UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM ON PROPOSED TARIFF LEGISLATION of the 109th Congress [1]

[Date approved: July 26, 2005][2]

Bill No. and sponsor: H.R. 1230 (Mr. Blunt)

Proponent name, location: Not available.[3]

Other bills on product (109th Congress only): None.

Nature of bill: Authorize duty-free treatment for tents from designated Middle Eastern countries[4] to be accorded by Presidential proclamation with annual reviews.

Retroactive effect: None.

Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

For subdivision 1(b) definition of "eligible article" under this measure: "Tents (other than backpacking tents) of synthetic fibers, each having a sewn-in floor and measuring at the base not over 6 meters along any side (as provided for in subheading 6306.22.90)." The bill would not create a tariff rate line or legal note; instead, it authorizes the President to proclaim a tariff preference for this narrow product group for the potentially eligible countries.

Check one: __ Same as that in bill as introduced
_X_ Different from that in bill as introduced (explain differences in Technical comments section)

Product information, including uses/applications and source(s) of imports:

The bill covers synthetic-fiber tents, other than backpacking tents,[5] with the specifications noted above. Such tents may contain other materials such as vinyl as long as they are "of synthetic fibers" for tariff purposes. They have various end uses, including military applications and event use or rentals. China is the major source of the subject synthetic-fiber tents, accounting for 75 percent of U.S. imports by value in 2004, followed by Bangladesh, accounting for 8 percent.

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[1] Industry analyst preparing report: Heidi Colby-Oizumi (202-205-3391); Tariff Affairs contact: Jan Summers (202-205-2605).
[2] A copy of this memorandum is available at http://usitc.gov/tata/hts/other/rel_doc/bill_reports/index.htm.
[3] Commission staff contacted Brian Diffel of Rep. Blunt's office by telephone on June 6, 2005. Mr. Diffel declined to identify the proponent of the bill.
[4] The following eligible countries, which would be subject to various conditions for designation as beneficiaries of the proposed measure, are listed in sec. 2(d) of the bill: Afghanistan, Algeria, Azerbaijan, Bahrain, Bangladesh, Egypt, Iraq, Kuwait, Lebanon, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Tunisia, Turkey, United Arab Emirates, and Yemen. The President could also designate the Palestinian Authority as a beneficiary political entity and would be entitled to withdraw treatment at any time.
[5] Backpacking tents of synthetic fibers are specifically provided for in HTS subheading 6306.22.10 and are accorded a U.S. general duty rate of "free."

Estimated effect on customs revenue:

HTS subheading: 6306.22.90					
	2005	2006	2007	2008	2009
Col. 1-General rate of duty (AVE) 1/	8.8%	8.8%	8.8%	8.8%	8.8%
Estimated value ***dutiable*** imports 2/	$22,394,832	$20,857,878	$19,426,405	$18,093,173	$16,851,441
Customs revenue loss 3/	$1,970,745	$1,835,493	$1,709,524	$1,592,199	$1,482,927

1/ The AVE is the ad valorem equivalent of a specific or compound duty rate expressed as a percent, using the most recent import data available.
2/ Figures provided are for the estimated value of dutiable imports from eligible countries only and include these suppliers' shipments of all products classified in HTS subheading 6306.22.90.
3/ The subject product is only one of the goods falling in the 8-digit HTS subheading. Because data are unavailable on this narrow product group, estimated customs revenue losses are calculated on imports of all products classified under HTS subheading 6306.22.90. In addition, the number of countries that might be designated under the new program is unknown, and their imports therefore cannot be predicted. As a result, the actual customs revenue losses resulting from the proposed duty-free treatment for the specified tents are likely to be lower.
Source of estimated dutiable import data: Commission estimates. Based on tremendous growth in imports from the largest supplier, China, it is estimated that imports from the subject countries will likely decline through 2009.

