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OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN COMMENTS

ON THE

MISCELLANEOUS CORRECTIONS TO TRADE LEGISLATION AND MISCELLANEOUS DUTY SUSPENSION BILLS

FEBRUARY 18, 2000

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ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
August 12, 1999
No. TR–15

CONTACT: (202) 225–6649

Crane Announces Request for Written Comments on Miscellaneous Corrections to Trade Legislation and Miscellaneous Duty Suspension Bills

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee is requesting written comments for the record from all parties interested in technical corrections to trade legislation and miscellaneous duty suspension proposals.

BACKGROUND:

As part of the ongoing process of identifying technical changes to improve the trade laws, a number of proposals have been submitted to the Subcommittee by the Administration, the business community and the public for possible consideration in future legislation. In addition, Members have introduced legislation to provide temporary suspension of duty or duty-free treatment for certain specific products, and to change other miscellaneous provisions. Chairman Crane is requesting submission of written comments on these legislative proposals.

Congress passed earlier in the 106th Congress the Miscellaneous Trade and Technical Corrections Act of 1999 (P.L. 106–36), which was signed into law by the President on June 25, 1999.

SUMMARY OF BILLS:

H.R. 194—Would amend section 313 of the Tariff Act of 1930 (19 U.S.C. 1313) to authorize the substitution of grape juice concentrate of 68–70 degrees brix, regardless of color, variety or any other characteristics for purposes of duty drawback.

H.R. 511—Would provide for the reliquidation of certain identified nuclear fuel assemblies as free of duty.

H.R. 810—Would amend section 313(j)(2) of the Tariff Act of 1930 (19 U.S.C. 1313(j)(2)) to specify that the chemicals N-cyclohexyl-2-benzothiazolesulfenamide and N-tert-Butyl-2-benzothiazolesulfenamide are commercially interchangeable for duty drawback purposes.

H.R. 1026—Would provide for certain identified screws, entered under subheading 7318.12 of the HTSUS as wood screws, to be reliquidated under subheading 7318.14 of the HTSUS as self-tapping screws.

H.R. 1360—Would amend chapter 99, subchapter II of the Harmonized Tariff Schedule of the United States (HTSUS) to reduce the tariff on some high-end wools from 30.6 percent to 19.6 percent and to provide a temporary duty suspension on some other finer wools also currently dutiable at 30.6 percent. These imported wools are used to manufacture clothing, including high-end suits.

H.R. 1582—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.50 for the chemical triethyleneglycol bis(2-ethyl hexanoate) (CAS No. 94–28–0) (provided for in subheading 2915.90.50), as temporarily duty free.

H.R. 1740—Would provide for liquidation or reliquidation of certain identified entries of N,N-dicyolohexyll-2-benzothazole-sulfenamide.

H.R. 1808—Would exempt gum arabic from Executive Order 13067, which imposed import sanctions against Sudan.

H.R. 1951—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.98 for certain HIV/AIDS drugs, [4R- [3(2S*,3S*), 4R*]]-3-[2-Hydroxy-3-[(3-hydroxy-2-methyl benzoyl)amino]-1-oxo-4-phenylbutyl]-5,5-dimethyl-N-[(2-methylphenyl)methyl]-4-thiazolidinecarboxamide (CAS No. 186538–00–1) (provided for in subheading 2930.90.90), as temporarily duty free.

H.R. 1952—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.99 for certain HIV/AIDS drugs 5-[(3,5-Dichlorophenyl)thio]-4-(1-methylethyl)-1-(4-pyridinylmethyl)-1H-imidazole-2-methanol carbamate (CAS No. 178979–85–6) (provided for in subheading 2933.39.91), as temporarily duty free.

H.R. 1963—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.80 for the chemical triacetonamine, 4-piperdone 2,2,6,6 tetramethyl (CAS No. 826–36–8) (provided for in subheading 2933.39.61) and any mixtures containing the foregoing, as temporarily duty free.

H.R. 2064—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.37.02 for instant print film in rolls (provided for in subheading 3702.20.0000), as temporarily duty free.

H.R. 2065—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.37.01 for instant print film for color photography (provided for in subheading 3701.20.0030) at a temporary duty reduction from 3.7 percent to 2.4 percent.

H.R. 2071—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.61.00 for the chemical phosphonic acid, [(phosphonomethyl)imino]bis[2,1-ethane-diylnitrilobis (methylene)]tetrakis (CAS No. 15827–60–8) (provided for in subheading 2931.00.9030) used in the textile industry and in water treatment, as temporarily duty free.

H.R. 2072—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.61.01 for the chemical phosphonic acid, [(phosphonomethyl)imino]bis[2,1-ethane-diylnitrilobis (methylene)]tetrakis (CAS No. 22042–96–2) (provided for in subheading 2931.00.9030) used in the paper industry, as temporarily duty free.

H.R. 2073—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.61.02 for the chemical phosphonic acid, [1,6-hexanediylbis[nitrilobis(methylene)]tetrakis-potassium salt] (CAS No. 38820–59–6) (provided for subheading 2931.00.9030) used in water treatment, as temporarily duty free.

H.R. 2074—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.61.03 for the chemical phosphonic acid, (1-hydroxethylidene)bis (CAS No. 2809–21–4) (provided for in subheading 2931.00.9030) used in water treatment and beauty care products, as temporarily duty free.

H.R. 2075—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.61.04 for the chemical phosphonic acid, [nitrilotris(methylene)] tris-, pentasodium salt (CAS No. 2235–43–0) (provided for in subheading 2931.00.9030) used in photography products, as temporarily duty free.

H.R. 2076—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.61.05 for the chemical phosphoric acid, [nitrilostris (methylene)]tris (CAS Nos. 6419–19–8; 10294–56–1; 7732–18–5) (provided for in subheading 2931.00.9030) used in peroxide stabilizer and compounder, as temporarily duty free.

H.R. 2078—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.61.06 for the chemical phosphonic acid, (1-hydroxyethylidene)bis-, tetrasodium salt (CAS No. 3794–83–0) (provided for in subheading 2931.00.9030) used in the textile industry, as temporarily duty free.

H.R. 2098—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.18.06 for dark couverture chocolate (provided for in subheading 1806.20.50), as temporarily duty free.

H.R. 2099—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.44 for mixtures of sennosides (provided for in subheading 2938.90.00), as temporarily duty free.

H.R. 2132—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.04 for the chemical Cibacron Red LS-B HC, 2,7-Naphthalenedisulfonic acid, 5-[[4-chloro-6-[[3-[[8-[[4-fluoro-6-(methylphenylamino)-1,3,5-triazin-2-yl] amino]-1-hydroxy-3,6-disulfo-2-naphthalenyl]azo]-4-sulfophenyl], amino]-1,3,5-triazin-2-yl] amino]-4-hydroxy-3-[(1-sulfo-2-naphthalenyl)azo]-, sodium salt (CAS No. 155522–05–7) (provided for in subheading 3204.16.30), as temporarily duty free.

H.R. 2133—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.88 for the chemical Cibacron Brilliant Blue FN-G, 4, 11-Triphenodioxazinedisulfonic acid, 6, 13-dichloro-3, 10-bis[[2-[[-[[4-fluoro-6-[(2-sulfophenyl) amino] -1,3,5-triazin-2-yl] amino] propyl] amino]- lithium sodium salt (CAS No. 163062–28–0) (provided for in subheading 3204.16.30), as temporarily duty free.

H.R. 2134—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.86 for the chemical Cibacron Scarlet LS-2G HC, 2-Naphthalenesulfonic acid, 7,7-[(2-methyl-1,5-pentanediyl) bis[imino(6-fluoro-1,3,5-triazine-4,2-diyl) imino]] bis[4-hydroxy-3-[(4-methoxysulfophenyl) azo]-, potassium sodium salt (CAS No. 152397–21–2) (provided for in subheading 3204.16.30), as temporarily duty free.

H.R. 2135—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.90 for the chemical MUB 738 INT, 2-Amino-4(4-Aminobenzoylamino) Benzene Sulfonic Acid (CAS No. 167614–37–1) (provided for in subheading 2930.90.29), as temporarily duty free.

