unfair tariff treatment borne by U.S. producers of in-line skates, who must import the skating boots with textile uppers for use in the production of in-line skates because the boots themselves are not produced in the United States. The duty for these boots is 20 percent ad valorem. By contrast, imports of such boots with skates attached enter free of duty under *HTS* subheading 9506.70.20, thereby giving importers of that product a competitive advantage over U.S. producers of in-line skates.

Product description and uses:

Skating boots: The products covered by the bill include skating boots for use in the production of in-line skates, with textile uppers and outer soles of rubber or plastics, valued over \$12 a pair. Related products that are not covered by the bill include completely assembled skates, such as in-line, ice, or roller skates, which are dutiable under *HTS* heading 9506.70 at rates ranging from 0 to 3.5 percent ad valorem.

Tariff treatment:⁵

<u>Product</u>	<u>HTS subheading</u>	Col. 1-general
		<u>rate of duty</u>
Skating boots, valued over \$12 a pair.....	6404.11.90	20% ad val.

Structure of domestic industry (including competing products):

Skating boots: U.S. production and imports of skating boots with textile uppers are believed to be negligible.⁶ If produced domestically, establishments producing such boots would be classified in industry SIC 3021, Rubber and Plastics Footwear. The rubber and plastics footwear industry consists of approximately 40 to 50 establishments employing about 6,800 people. These establishments produce primarily footwear having rubber or plastics soles vulcanized, injection molded, or cemented to textile uppers, and rubber and plastics protective footwear. Imports represent about 80 percent of the U.S. rubber footwear market. Most products manufactured in this industry are casual, jogging or athletic-type shoes and are used primarily for athletic events or leisure activities.

Competing products: The articles covered by the bill compete with skating boots having leather or vinyl uppers, which are produced by establishments classified in industry SIC 314, Footwear, Except Rubber. The competing imports are classifiable for tariff purposes under various subheadings of *HTS* heading 6402, other footwear with outer soles and uppers of rubber or plastics, and heading 6403, footwear with

⁵ See appendix B for column 1-special and column 2 duty rates.

⁶ Theodore Ellenis, Executive Vice President, V-Formation, Inc., Lincoln Park, NJ, telephone interview with USITC staff, March 18, 1998.

outer soles of rubber, plastics, leather or composition leather and uppers of leather.

Private-sector views:

Richard Kaplan of the law firm of Lamb & Lerch, New York, representing a number of U.S. footwear producers, and Mitchell Cooper of the Rubber and Plastics Footwear Manufacturers Association, Washington, DC, were contacted by the Commission for their views on this legislation.⁷ The Commission also contacted Ms. Fawn Evenson of the Footwear Industries of America (FIA).⁸ All of them believe that there is no domestic production of skating boots with textile uppers and the enactment of the bill covering only such skating boots would have no impact on the domestic industry. In addition, the Commission contacted V-Formation, Inc., on whose behalf the bill was introduced, and the only firm known to import skating boots with textile uppers.⁹ Written comments from V-Formation are included with this report and marked as appendix C.

U.S. consumption:

Skating boots:	<u>1995</u>	<u>1996</u>	<u>1997</u>
	------(Million dollars)-----		
U.S. production.....	(¹)	(¹)	(¹)
U.S. imports.....	(¹)	(¹)	(¹)
U.S. exports.....	(¹)	(¹)	(¹)
Apparent U.S. consumption	(¹)	(¹)	(¹)

¹Not available, but believed to be nil or negligible.

Principal import sources: Not available.

Principal export markets: Not available.

In-line skates with boots attached:	<u>1995</u>	<u>1996</u>	<u>1997</u>
	------(Million dollars)-----		
U.S. production.....	(¹)	(¹)	(¹)
U.S. imports.....	(¹)	(¹)	(¹)
U.S. exports.....	(¹)	(¹)	(¹)
Apparent U.S. consumption	(¹)	(¹)	(¹)

¹According to the Sporting Goods Manufacturers Association, North Palm Beach, FL, the U.S. market for in-line skates with boots attached is estimated to have totaled \$685 million in 1997. Data on U.S. consumption of in-line skates with textile boots are not available, but are believed to be very small.

Principal import sources: Not available.

Principal export markets: Not available.

⁷Telephone interview with USITC staff, March 11 & 17, 1998.

⁸Telephone interview with USITC staff, July 23, 1997.

⁹Theodore Ellenis, Executive Vice President, V-Formation, Inc., Lincoln Park, NJ, telephone interview with USITC staff, May 8, 1998.

Effect on customs revenue:¹⁰

Future (1998-2000) effect:

V-Formation is the only firm known to be importing the footwear covered by the bill. According to V-Formation, the company is planning to import in each of the next 3 years approximately \$450,000 worth of skating boots with textile uppers that will be used in the manufacture of in-line skates. With the enactment of this bill, the revenue loss is estimated at \$90,000 per year, assuming that the company would import \$450,000 of boots every year at a duty rate of 20 percent ad valorem. However, the revenue effect could be neutral if V-Formation decides to import, as indicated during the interview, the entire in-line skates duty free instead of importing only the skating boots covered by the bill.

Retroactive effect: None.

Technical comments: None.

¹⁰The revenue loss/gain calculation presented in this section does not account for the effect that reduction of duty rates resulting from the proposed legislation might have on the volume of sales and prices of the goods covered.

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.)

105TH CONGRESS
2D SESSION

S. 1824

To amend the Harmonized Tariff Schedule of the United States to provide duty-free treatment for certain skating boots used for in-line skates.

IN THE SENATE OF THE UNITED STATES

MARCH 24, 1998

Mr. TORRICELLI (for himself and Mr. LAUTENBERG) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Harmonized Tariff Schedule of the United States to provide duty-free treatment for certain skating boots used for in-line skates.

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. ESTABLISHMENT OF DUTY-FREE TREATMENT**

4 **FOR SKATING BOOTS WITH TEXTILE UPPERS.**

5 (a) IN GENERAL.—Chapter 64 of the Harmonized
6 Tariff Schedule of the United States is amended by insert-
7 ing in numerical sequence the following new subheadings
8 with the article description for such subheadings having

1 the same degree of indentation as the article description
 2 in subheading 6404.11.80:

6404.11.91	Valued over \$12/pair: Skating boots for use in the manufacture of in-line roller skates	Free	Free	35%	35%	".
6404.11.93	Other	20%	(CA,IL,MX)			

3 (b) STAGED RATE REDUCTION.—Any staged reduc-
 4 tion of a rate of duty set forth in subheading 6404.11.90
 5 of the Harmonized Tariff Schedule of the United States
 6 that was proclaimed by the President before the date of
 7 enactment of this Act and that would otherwise take effect
 8 after such date of enactment shall apply to the correspond-
 9 ing duty rate set forth in subheading 6404.11.93 of the
 10 Harmonized Tariff Schedule of the United States, as
 11 added by subsection (a).

12 (c) EFFECTIVE DATE.—The amendment made by
 13 subsection (a) applies to articles entered, or withdrawn
 14 from warehouse for consumption, on or after the 15th day
 15 after the date of enactment of this Act.

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