Contacts with domestic firms/organizations (including the proponent):

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
		(Yes/No)		
AC Incorporated Jerry Reeves (ph) 251-246-1700	6/09/2005	Yes	Yes	Yes
Anza Tents & Rents Ralph Manuel (ph) 301-3206200	6/17/2005	Yes	Yes	Yes
Fabric Structures, Inc. V. William Murrell (ph) 201-664-2859	6/08/2005	Yes	Yes	Yes
Firestone Fibers and Textiles Michael Chekan (ph) 704-734-2105	6/07/2005	Yes	Yes	Yes
Industrial Fabrics Association, Intl.Stephen Warner (ph) 800-225-4324	6/10/2005	Yes	Yes	Yes

TopTec, Inc. Michael E. Tharpe (ph) 800-845-2830	6/06/2005	Yes	Yes	Yes
United States Industrial Fabrics Institute Ruth A. Stephens (ph) 651-225-6920	6/0920/05	Yes	Yes	Yes

Technical comments:[6]

The bill would establish a complex administrative program to handle a one-product tariff preference for a group of countries that are not all eligible for tariff preferences at present. For example, some members of the Organization of Petroleum Exporting Countries (OPEC) are not eligible for tariff preferences under the U.S. Generalized System of Preferences (GSP), but this bill would make them eligible for a tariff preference on a single tariff category while excluding other developing countries already designated under various preference programs. Moreover, a portion of the subject shipments might now be eligible for preferential treatment under the terms of HTS general note 3(a)(v), covering products of the West Bank, the Gaza Strip or a qualifying industrial zone on essentially the same basis accorded to products of Israel under our bilateral free trade agreement (see HTS general note 8). For those areas, the proposed bill would limit some of the benefits available under that program, given that the bill would add a review and termination administrative framework very similar to that employed under the Generalized System of Preferences (GSP). General note 3(a)(v) does not contain that sort of administrative mechanism but instead makes available a tariff benefit based on the concept of substantial transformation, with a 35 percent value content threshold to qualify. This value content limit is the same one applied under the GSP, but goods of the HTS rate line in question remain ineligible for GSP benefits because they have been subject to textile agreements. We also note that the bill would unilaterally provide a tariff benefit for goods produced in some but not all countries eligible for general or normal trade relations duty rates. As a result, consideration may be warranted on the consistency of this program with the nondiscrimination obligations of the GATT 1994.

The Commission recommends that clarifying language be added to the scope of the bill's "eligible article" definition in section 1(b) to indicate that the tents are those of synthetic fibers and would not include backpacking tents. Metric units of measure should also be used, given that trade is administered on that basis. These changes could be achieved by modifying the language as indicated on page 1.

[6] The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

109TH CONGRESS
1ST SESSION

H. R. 1230

To extend trade benefits to certain tents imported into the United States.

IN THE HOUSE OF REPRESENTATIVES

MARCH 10, 2005

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

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A BILL

To extend trade benefits to certain tents imported into the United States.

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

SECTION 1. DUTY FREE TREATMENT FOR TENTS FROM CERTAIN MIDDLE EASTERN COUNTRIES.

(a) DUTY FREE TREATMENT.—Notwithstanding any other provision of law, the President shall provide duty-free treatment for any eligible article from a beneficiary country designated under section 2.

(b) ELIGIBLE ARTICLE.—For purposes of this Act, the term ''eligible article'' means any tent with a sewn in floor and base size less than 20′ by 20′ classified under subheading 6306.22.90 of the Harmonized Tariff Schedule of the United States.

SEC. 2. DESIGNATION OF ELIGIBLE COUNTRIES.

(a) IN GENERAL.—The President shall, upon the enactment of this Act, designate each country listed in subsection (d) as a beneficiary country unless, and shall thereafter withdraw such designation from any such countries if—

(1) the country is listed by the United States Department of State as a state sponsor of terrorism; or

(2) the country engages in activities that undermine United States national security or foreign policy interests.

(b) REVIEWS.—Beginning 1 year after the date of the enactment of this Act, and annually thereafter, the President shall conduct a review to determine if a basis exists for withdrawing the designation of a country as a beneficiary country under this Act. In determining whether or not to withdraw such designation, the President shall consider—

(1) whether or not the country has established, or is making continual progress toward establishing—

(A) a market-based economy that protects private property rights, incorporates an open rules-based trading system, and minimizes government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets;

(B) the rule of law and the right to due process, a fair trial, and equal protection under the law;

(C) political pluralism, a climate free of political intimidation and restrictions on peaceful political activity, and democratic elections that meet international standards of fairness, transparency, and participation;

(D) the elimination of barriers to United States trade and investment, including by—