H.R. 2142—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.86 for the chemical fenbuconazole, alpha-[2-(4-Chlorophenyl)-ethyl]-alpha-phenyl-1H-1,2,4-triazole-1-propanenitrile (CAS No. 114369–43–6) (provided for in subheading 2933.90.06), as temporarily duty free.

H.R. 2143—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.82 for the chemical 2,6-dichlorotoluene (CAS No. 118–69–4) (provided for in subheading 2903.69.70), as temporarily duty free.

H.R. 2144—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.84 for the chemical 3-Amino-3-methyl-1-pentyne (provided for in subheading 2921.19.60), as temporarily duty free.

H.R. 2145—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.88 for the chemical triazamate, Acetic acid, [[1-[(dimethylamino) carbonyl]-3-(1,1-dimethyethyl)-1H-1,2,4-triazol-5-yl]thio]-, ethyl ester (provided for in subheading 2930.20.10), as temporarily duty free.

H.R. 2146—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.90 for the chemical methoxyfenozide, benzoic acid 3-methoxy-2-methyl-,2-(3,5-dimethylbenzoyl)-2-(1,1-dimethyl ethyl) hydrazide (provided for in subheading 2928.00.25), as temporarily duty free.

H.R. 2147—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.39.00 for the chemical cyclic olefin copolymer resin (CAS No. 26007–43–2) (provided for in heading 3902.90.00), as temporarily duty free.

H.R. 2150—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.04 for the chemical 1-fluoro-2-nitro benzene (CAS No. 001493–27–2) (provided for in subheading 2904.90.30) used as raw material for a pharmaceutical intermediate, as temporarily duty free.

H.R. 2151—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.28.01 for the chemical thionyl chloride (CAS No. 007719–09–7) (provided for in subheading 2812.10.50) used as imaging chemical for photographic applications, as temporarily duty free.

H.R. 2152—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.01 for the chemical triethyl orthoformate (TEOF) (CAS No. 000122–51–0) (provided for in subheading 2915.13.50) used as raw material for a custom agricultural product, as temporarily duty free.

H.R. 2153—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.03 for the chemical p-hydroxybenzoic acid (PHBA) (CAS No. 000099–96–7) (provided for in subheading 2918.29.22) used to produce liquified crystal polymer (LCP), as temporarily duty free.

H.R. 2154—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.02 for the chemical myristic acid, tetrabecanoic acid (CAS No. 000544–63–8) (provided for in subheading 2915.90.50) used as an imaging custom chemical, as temporarily duty free.

H.R. 2155—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.05 for the chemical toluhydroquinone (THQ) purchased for resale (CAS No. 000095–71–6) (provided for in subheading 2907.29.90), as temporarily duty free.

H.R. 2160—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.50 for the chemical 2,4-Dicumylphenol (CAS No. 2772–45–4) (provided for in subheading 2907.29.90), as temporarily duty free.

H.R. 2165—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.98.07 for certain compound optical microscopes: whether or not stereoscopic and whether or not provided with a means for photographing the image; especially designed for semiconductor inspection; with full encapsulation of all moving parts above the stage; meeting "cleanroom class 1" criteria; having a horizontal distance between the optical axis and C-shape microscope stand of 8 or more; and fitted with special microscope stages having a lateral movement range of 6 or more in each direction and containing special sample holders for semiconductor wafers, devices, and masks (provided for in heading 9011), as temporarily duty free.

H.R. 2167—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.85.43 for parts of certain magnetrons generating 10kw or more and pulsed (provided for in subheading 8540.71.40), as temporarily duty free.

H.R. 2168—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.85.42 on certain cathode-ray data/graphic display tubes with a video display diagonal not exceeding 30 cm (provided for in subheading 8540.60.00) to reduce the duty from 3 percent to 2 percent.

H.R. 2169—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.85.41 on cathode data/graphic tubes with a phosphor dot screen pitch smaller than 0.4 mm having a video display diagonal not exceeding 30 cm (provided for in subheading 8540.40.00), as temporarily duty free.

H.R. 2176—Would amend chapter 52 of the HTSUS to provide duty-free treatment to certain raw cotton in specified lengths.

H.R. 2186—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.97 for certain Rhinovirus drugs, trans-(2′R, 3‴S,4S,5′S) -(4-{2′-(4-Fluorobenzyl)-6′-methyl-5′-[(5″-methylisoxazole-3″-carbonyl)amino]-4-oxoheptanoylamino}-5-(2‴-oxopyrrolidin-3‴-yl)pent-2-enoic acid ethyl ester (CAS No. 223537–30–2) (provided for in subheading 2931.00.60), as temporarily duty free.

H.R. 2191—Would require jewelry provided for in heading 7117 of the HTSUS to be indelibly marked with the country of origin.

H.R. 2192—Would require jewelry boxes provided for in headings 4202.92.60, 4202.92.90, and 4202.99.10 of the HTSUS to be indelibly marked with the country of origin.

H.R. 2194—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.38.00 on the chemical butralin, N-sec-butyl-4-tert-butyl-2,6-dinitroaniline (CAS No. 33629–47–9) (provided for in subheading 3808.30.15) and any mixtures containing the foregoing, as temporarily duty free.

H.R. 2196—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.96.00 on slide fasteners with chain scoops of base metal die-cast onto strips of textal material (provided for in subheading 9607.11.00), as temporarily duty free.

H.R. 2197—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.96.01 on slide fasteners fitted with polished edge chain scoops of base metal (provided for in subheading 9607.11.00), as temporarily duty free.

H.R. 2198—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.01 on the chemical branched dodecylbenzene (CAS No. 123–01–3) (provided for in subheading 2902.90.30), as temporarily duty free.

H.R. 2207—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.88 on a certain fluorinated compound, Methanone, (4-fluorophenyl) [3-[(4- fluorophenyl) ethynyl]phenyl] (provided for in subheading 2914.70.40), as temporarily duty free.

H.R. 2208—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.36 for the chemical benzenesulfonic acid, 4- chloro-3-[4-[[4-(dimethylamino) phenyl]methylene-4,5- dihydro-3-methyl-5-oxo-1H- pyrazol-1-l], compound with Pyridine 1:1 (provided for in subheading 2934.90.90) used as light absorbing photo dye, as temporarily duty free.

H.R. 2209—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.62 for iron chloro 5,6-diamino-1,3-naphthalene disulfonate complexes (CAS No. 85187–44–6) (provided for in subheading 2942.00.10) used as filter blue green photo dye, as temporarily duty free.

H.R. 2210—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.34 for the chemicals Benzenesulfonic acid, 4-[4-[3-[4-(dimethylamino) phenyl]-2-propenylidene]-4,5-dihydro-3-methyl-5-oxo-1H-pyrazol-1-yl]-, compound with N,N-diethylethanamine (1:1) (CAS No. 109940–17–2); 1H-Pyrazole-3-carboxylic acid, 4-[3-[3-carboxy-5-hy- droxy-1-(4-sulfophenyl)-1H- pyrazol-4-yl]-2- propenylidene]-4,5-dihydro- 5-oxo-1-(4-sulfophenyl)-, sodium salt, compound with N,N-diethylethanamine (CAS No. 90066–12–9); Benzenesulfonic acid, 4-[4,5-dihydro-4-[[5-hydroxy-3- methyl-1-(4-sulfophenyl)-1H- pyrazol-4-yl]methylene]-3-methyl-5-oxo-1H-pyrazol-1-yl]-, dipotassium salt (CAS No. 94266–02–1); Benzenesulfonic acid, 4-[4- [[4- (dimethylamin o)phenyl]methylene]-4,5- dihydro-3-methyl-5-oxo-1H- pyrazol-1-yl]-, potassium salt (CAS No. 27268–31–1); 1H-Pyrazole-3-carboxylic acid. 4,5-dihydro-5-oxo-4- [(phenylamino) methylene]- 1-(4-sulfophenyl)-, disodium salt; and 1H-Pyrazole-3-carboxylic acid, 4-[5–3-carboxy- 5-hydroxy-1-(4-sulfophenyl)- 1H-pyrazol-4-yl]-2,4- pentadienylidene]-4,5- dihydro-5-oxo-1-(4- sulfophenyl)-, tetrapotassium salt (CAS No. 134863–74–4) (provided for in subheading 2933.19.90) used as light absorbing photo dyes, as temporarily duty free.

