

June 8, 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.1620 (105th Congress), Senator Breaux (LA).

Companion bill: H.R. 3395, Representative McCrery (LA).

Title as introduced: To suspend temporarily the duty on certain textile machinery.

Summary of bill:²

The proposed bill would suspend through December 31, 1999 the general duty rate on ink-jet textile printing machinery of subheading 8443.51.10 of the Harmonized Tariff Schedule of the United States (HTS). Chapter 99 of the HTS would be amended to add a new heading covering such machinery.

Effective date: The 15th day after enactment.

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

Statement of purpose:

Senator Breaux stated in the Congressional Record.³

I rise today to introduce legislation that would suspend the current duty on ink-jet textile printing machinery through December 31, 1999. It is my understanding that this machinery is not made in the United States, so there are no domestic producers that are likely to be harmed by this bill. Furthermore, the revenues currently generated by the duty on these machines are under \$500,000 per annum. These ink-jet printing machines are used to print patterns and designs on fabrics, and they are indispensable for a large part of our domestic textile industry.

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

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

³Statement by Senator Breaux, *Congressional Record*, Feb. 10, 1998, pp. S585-S586.

Product description and uses:

Printing:⁴ Printing produces a pattern on yarns, warp, fabric, or carpet by any of several methods. The color or other treating material, often in the form of a paste, is deposited onto the fabric, which is then usually treated with steam, heat, or chemicals for fixation. In a multi-color design, each color must be applied separately and, relative to other colors, in the proper position. Because of the need for precision and the number of variable factors influencing the process, printing is the most complex of all textile operations, and mistakes cannot be corrected. Various printing methods include: block, blotch, burn-out, direct, discharge, duplex, heat transfer, photographic, pigment, resist, roller, rotary screen, screen, warp, and ink-jet printing.

Ink-jet printing machines: In ink-jet printing, small droplets of dye are driven against a carpet in a predetermined way to form a pattern. According to one source, there are two basic methods of ink-jet printing. In the first method, droplets of color, produced by computer-controlled nozzles that open and close rapidly, are fired onto the carpet as it passes beneath the nozzles. With the other method, "a stream of dye flows from a color bar and breaks into droplets as it falls toward the carpet passing underneath."⁵

Tariff treatment:

<u>Product</u>	<u>HTS subheading</u>	Col. 1-general <u>rate of duty</u>
Ink-jet textile printing machines.....	8443.51.10	3.1% ad val. (1999 and after: 2.6%)

Structure of domestic industry (including competing products):

Printing: Foreign manufacturers presently supply the bulk of all types of textile printing machines, including ink-jet textile printing machinery, purchased by U.S. textile mills and apparel manufacturers. Reportedly, foreign producers were able to surpass domestic producers in

⁴*Man-Made Fiber and Textile Dictionary*, Celanese Corp., 1974; *McGraw-Hill Encyclopedia of Science and Technology*, 6th ed., vol. 18, p. 253.

⁵*Fundamentals of Textile Printing*, Textile View.

terms of technological sophistication in the late 1970s. A 1992 U.S. Census Bureau publication indicated that there were more than 12 domestic companies manufacturing textile printing machinery, with shipments valued at more than \$31 million; according to the American Textile Machinery Association, there are no domestic suppliers of textile printing machines.⁶ However, the Commission was able to identify several domestic producers of ink-jet printing machines used in printing textiles.⁷

⁶U.S. Bureau of the Census, *1992 Census of Manufactures, MC 92-I-35D, Special Industry Machinery, Except Metalworking Machinery Industry*, 1992, p. 36D-18 and Mr. Clay Tyeryar, American Textile Machinery Association, Apr. 22, 1998.

⁷Domestic producers include: IRIS Graphics, Inc., Bedford, MA; and ENCAD, Inc., San Diego, CA.

Private-sector views:

The Commission contacted 4 entities representing importers, producers, and their representatives concerning this legislation.⁸ No written comments had been submitted as of the date of preparation of this report.

U.S. consumption:

Ink-jet printing machinery:	<u>1995</u>	<u>1996</u>	<u>1997</u>
	-----(\$1,000)-----		
U.S. production.....	(¹)	(¹)	(¹)
U.S. imports.....	(²)	3,150	2,483
U.S. exports ³	(²)	4,548	3,700
Apparent U.S. consumption.....	(¹)	(¹)	(¹)

¹Not available.

²HTS subheading 8443.51.10 was created in 1996. Prior to that date, these types of machines were imported under subheading 8443.50.10, which included textile printing machines of all types.

³Industry sources are not sure if U.S. exports represent U.S. shipments of new machinery only or if they also represent shipments of used or reconditioned machinery.

Principal import sources: United Kingdom, Canada, Austria.

Principal export markets: Mexico, Germany, Hong Kong.

Effect on customs revenue:⁹

Future (1998-1999) effect: Customs revenue loss of approximately \$116,000 (computed using import data for 1996 and 1997; assumes 6 months of duty suspension in 1998).

1998:	Average annual value of U.S. imports	\$2.8 million
	<u>x column 1-general rate of duty</u>	<u>x 0.031</u>
	Annual revenue loss	\$87,000
	(Monthly estimated loss	\$ 7,250)
1999:	Average annual value of imports	\$2.8 million
	<u>x col. 1-general duty</u>	<u>x 0.026</u>
	Annual revenue loss	\$72,800

⁸The Commission contacted the following individuals: Mr. Clay Tyeryar, Government Affairs, American Textile Machinery Association; Mr. Doug Bulcao, American Textile Manufacturers Institute (ATMI); Mr. Jon St. John, ENCAD; and the sales department for IRIS Graphics.

⁹Actual revenue loss may be understated if a significant increase in imports occurs during the duty suspension period.

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: None.

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. 1620

To suspend temporarily the duty on certain textile machinery.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 10, 1998

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

A BILL

To suspend temporarily the duty on certain textile machinery.

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. TEXTILE MACHINERY.**

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:

“	9902.84.43	Ink-jet textile printing machinery (provided for in sub-heading 8443.51.10)	Free	No change	No change	On or before 12/31/99	”.
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8 (b) EFFECTIVE DATE.—The amendment made by
9 subsection (a) shall apply to goods entered, or withdrawn

1 from warehouse for consumption, on or after the date that
2 is 15 days after the date of enactment of this Act.

3 (c) RETROACTIVE APPLICATION.—Notwithstanding
4 section 514 of the Tariff Act of 1930 or any other provi-
5 sion of law, upon proper request filed with the Customs
6 Service not later than 180 days after the date of enact-
7 ment of this Act, any entry, or withdrawal from warehouse
8 for consumption, of goods described in subheading
9 9902.81.10 of the Harmonized Tariff Schedule of the
10 United States (as added by subsection (a)) that—

11 (1) was made after December 31, 1997, and be-
12 fore the date that is 15 days after the date of enact-
13 ment of this Act; and

14 (2) with respect to which there would have been
15 no duty if the amendment made by subsection (a)
16 applied to such entry or withdrawal,
17 shall be liquidated or reliquidated as if such amendment
18 applied to such entry or withdrawal.

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