(i) providing national treatment and measures to create an environment conducive to domestic and foreign investment;

(ii) protecting intellectual property; and

(iii) resolving bilateral trade and investment disputes;

(E) economic policies that reduce poverty, increase the availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programs;

(F) a system to combat corruption and bribery, such as signing and implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;

(G) protection of internationally recognized worker rights, including the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work; and

(H) policies that provide a high level of environmental protection;

(2) the country's record on activities that undermine United States national security or foreign policy interests, and support of a peaceful resolution of the Israeli-Palestinian conflict;

(3) whether the country is a signatory of the United Nations Declaration of Human Rights, en-

gages in gross violations of internationally recognized human rights, and is making continuing and verifiable progress on the protection of internationally recognized human rights, including freedom of speech and press, freedom of peaceful assembly and association, and freedom of religion;

(4) the country's participation in the primary, secondary, or tertiary economic boycott of Israel; and

(5) whether the country otherwise meets the ineligibility criteria set forth in subsection (b)(2) of section 502 of the Trade Act of 1974 (19 U.S.C. 2462), other than subparagraph (B) of such subsection.

(c) CONTINUING COMPLIANCE.—If the President determines under subsection (b) that a country should no longer be designated as a beneficiary country, the President shall withdraw such designation.

(d) COUNTRIES ELIGIBLE FOR DESIGNATION.—The countries referred to in subsection (a) are the following countries of the greater Middle East or their successor political entities:

(1) Afghanistan.

(2) Algeria.

(3) Azerbaijan.

(4) Bahrain.

(5) Bangladesh.

(6) Egypt.

(7) Iraq.

(8) Kuwait.

(9) Lebanon.

(10) Morocco.

(11) Oman.

(12) Pakistan.

(13) Qatar.

(14) Saudi Arabia.

(15) Tunisia.

(16) Turkey.

(17) United Arab Emirates.

(18) Yemen.

(e) THE PALESTINIAN AUTHORITY.—

(1) DESIGNATION.—The President is authorized to designate the Palestinian Authority or its successor political entity as a beneficiary political entity which, if so designated, shall be eligible for the duty-free treatment under this Act as if it were a beneficiary country, if the President determines that the Palestinian Authority—

(A) does not participate in acts of terrorism, takes active measures to combat terrorism, and cooperates fully in international efforts to combat terrorism;

(B) does not engage in activities that undermine United States national security or foreign policy interests;

(C) does not engage in gross violations of internationally recognized human rights, and is making continuing and verifiable progress on the protection of internationally recognized human rights, including freedom of speech and the press, freedom of peaceful assembly and association, and freedom of religion; and

(D) accepts Israel's right to exist in peace within secure borders.

(2) WITHDRAWAL.—The President shall withdraw the designation of the Palestinian Authority under paragraph (1) at any time that the President determines that the Palestinian Authority no longer meets the requirements of paragraph (1).

(f) NOTIFICATION OF CONGRESS.—In any case in which the President withdraws the designation of a country as a beneficiary country under subsection (a) or (c), or withdraws the designation of the Palestinian Authority under subsection (d)(2), the President shall notify the Congress of such withdrawal and the reasons therefor.

SEC. 3. RULE OF ORIGIN GENERAL RULE.

(a) GENERAL RULE.—

(1) DUTY-FREE TREATMENT.—The duty-free treatment provided under this Act shall apply to any article which is the growth, product, or manufacture of 1 or more beneficiary countries if—

(A) that article is imported directly from a beneficiary country into the customs territory of the United States; and

(B) the sum of—

(i) the cost or value of the materials produced in 1 or more beneficiary countries, plus

(ii) the direct cost of processing operations performed in such beneficiary country or countries,

is not less than 35 percent of the appraised value of such article at the time it is entered.

(2) U.S. CONTENT.—For purposes of determining the percentage referred to in paragraph (1)(B), if the cost or value of materials produced in the customs territory of the United States is included with respect to an article to which this paragraph applies, an amount not to exceed 15 percent of the appraised value of the article at the time it is entered that is attributed to such United States

cost or value may be applied toward determining the percentage referred to in paragraph (1)(B).

(b) DEFINITION.—In this section, the term ‘‘entered’’ means entered, or withdrawn from warehouse for consumption, in the customs territory of the United States.

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