H.R. 2211—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.84 for the chemical 4,4′-Difluorobenzophenone (methanone, bis(4-fluorophenyl)) (CAS No. 345–92–6) (provided for in subheading 2914.70.90), as temporarily duty free.

H.R. 2212—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.98 for the chemical methanone, (4-fluorophenyl)phenyl (CAS No. 345–83–5) (provided for in subheading 2914.70.90), as temporarily duty free.

H.R. 2213—Would allow an exception from making formal entry for a vessel required to anchor at Belle Isle Anchorage, Port of Detroit, Michigan, while awaiting the availability of cargo or for the purpose of taking on a pilot or awaiting pilot services, prior to proceeding to the Port of Toledo, Ohio.

H.R. 2214—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.92 for the chemical di-trimethylolpropane (DiTMP) (provided for in subheading 2905.49.10), as temporarily duty free.

H.R. 2215—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.52 for the chemical 2-Ethyl-2-butyl-1,3-propanediol (EBP) (provided for in subheading 2905.39.10), as temporarily duty free.

H.R. 2216—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.54 for the chemical hydroxypivalic acid (HPA) (provided for in subheading 2918.19.90), as temporarily duty free.

H.R. 2217—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.56 for the chemical allyl pentaerythritol (APE) (provided for in subheading 2909.40.60), as temporarily duty free.

H.R. 2218—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.58 for the chemical trimethylolpropane diallylether (TMPDE) (provided for in subheading 2909.49.60), as temporarily duty free.

H.R. 2219—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.59 for the chemical trimethylolpropane monoallyl ether (TMPME) (provided for in subheading 2909.49.60), as temporarily duty free.

H.R. 2220—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.26.11 on tungsten concentrates (provided for in subheading 2611.00.60), as temporarily duty free.

H.R. 2234—Would amend for certain identified entries of printing cartridges classified under subheading 8517.90.08 of the HTSUS to be reliquidated under subheading 8473.30.50 of the HTSUS.

H.R. 2256—Would designate the San Antonio International Airport in San Antonio, Texas, as an airport at which private aircraft arriving in the United States from a foreign area and having a final destination in the United States may land for processing by the Customs Service in accordance with section 122.24(b) of title 19, Code of Federal Regulations (19 C.F.R. 122.24(b)).

H.R. 2276—Would provide for the liquidation or reliquidation of certain identified entries of antifriction bearings covering the period of November 9, 1988, to April 30, 1992.

H.R. 2290—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.21 for the chemical 2 Chloro Amino Toluene (CAS No. 95–74–9) (provided for in subheading 2921.43.80), as temporarily duty free.

H.R. 2297—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.72.02 ferroniobium (provided for in subheading 7202.93.00), as temporarily duty free.

H.R. 2310—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.39.30 for a certain ion-exchange resin, comprising of a copolymer of 2-propenenitrile with diethenylbenzene, ethenylethylbenzene and 1,7-octadiene, hydrolyzed (CAS No. 130353–60–5) (provided for in subheading 3914.00.60), as temporarily duty free.

H.R. 2311—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.39.31 for a certain ion-exchange resin, comprising of a copolymer of 2-propenenitrile with 1,2,4-triethenylcyclohexane, hydrolyzed (CAS No. 109961–42–4) (provided for in subheading 3914.00.60), as temporarily duty free.

H.R. 2312—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.39.32 for a certain ion-exchange resin, comprising of a copolymer of 2-propenenitrile with diethenylbenzene, hydrolyzed (CAS No. 135832–76–7) (provided for in subheading 3914.00.60), as temporarily duty free.

H.R. 2428—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.32.49 for the chemical 11-Aminoundecanoic acid (provided for in subheading 2922.49.40), as temporarily duty free.

H.R. 2472—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.00 for the chemical dimethoxy butanone (DMB), 4,4-dimethoxy-2-butanone (acetoacetaldehyde dimethyl acetal) (CAS No. 5436–21–5) (provided for in subheading 2914.19.00), as temporarily duty free.

H.R. 2473—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.01 for the chemical 2,6-dichloro aniline (2,6-dichlorobenzenamine) (DCA) (CAS No. 608–31–1) (provided for in subheading 2921.42.90), as temporarily duty free.

H.R. 2474—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.06 for the chemical diphenyl sulfide (CAS No. 139–66–2) (provided for in subheading 2930.30.29), as temporarily duty free.

H.R. 2475—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.02 for the chemical trifluralin, 2,6-dinitro-N, N-dipropyl-4-(trifloromethyl) benzenamine; alpha, alpha, alpha,-trifloro-2–6-dinitro-p-toluidine (CAS No. 1582–09–8) (provided for in subheading 2921.43.15), as temporarily duty free.

H.R. 2476—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.07 for the chemical diethyl imidazolidinnone, 1,3-diethyl-2-imidazolidinnone (N, N-dimethylethylene urea) (DMI) (CAS No. 80–73–9) (provided for in subheading 2933.29.90), as temporarily duty free.

H.R. 2477—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.03 for the chemical ethalfluralin, N-ethyl-N-(2methyl-2-propenyl)-2, 6-dinitro-4-(trifloromethyl) benzenamine (CAS No. 55283–68–6) (provided for in subheading 2921.43.80), as temporarily duty free.

H.R. 2478—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.04 for the chemical benefluralin, N-butyl-N-ethyl-2,6-dinitro-4-(trifloromethyl) benezenamine; N-butyl-N-ethyl-alpha, alpha, alpha-trifloro-2–6-dinitro-p-toluidine (CAS No. 5436–21–5) (provided for in subheading 2921.43.80), as temporarily duty free.

H.R. 2479—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.08 for the chemical 3-amino-5-mercapto-1,2,4-triazole (AMT) (CAS No. 16691–43–3) (provided for in subheading 2933.90.97), as temporarily duty free.

H.R. 2480—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.05 for the chemical diethyl phosphorochoridothiate, O,O-dethyl phosphorochoridothiate (DEPCT) (CAS No. 2424–04–1) (provided for in subheading 2920.10.50), as temporarily duty free.

H.R. 2481—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.09 for the chemical refined quinoline, 1-benzazine; benzo(b) pyridine (CAS No. 91–22–5) (provided for in subheading 2933.40.70), as temporarily duty free.

H.R. 2482—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.29.10 for the chemical 2,2′-dithiobis(8-fluoro-5-methoxy)[1,2,4] triazolo[1,5-c] pyrimidine (DMDS) (CAS No. 166524–74–9) (provided for in subheading 2933.59.80), as temporarily duty free.

H.R. 2516—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.84.10 for atmosphere firing for kiln sinters and ceramic chips (provided for in subheading 8417.80.00), as temporarily duty free.

H.R. 2517—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.84.00 for ceramic coater used for laying down and drying ceramic (provided for in subheading 8479.90.85), as temporarily duty free.

H.R. 2518—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.90.00 for capacitance tester and reeler for verifying and sorting capacitors by tolerance and reeling finished capacitors (provided for in subheading 9030.39.00), as temporarily duty free.

H.R. 2519—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.90.20 for vision inspection systems for physical inspection of automatic capacitors (provided for in subheading 9030.82.00), as temporarily duty free.

H.R. 2521—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.84.20 for anode presses used for pressing tantalum powder into anodes (provided for in subheading 8479.89.97), as temporarily duty free.

H.R. 2522—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.85.00 for rackers used for attaching raw anodes to process bars (provided for in subheading 8515.21.00), as temporarily duty free.

H.R. 2523—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.39.00 for epoxide resins (provided for in subheading 3907.30.00), as temporarily duty free.

H.R. 2524—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.84.40 for trim and form used for forming capacitor leads (provided for in subheading 8463.30.00), as temporarily duty free.

H.R. 2526—Would amend chapter 99, subchapter II of the HTSUS by inserting a new heading 9902.84.30 for assembly machines used for assembling processed anodes to lead frames (provided for in subheading 8479.90.95), as temporarily duty free.

H.R. 2609—Would amend chapter 98, subchapter XVII of the HTSUS by inserting a new heading 9817.85.01 for duty-free treatment of prototypes imported exclusively for development, testing, product evaluation, or quality control purposes.

H.R. 2648—Would amend section 555 of the Tariff Act of 1930 (19 U.S.C. 1555) by adding a new subsection to clarify existing law relating to bonded warehouse storage of international travel merchandise (ITM).

H.R. 2653—Would exempt certain identified entries of titanium disks/sponge from antidumping duties.

H.R. 2714—Would amend subchapter XVI of chapter 98 of the HTSUS to provide staged reductions of duty rates applicable to merchandise accompanying persons entering the United States, and merchandise from American Samoa, Guam, or the Virgin Islands of the United States. Specifically, the proposed legislation would provide a staged reduction of the current 10 percent duty-rate applicable to articles accompanying a person arriving in the United States. The proposed staged reductions are as follows: 5 percent effective January 1, 2000, 4 percent effective January 1, 2001, and 3 percent effective January 1, 2002. The bill would also provide a staged reduction of the current 5-percent rate of duty for articles imported from American Samoa, Guam, or the Virgin Islands of the United States. The proposed staged reductions are as follows: 3 percent effective January 1, 2000, 2 percent effective January 1, 2001, and 1.5 percent effective January 1, 2002.

H.R. 2715—Would amend subchapter XVII of chapter 98 of the HTSUS by inserting a new heading 9817.60.00 for duty free treatment of the personal effects of participants in, officials of, and accredited members of delegations to, international athletic events held in the United States provided that these items are not intended for sale or distribution in the United States. H.R. 2715 would also exempt the articles covered under this provision from taxes and fees and would give the Secretary of the Treasury discretion to determine which athletic events, articles, and persons are covered under this provision.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, with their name, address, and comments date noted on label, by the close of business, Wednesday, September 22, 1999, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at 'HTTP://WWW.HOUSE.GOV/WAYS MEANS/'.

H.R. 194

To amend section 313 of the Tariff Act of 1930 to allow duty drawback for grape juice concentrates, regardless of color or variety.

CALIFORNIA ASSOCIATION OF WINEGRAPE GROWERS
SACRAMENTO, CALIFORNIA 95825
September 22, 1999

Mr. A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Singleton:

These comments are submitted in response to the notice issued August 12, 1999, by the House Committee on Ways and Means, Subcommittee on Trade, announcing a request for written comments on miscellaneous corrections to trade legislation and miscellaneous duty suspension bills.

These comments are on behalf of the members of the California Association of Winegrape Growers (CAWG), who grow more than 60% of the tonnage of grapes crushed for wine and concentrate in California. Grapes crushed for concentrate represent almost 20% of the total state winegrape tonnage.

The following comments are directed to one bill on the August 12, 1999, list—specifically, H.R. 194, to amend section 313 of the Tariff Act of 1930 (19 U.S.C. 1313) to authorize the substitution of grape juice concentrate of 68–70 degrees brix, regardless of color, variety or any other characteristics for purposes of duty drawback.

DISCUSSION

CAWG is strongly opposed to H.R. 194. This opposition is based on the following points, all of which are detailed below. Enactment of H.R. 194 would: (1) be an assault on the integrity of the duty drawback program; (2) establish a problematic precedent of alteration of the program; (3) lead to disruption in the U.S. grape juice concentrate market; (4) provide a unilateral trade benefit to a number of U.S. trading partners, without obtaining a reciprocal trade benefit for the U.S. winegrape industry; (5) provide a financial benefit to industries in other countries already receiving subsidies from their own countries; (6) provide a de facto subsidy to certain exporters; and (7) lead to losses for the U.S. Treasury.

1. H.R. 194 WOULD ALTER PURPOSE OF DRAWBACK PROGRAM

First, it is a misnomer to label H.R. 194 as a "miscellaneous correction to trade legislation." The provisions of H.R. 194 would not "correct" any mistake now set forth in U.S. trade law. In contrast, H.R. 194 would undermine and distort the purposes of the duty drawback program administered by the U.S. Customs Service.

The drawback program has been a part of U.S. law since 1789 and has evolved over the years. While the intent of the program can be stated rather simply, administration of the program is complex. The program has been administered strictly and with extreme care by the U.S. Customs Service, due to the potential for abuse and erosion of U.S. treasury revenues.

The U.S. Customs website provides the following description of the drawback program:

> The rationale of drawback has always been to encourage American commerce or manufacturing, or both. It permits the American manufacturer to compete in foreign markets without the handicap of including in his costs, and consequently in his sales price, the duty paid on imported merchandise.

Several types of drawback are authorized by U.S. law, but H.R. 194 would amend only one type. H.R. 194 references the "manufacturing substitution" drawback program. This program addresses the situation where a manufacturer brings in one product to make another product, and the manufactured product is then exported. The theory is that the manufacturer should not have to bear the cost of the duty on the imported material that forms a necessary component of the manufactured article. Manufacturing substitution drawback is available whether the imported material, or a domestic material of the "same kind and quality," are utilized in the exported product. This version of drawback eliminates the need for a manufacturer to maintain separate inventories for imported and domestic merchandise.

A. Customs Regulations

Customs strictly interprets and enforces the drawback program through its regulations at 19 CFR 191.0 et seq. These regulations contain extensive provisions which set forth the agency's procedures in administering the program. The regulations provide that to qualify as material of the "same kind and quality," Customs will look to a number of standards, such as USDA grade standards, FDA standards of identity, and industry standards. In the case of grape juice concentrate, criteria of the first two types do not exist; we are not aware of any USDA grade standard nor any FDA standard of identity applicable to grape juice concentrate.

However, as to the third test, industry standards, there are commonly followed practices. Two grape species represent more than 99% of grape production in the world and in the U.S. These two species are *vinifera* and *labruska*.[1] The two species are completely different in heritage, taste, yields and end uses. If buyers are desirous of labruska concentrate, buyers will purchase only labruska concentrate. In the industry, labruska concentrate is not interchangeable with vinifera concentrate.

With respect to H.R. 194, we understand that a certain agricultural co-op, Welch's, wants to import vinifera (white and red) concentrate to make various products. However, it wishes to export only concentrate that is primarily from the Concord or Niagara varieties—both of which are of the labruska species. These two grape varieties are grown primarily in the U.S. The exporter in this case wishes to receive duty drawback on its exports of labruska concentrate, for the duties paid on the imported vinifera concentrate. As stated above, the two species are totally different.

B. Judicial Interpretation

In addition to the provisions set forth in Customs regulations, the Court of International Trade has recently reviewed the "same kind and quality" test. The Court's decision contains this useful discussion:

> While the statute and regulations provide little, if any, guidance as to the meaning of the statutory term "same kind and quality," Customs has addressed materials it will consider to satisfy the statutory requirement of "same kind and quality" in a published ruling. See T.B. 82–36, 16 Cust. B. & Dec. 97 (1982).
>
> The introductory sentence of T.D. 82–36 states, "[u]nder the drawback law (19 U.S.C. 1313(b)) drawback contracts have been approved since 1958, permitting the substitution of one domestic compound for a different imported compound when an identical element is sought for use in manufacturing an exported article."[2]

Thus, according to the Court of International Trade, in order to qualify under the manufacturing substitution program for a drawback, the substituted component must be identical to the imported product. The Court found that this version of drawback is meant to address processes where the component in question (in this case, a metal) is interchangeable with the imported component.

We understand that proponents of H.R. 194 admit that grape juice concentrate of a different color or quality (from the imported concentrate) would not qualify for drawback under the historical administration of the program. Color is, by comparison, an almost insignificant factor in relation to the fact that vinifera and labruska grapes are derived from totally different species which are distinct in all respects. The proponents are asking Congress to change the fundamental nature of the program to allow drawback for types of exported concentrate that are not interchangeable with the imported product.

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[1] Labruska grape species are grown in cold climate areas that are subject to heavy frost, including the Northeast, Northwest and North central regions of the U.S. Grapes from this species are used primarily for the production of grape juice and grape juice concentrate. All of the grapes produced in California are of the vinifera species, which are used primarily for the production of wine, although certain vinifera varieties are also used in the production of grape juice, grape concentrate, table grapes and raisins.

[2] International Light Metals v. U.S., 24 F. Supp.2d 281 (CIT 1998). (This decision has been appealed by the plaintiff.)

2. H.R. 194 Would Create a Problematic Precedent

Congress should not take the step represented by H.R. 194, as it would create a troubling precedent. If this legislation were accepted, it would be entirely appropriate for exporters of, for example, U.S.-grown lemon juice concentrate to ask Congress to provide a duty drawback on their imports of orange juice concentrate—on the basis that both products are "citrus juice concentrate." Numerous other examples could be cited, where producers of distinct products would argue that the products should be deemed of the same kind and quality for purposes of the drawback program. For instance, the argument could be made that two different types of vegetables, such as broccoli and asparagus, should be considered to be "vegetables" for purposes of the drawback program. Adoption of H.R. 194 would create unending requests for similar action.

Different species of grapes are as distinct as different types of citrus. Further, there is a distinct market demand for the different species. The proponents of H.R. 194 would likely admit that concentrate from labruska grapes commands a premium price. At the current time, this price in the world market is more than double the value of concentrate produced from vinifera grapes.

Simply stated, eligibility for duty drawback is a privilege that is earned through meeting the Congressional intent in creating the program, as well as Customs requirements that govern the program. Each drawback that is granted by Customs is a privilege because it results in a loss to the U.S. Treasury—a loss of the duties paid on the imported product.

If adopted, H.R. 194 would amend the drawback program—so that the program would provide a benefit that would be a significant departure from historical practice under the program.

3. Disruption of the Domestic Industry

In large measure, CAWG is opposed to H.R. 194 because of the disruption it could cause in the U.S. grape juice concentrate market. Grape juice concentrate has become a significant industry in the U.S., and promises to continue to grow in the coming years. Grape juice concentrate is especially popular in the "health food" sector, which is a rapidly growing segment of the food industry. Grape juice concentrate is used in drinks, frozen juice, canned juice, fruit drinks and preserves. It is also used as a sweetener in canned fruit, yogurt, cookies, cereals, candies and baby foods. The market in California's San Joaquin Valley for grape juice concentrate for food manufacturing is now almost $150 million per year.

American growers have to attempt to compete with the sometimes tremendous subsidies provided by the European Union (and we believe by Argentina) to their grape growers. The Uruguay Round did not eliminate these subsidies; in fact, some of the subsidy programs in other countries have actually been increased since the Uruguay Round.

If adopted, H.R. 194, by allowing a refund of the duties paid on imported concentrate, would allow those volumes to enter the U.S. at a lower landed cost to the importer than would otherwise be the case. Although only the amount of imported concentrate matching the volumes of exported concentrate would be eligible for the drawback refund, this lower-cost, imported concentrate could and would either displace U.S.-produced concentrate of a higher price, or put downward price pressure on the U.S.-produced product. It would also send a false signal to the market and could cause additional grape juice concentrate to be imported.

CAWG's members currently produce more than one-half of the grapes which now are used for grape juice concentrate. For this reason, CAWG is extremely concerned about any additional product which might either displace or put downward price pressure on U.S.-grown grapes.

Congress has deemed that imported grape juice concentrate should be subject to a set level of duty, and CAWG believes that this level should continue to be operative, except in those limited cases where the importer qualifies for duty drawback in the sense in which the program has been administered for years—i.e., where the exported product is of the same kind and quality and is interchangeable with the imported product.

4. Unilateral Trade Benefit to Foreign Grape Juice Concentrate Producers

Enactment of H.R. 194 would also serve to provide a unilateral, and unreciprocated, trade benefit—indeed, a de facto tariff reduction—to all countries that produce grape juice concentrate and would like to export to the U.S. market (to the extent the grape juice concentrate is imported and later matched with exported volumes of grape juice concentrate, not of the same kind and quality). We believe the bill would provide an incentive for increased purchases from countries now subject to a tariff and reduce demand for U.S.-produced concentrate, particularly the type of concentrate produced in California.

Of great concern is the fact that the elimination of a pre-existing tariff is something that is normally only provided in the course of trade negotiations. Such action is handled in trade negotiations for very good reason—so that U.S. producers and industries will obtain a reciprocal trade benefit of some type.

The U.S. should not be providing beneficial duty treatment to potential competitors to the U.S. winegrape growing industry, without those countries requesting that treatment and without the U.S. obtaining some type of benefit in return.

Further, when trade concessions are under consideration in the course of trade negotiations, very careful analysis is normally carried out on the impact that a possible concession would have on the U.S. industry in question. However, because H.R. 194 is not framed as a trade concession—although the result would be the same—it appears that no such consideration has taken place. The Committee is obligated to consider this impact. This impact is addressed above in the section entitled "Disruption of the Domestic Industry."

5. Grape Industries in Certain Other Countries Already Receive Subsidies

Some of the main exporters to the U.S. at the present time are: Argentina, Spain and Italy. These three countries comprise approximately seventy percent of the U.S. imports of grape juice concentrate.

The grape industries in Spain and Italy enjoy considerable subsidies already (in excess of $750 million in 1997),[3] which provide them assistance to compete in global markets. There is no policy justification to increase the amount of effective subsidy available to these foreign competitors.

Further, the U.S. has entered into negotiations for a Free Trade Area of the Americas and is about to head into the next round of World Trade Organization (WTO) negotiations (in late November of this year). In the WTO Round, the U.S. is committed to reducing all agricultural subsidies. It would be wholly inconsistent to, on the one hand, reward behavior that the U.S. has announced, on the other hand, it is committed to reducing or eliminating.

6. A De Facto Subsidy

Although the goal of the proponent of H.R. 194—to increase its exports of concentrate from U.S. grapes—is indeed laudable, it is trying to obtain Congressional concurrence to accomplish its goal through an alteration, or special exemption, to a program for which it does not otherwise qualify.

If Congress were to grant this exemption by deeming the exports of concentrate as eligible for duty drawback, the importer/exporter would obtain a de facto subsidy on its export. This subsidy would be created because the importer/exporter could use the refunded duties to reduce the price of the exported product, in essence subsidizing the price of the exported product.

The importer/exporter would achieve its goal with the assistance of all U.S. taxpayers—since the U.S. treasury is the source of drawback revenues. Further, if Congress were to adopt H.R. 194, a benefit would be provided to one group of grape growers which growers of other agricultural products do not have.

Other Programs

Given its goal, there are other programs in existence for which the proponent of the legislation should be applying. For instance, the Market Assistance Program (MAP) is administered by the U.S. Department of Agriculture. For that program, Congress makes a decision on an annual basis (through the annual appropriations process) as to the level of U.S. tax dollars that shall be available to assist U.S. agricultural producers to attain new (or increase existing) export markets. If Congress were to enact H.R. 194, those entities which would benefit from the legislation would in essence be circumventing the requirements, process, and budget limitations, of the MAP program.

7. Potential Loss to U.S. Treasury

The volume of grape juice concentrate exported to the U.S. has increased substantially in recent years—from 16,764,000 liters in 1994 to 59,288,000 liters in 1997. (1998 did see a decrease in imports, but it is believed the upward trend will con-

[3] Twenty-Seventh Financial Report of the Commission of the European Communities Concerning the European Agricultural Guidance and Guarantee Fund

tinue in coming years.)[4] In 1998, $5,347,000 in duties were paid on imported grape juice concentrate.[5] Theoretically, ninety-nine percent (99%) of this amount could ultimately be subject to drawback claims (99% is the level of refund available when an export qualifies for manufacturing drawback). It is certainly possible that companies would devise ways to take advantage of the new financial benefit, were it to become available.

If in 1998 all of the 14.7 million liters of U.S.-produced concentrate that were exported[6] were deemed eligible for duty drawback, the loss of revenue to the U.S. treasury would have been some $3 million.

CONCLUSION

For all of the above reasons, the Subcommittee on Trade of the House Committee on Ways and Means should not approve H.R. 194. We appreciate the Committee's consideration of these comments, and we would be pleased to provide any additional information the Committee would find helpful.

Sincerely,

KAREN ROSS
President

Statement of Ansley Watson, Jr., National Juice Products Association, Tampa, Florida

Pursuant to the August 12, 1999 announcement by the Subcommittee on Trade of the Committee on Ways and Means, the National Juice Products Association ("NJPA") submits the following statement for consideration by the Committee and for inclusion in the printed record. The statement briefly comments on H.R. 194, a bill to amend section 313 of the Tariff Act of 1930 to allow drawback for grape juice concentrates regardless of color or variety. The statement also addresses the more fundamental issue of how Customs is administering the drawback program to the detriment of the U.S. juice producing industry.

NJPA is a national trade association comprised of over 70 juice growers and processors located throughout the United States. *See* membership list at Attachment 1. A number of NJPA members import concentrated juice products for manufacturing and these members are heavily reliant on the drawback program to maintain the competitiveness of their domestic processing operations, particularly in foreign markets.

NJPA believes that H.R. 194 is symptomatic of a fundamental problem in the implementation of the drawback statute by the U.S. Customs Service, including the most recent amendments to that statute. Through these comments, NJPA hopes to direct the attention of the Committee to the need to address this issue or risk jeopardizing the continued ability of U.S. juice processors to compete in overseas markets.

1. *Summary of H.R. 194*

H.R. 194 would amend the Tariff Act of 1930 to authorize the substitution of certain grape juice concentrate regardless of color, variety, or any other characteristic for purposes of the drawback of import duties on such products. The legislation is rooted in Customs' narrow construction of the substitution provisions of the manufacturing drawback statute (19 U.S.C. § 1313(b)).

NJPA does not oppose this legislation. NJPA believes, however, that the Committee needs to consider the more fundamental issue of how Customs is implementing the drawback statute, to the extent the law permits the substitution of imported and domestic merchandise. This issue arises, in particular, in connection with the filing of unused merchandise substitution drawback claims, which is discussed next.

2. *Substitution of Juice Concentrates in the Filing of Unused Merchandise Substitution Drawback Claims*

The Customs Modernization and Informed Compliance Act (Mod Act) established a new and more liberal standard of substitution for purposes of claiming drawback

[4] Based on U.S. Department of Commerce (DOC) "National Trade Data Bank" data.
[5] Source: verbal communication with U.S. Customs Service.
[6] Based on DOC "National Trade Data Bank" data.

under the unused merchandise substitution drawback provision set forth in section 313(j)(2) of the Tariff Act of 1930, 19 U.S.C. § 1313(j)(2). The new standard, commercial interchangeability, replaced the narrow standard of fungibility, which severely limited the use of unused merchandise substitution drawback (previously substitution same condition drawback) under the pre-Mod Act drawback regime.

In determining whether two articles are commercially interchangeable for drawback purposes, Congress set forth in the legislative history to the Mod Act certain criteria to be considered including, but not limited to, governmental and industrial standards, part numbers, tariff classification and relative values. The standard of commercial interchangeability was intended by Congress to more closely align the administration of the drawback law with commercial realities. Unfortunately, Customs' application of the new standard to the juice producing industry has been fraught with problems. The problem arises because for a number of juice products, there exist no governmental and industrial standards that would facilitate a commercial interchangeability analysis. Similarly, the relative values that are reflective of market pricing in the juice producing industry can vary for a number of reasons that have little or nothing to do with the quality or commercial substitutability of the product. The reasons might include fluctuations in supply, weather conditions or the seasonality of various types of fruits. The absence of governmental standards and the problems inherent in a relative value analysis have, therefore, virtually eliminated the availability of unused merchandise substitution drawback to the juice producing industry, notwithstanding the intent of Congress to increase its availability and enhance U.S. producers' ability to export their products.

A proposal to address this issue on a broader scale for the U.S. juice producing industry is attached. *See* Attachment 2. The proposal expands on the concerns reflected in H.R. 194 and addresses the applicability of the substitution standard for concentrates of orange juice, grape juice, lemon juice and grapefruit juice. The proposed legislation does not change the standard of commercial interchangeability. It merely recognizes that specific concentrated juice products for manufacturing, whether they are produced domestically or overseas, are bulk commodities that are commercially interchangeable. With respect to concentrated orange juice for manufacturing, the one juice product for which a recognized governmental standard does exist, the USDA grading system is the single most important factor upon which COJM is traded. The legislation therefore defines commercial interchangeability for purposes of COJM on the basis of the standards of identity that comprise the USDA grading system. Thus, for example, imported COJM that is rated Grade A under the USDA grading system would be deemed commercially interchangeable with domestic, duty-paid or duty free merchandise that is rated Grade A, provided that the products also fall within the range of 93–96 for total USDA scores (based on color, defects and flavor). Drawback could be claimed on the exportation of domestic, duty-paid or duty free Grade A COJM (with USDA scores in the range of 93–96), provided that the other requirements of the drawback law are met.

With respect to other juice products, unused merchandise substitution drawback would be permitted based on the existence of the identical 8-digit Harmonized Tariff Schedule Numbers that define them.

3. *Conclusion*

The concerns reflected in H.R. 194 are merely symptomatic of a more fundamental problem with the administration of the drawback program by U.S. Customs with respect to the entire U.S. juice producing industry. The problem is caused by Customs' narrow application of the legal standard for substitution, both with respect to manufacturing and unused merchandise drawback. The situation is particularly troublesome with respect to unused merchandise drawback, where Congress has recently established a new and *more liberal* standard, which Customs has refused to properly implement. Even the courts have recently rejected Customs' narrow application of the standard. *See Texport Oil Company v. United States*, Slip. Op. 98–1352,–1353,–1373 (Fed. Cir. 1999).

Congress and this Committee need to revisit this issue, or the competitiveness of the U.S. juice producing industry in world markets will be severely undermined.

Attachment 1

NATIONAL JUICE PRODUCTS ASSOCIATION

Regular Members

Agrigold Juice Products
A. Lassonde, Inc.
American Fruit Processors
Americana Juice Products
Bascitrus Agro Industria
Camerican, A Con-Agra Co.
Canadaigua Concentrates
Cargill Citro-America
Caulkins Indiantown Cit.
CCPA/Valley Foods
Chiquita Brands, Int'l
Citrofrut, S.A.
Citrosol, S.A. De C.V.
Citrosuco North America
Citrosuco Paulista, S.A.
Citrus Belle, Div. A. Duda
Citrus Products, Inc.
Citrus World, Inc.
Clement Pappas & Co., Inc.
Cliffstar Corporation
Coca-Cola Foods
Confrutta, S.A.
Country Pure Foods
Cutrale Citrus Juices USA
Del Monte Foods
Del Oro, S.A.
Delano Growers Grape
Dinter GMBH
Dole Packaged Foods
Farmland Dairies, Inc.
Florida Flavors, Inc.
Flavors From Florida
Florida Global Citrus Ltd.
Golden Gem Growers, Inc.
Givadaun Roure
Gregory Packaging Int'l
H.J. Heinz Company
Holly Hill Fruit Products
Home Juice Company
Johanna Farms, Inc.
Jugos Concentrados, S.A.
Jugos Del Sur, S.A.
Juguera Veracruzana, S.A.
The Kroger Co.
Le Vignoble, S.A.
Lykes Pasco, Inc.
McCain Citrus, Inc.
Nestle
Northland Cranberries, Inc.
Ocean Spray Cranberries
Old Orchard Brands
Olympic Foods, Inc.
Orange-Co., Inc.
Orfiva, S.A.
Peace River Citrus Prod.
Pepsico, Inc.
Sabroso Company
San Joaquin Valley
Silver Springs Citrus Coop.
Sociedad Cooperativa
Sunbase U.S.A., Inc.
Sundor Brands, Inc.
Sunkist Growers, Inc.
Sun Pac Foods, Inc.
Sunpure
Tecnovin Do Brasil Icie, Ltda
Texas Citrus Exchange
Ticofrut, S.A.
Tree Top, Inc.
Tropicana Products, Inc.
United States Sugar Corp.
Ventura Coastal Corp.
Very Fine Products, Inc.
Vicente Trapani, S.A.
Vie Del Company
Vita-Pakt Citrus Prod. Co.
Welch's
Winter Garden Citrus

Associate Members

A.G. Edwards & Sons
A.M. Beebe Company
American National Can
Automatic Machinery
B.A. Carlson of Fla.
Bowen Juices Int'l
Bradford Company
Brown International
Cargill Investor Services
Cerestar
Champion International
Citrico, Inc.
Citrus Assoc. N.Y. Cotton
Combibloc
Continental Plastic
Daystar Robinson Int'l
Directus International
Ecolab-Food and Bev. Div.
Eni Laboratories
Enerfab
Elopak, Inc.
Export Packers Co. Ltd.
Fabri-Kal Corp.
Ferreiro and Company
Fimat Futures USA, Inc.
Fleming Packaging
Florida Bulk Sales
Florida Worldwide Cit.
FMC Corporation
FMC do Brasil
G.B. International, Inc.
Graham Packaging Company
Harris Hollow Froz. Fruit
Hartog Foods Int'l
International Paper
Jefferson Smurfit Corp.
Johnson Controls, Inc.
Kendall Frozen Fruits
Leeward Resources
Koch Membrane
Merrill, Lynch, etc.
Miller & Smith Foods
Oakley Groves, Inc.
Paine Webber
Pittra Incorporated
Potomac Foods of VA
Premier Juices, Inc.
Purcell & Assoc.
Purkel Products, Inc.
Ryan Trading Corp.
Scholle Corp.
Sethness-Greenleaf
Silgan Containers
Smith Barney Shearson
Sonoco Products Co.
Tetra-Pak, Inc.
Vincent Corporation
White Cap, Inc.

Attachment 2

IN THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES

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

A BILL

To authorize substitution for unused merchandise drawback purposes of various juice concentrates

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

SECTION 1. DRAWBACK FOR CONCENTRATED ORANGE JUICE FOR MANUFACTURING.

Section 313 of the Tariff Act of 1930, as amended (19 U.S.C. 1313) is amended by adding at the end the following:

"(x) Concentrated Orange Juice for Manufacturing.—Notwithstanding any other provision of law, imported duty-paid concentrated orange juice for manufacturing is commercially interchangeable with duty-paid, duty-free, or domestic concentrated orange juice for manufacturing which is substituted and exported if—

"(1) the imported duty-paid concentrated orange juice for manufacturing is classifiable under the same eight-digit classification of the Harmonized Tariff Schedules of the United States as the product which is substituted and exported; and

"(2) the imported duty-paid concentrated orange juice for manufacturing is classified as Grade A under the U.S. Department of Agriculture grading system for orange juice products and the product which is substituted and exported would also be classified as Grade A; and

"(3) the imported duty-paid concentrated orange juice for manufacturing and the product which is substituted and exported have total USDA scores (taking into account color, defects and flavor) that fall within the range of 93–96.

SECTION 2. DRAWBACK FOR OTHER JUICE PRODUCTS

Section 313 of the Tariff Act of 1930, as amended (19 U.S.C. 1313) is amended by adding at the end the following:

"(y) Concentrated Juice Products for Manufacturing.

(1) Notwithstanding any other provision of law, imported, duty-paid concentrated grapefruit juice for manufacturing is commercially interchangeable with duty-paid, duty-free, or domestic concentrated grapefruit juice for manufacturing which is substituted and exported if—the imported duty-paid concentrated grapefruit juice for manufacturing is classifiable under the same eight-digit classification of the Harmonized Tariff Schedules of the United States as the product which is substituted and exported.

(2) Notwithstanding any other provision of law, imported, duty-paid concentrated lemon juice for manufacturing is commercially interchangeable with duty-paid, duty-free, or domestic concentrated lemon juice for manufacturing which is substituted and exported if—the imported duty-paid concentrated lemon juice for manufacturing is classifiable under the same eight-digit classification of the Harmonized Tariff Schedules of the United States as the product which is substituted and exported.

(3) Notwithstanding any other provision of law, imported, duty-paid concentrated grape juice for manufacturing is commercially interchangeable with duty-paid, duty-free, or domestic concentrated grape juice for manufacturing which is substituted and exported if—the imported duty-paid concentrated grape juice for manufacturing is classifiable under the same eight-digit classification of the Harmonized Tariff Schedules of the United States as the product which is substituted and exported.

(4) Notwithstanding any other provision of law, imported, duty-paid concentrated cranberry juice for manufacturing is commercially interchangeable with duty-paid, duty-free, or domestic concentrated cranberry juice for manufacturing which is substituted and exported if—the imported duty-paid concentrated cranberry juice for manufacturing is classifiable under the same eight-digit classification of the Harmonized Tariff Schedules of the United States as the product which is substituted and exported.

SECTION 3. EFFECTIVE DATE.

The amendments made by sections 1 and 2 apply with respect to

(1) any drawback claim made on or after the 30th day after the date of the enactment of this Act; and

(2) any drawback claim that, as of the 30th day after such date of enactment, is unliquidated or the liquidation of which is not final or is under protest.

Statement of Hon. William M. Thomas, a Representative in Congress from the State of California

I cannot support H. R. 194 because it undermines the rules for duty drawback and fundamentally changes the nature of the program into a new agricultural export subsidy.

At their core, the drawback rules are sensible. A company that manufacturers something from imported materials can largely recoup duties paid on the imports instead of having to recoup those duties from international markets. Those who substitute imports for commercially equivalent domestic goods can also claim draw back. The key in these cases, however, is that the imported goods somehow facilitate exports, either by being used directly for production of an export or as substitutes for domestically produced or previously used goods so used.

H. R. 194 would allow exporters of American grape juice concentrate to obtain refunds of duties paid on imported concentrate even though the concentrates exported and imported are not the same product. Current law allows drawback where a manufacturer uses an imported product or substitutes a domestic product in the creation of a product which is then exported, H. R. 194 would permit an exporter of grape juice concentrate to obtain duty refunds regardless of whether the imported and exported juice are of the same quality. It is this characteristic that I find objectionable.

What H. R. 194 does is turn drawback into an export subsidy procedure and open the way for other industries to demand similar treatment. H. R. 194 is purportedly designed to reward exporters of American Concord grape juice concentrates by allowing them to claim duties paid on imported grape concentrates. The trade does not consider concentrates from Concord grapes and other grapes to be commercial equivalents. H. R. 194 would thus allow Concord concentrate exporters the unique benefit of being rewarded by the U.S. Treasury for having exported a product that is not produced anywhere but in the U.S. Those exporting other products are almost certain to identify other situations in which they will want Treasury to support their activities with duties paid on similar imports.

The U.S. has already suggested that the elimination of farm export subsidies be part of the coming World Trade Organization talks on agriculture. To advance a new means of subsidizing some farm exports undermines that process. On that basis, I oppose H. R. 194.

WELCH FOODS, INC.
CONCORD, MA 01742
September 17, 1999

Mr. A. L. Singleton, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Re. Comments In Support of H. R. 194

Dear Mr. Singleton:

Welch Foods, Inc., A Cooperative (Welch's) and the National Grape Cooperative Association, Inc. are pleased to support H. R. 194 as part of the next miscellaneous tariff and trade bill. This technical amendment of the duty drawback law is specifically intended to benefit exports of products manufactured in the United States with the American Concord and Niagara varieties of grapes

Welch's is the processing and marketing affiliated cooperative of the National Grape Cooperative Association, Inc., whose patron growers supply Welch's with its principal raw products, Concord and Niagara Grapes. The Cooperative is made up of 1,497 growers who cultivate over 44,000 acres of vineyards in Michigan, New York, Ontario-Canada, Ohio, Pennsylvania, and Washington. Welch's manufacturing plants are located in Lawton, Michigan; North East, Pennsylvania; Westfield, New York; and Grandview and Kennewick Washington.

Welch's had its beginnings in 1869 when Dr. Thomas Bramwell Welch successfully processed an unfermented Concord grape wine that could be used in his church's communion service. Headquartered in Concord, Massachusetts, Welch's is the worlds leading marketer of Concord and Niagara grape-based products, including grape juice and jelly. The Company also produces a variety of other fruit based products including juices, jams, jellies and preserves under both the Welch's and BAMA brand names.

These products are sold by the food store, special markets, food service, industrial and military, licensing and international divisions throughout the United States and in more than 30 countries around the world. In its most recently completed fiscal year, Welch's sales totaled $600 million.

The mission of the Company as a cooperative is to maximize the long-term value of its growers and to provide a reliable market for their grapes through excellence in product quality, customer service, market growth and customer satisfaction. To this end, Welch's has been working with local distributors and manufacturers in Japan and other Pacific Rim countries since the 1970's. This effort has resulted in a substantial market for our exports of grape juice concentrate and other products manufactured in the United States using American Concord and Niagara grapes.

Welch's has also dramatically expanded its product line and distribution methods to insure its long term growth and demand for products made from the grapes grown by its cooperative members. Some 32% of domestic retail sales in 1998 came from items that were not part of the Company's product portfolio five years ago.

This growth, together with year to year crop variations, requires the Company to purchase grape juice concentrates from other domestic producers and from distributors of concentrates produced outside of the U.S.

Under the Customs Duty Drawback law [Section 313 of the Tariff Act of 1930, 19 U.S.C. 1313(b)] products manufactured in the United States and then exported are eligible for a refund of customs duties (duty drawback) if they contain imported ingredients, or domestic ingredients of the "same kind." The U.S. Customs Service has advised Welch's that duty paid on imported concentrates, which are mostly white or red in color, cannot be claimed against the Company's exported products, which are mostly purple in color. This technical determination denies Welch's a significant export incentive and benefit.

The proposed amendment is intended to cure Customs' restrictive interpretation by allowing duty drawback on grape juice concentrates regardless of color or variety. This amendment and the underlying section of the law (19 U.S.C. 1313(b)) apply only to exported grape juice-based products which are manufactured in the United States. As such, the proposed amendment is designed to bring U.S. Customs treatment of grape juice concentrates into conformance with the underlying goals of duty drawback: i.e., to promote U.S. manufacturing and export sales.

This amendment is intended only to apply to exports of products made with American Concord and Niagara grapes. Welch's intends to suggest an amendment to H. R. 194 which will clarify this point.

Thank you very much for the opportunity to comment on this bill.

Sincerely,

WELCH FOODS, INC., A COOPERATIVE
BY: VIVIAN S.Y. TSENG, ESQ.
Vice President, General Counsel and Secretary
NATIONAL GRAPE COOPERATIVE ASSOCIATION, INC.
BY: VIVIAN S.Y. TSENG
Assistant Secretary

H.R. 511

To provide for the liquidation or reliquidation of certain customs entries of nuclear fuel assemblies.

Statement of Robert S. Bell, Jr., Vice President & General Counsel, ABB Combustion Engineering Nuclear Power, Inc., Windsor, Connecticut

and

Gilles Page, Vice President, Nuclear Fuel, ABB Combustion Engineering Nuclear Power, Inc., Hematite, Missouri

TARIFF CLASSIFICATION HISTORY FOR PELLETIZED URANIUM OXIDE/ZIRCONIUM TUBING

In 1970 the U.S. Customs Service decided to distinguish between: (1) reactor-ready nuclear fuel assemblies; and (2) pelletized uranium oxide contained in zirconium tubing that is not reactor-ready. The Tariff Schedules of the United States (TSUS) then in use had no specific classification for nuclear reactors or fuel assemblies. The Customs Service applied the following TSUS classifications:

- Nuclear Fuel Assemblies: 660.10 TSUS ("steam and other vapor generating boilers . . . and parts thereof")
- Pelletized Uranium Oxide: 422.50 TSUS
- Zirconium Tubing: 658.00 TSUS

According to research by the Customs Service, the 1970 decision governed importation of nuclear fuel assemblies and pelletized uranium oxide in zirconium tubing without change until the Harmonized Tariff Classification System (HTS) went into effect in 1989.

HTS was intended to standardize tariff classifications worldwide, without increasing duty on any item. Understandably, however, HTS created a U.S. heading for nuclear reactors and a subheading for "nuclear fuel elements." Inadvertently the subheading includes not only reactor-ready nuclear fuel assemblies, but also pelletized uranium oxide in zirconium tubing that would have been classified pre-HTS under 422.50/658.00 TSUS.

Pre-HTS, pelletized uranium 422.50 TSUS was free of duty; zirconium tubing 658.00 TSUS was dutiable at 5.5 percent. These classification numbers were simply converted to HTS numbers at the same rates:

Item	TSUS Number	TSUS Rate	HTS Number	HTS Rate*
Pelletized Uranium Oxide	422.50	0	2844.20.001	0
Zirconium Tubing	658.00	5.5%	8109.90.000	5.5%

* The GATT Agreement which became effective on January 1, 1995 reduces tariff rates on thousands of items in equal annual increments over five years. The rate for 8109.90.0000 HTS became 4.8 percent in 1996 and 4.4 percent in 1997. However, annual reductions under 8401 HTS and other Chapter 84 headings were made contingent upon an international accord on government procurement rules; the rate for 8401.30.0000 became 5.9 percent in 1996 and 5.2 percent in 1997.

The rate for the new HTS subheading for nuclear fuel elements was 6.5 percent. Since the uranium oxide is about 80 percent of the value, *the new HTS classification for nuclear fuel elements increased the duty on pelletized uranium oxide in zirconium tubing by more than five-fold*.

Item	HTS Number	HTS Rate*
Nuclear Reactors/Fuel Elements	8401.30.0000	6.5%

* The GATT Agreement which became effective on January 1, 1995 reduces tariff rates on thousands of items in equal annual increments over five years. The rate for 8109.90.0000 HTS became 4.8 percent in 1996 and 4.4 percent in 1997. However, annual reductions under 8401 HTS and other Chapter 84 headings were made contingent upon an international accord on government procurement rules; the rate for 8401.30.0000 became 5.9 percent in 1996 and 5.2 percent in 1997.

ABB Combustion Engineering Nuclear Power, headquartered in Windsor, Connecticut, with a plant in Hematite, Missouri, has paid unintended duty as a result of the inadvertent HTS reclassification. Five entries occurred for contract delivery dates in 1996 and 1997:

Entry Date	Entry Number
January 16, 1996	062–230014–5
February 13, 1996	062–230085–5
November 25, 1996	839–4030989–7
December 2, 1996	839–4031053–1
January 21, 1997	839–4031591–0

These are the only such entries for ABB CENP Nuclear Power because product for all subsequent orders has been manufactured in the U.S. H.R. 511 would refund the duty paid with respect to these entries, $2.4 million.

OPERATIONS OF ABB COMBUSTION ENGINEERING NUCLEAR POWER

In the 1980s, ABB Atom Inc. was established in the United States to market a type of nuclear fuel assemblies for use in reactors at U.S. utilities. These nuclear fuel assemblies were being produced very successfully for use in Europe by ABB Atom Inc.'s parent in Vasteras, Sweden.

The first step in ABB Atom Inc.'s business plan was to reach agreements with several utilities to test the nuclear fuel assemblies. If the testing programs succeeded, ABB Atom Inc. would establish manufacturing facilities in the U.S. to produce commercial quantities. Subsequently, ABB Atom Inc. became ABB Combustion Engineering Nuclear Power (ABB CENP), headquartered in Windsor, Connecticut.

The early stages of the testing program were so successful that the number of testing agreements was reduced. ABB CENP planned to invest in the upgrade of its nuclear fuel manufacturing plant in Hematite, Missouri to pelletize uranium oxide for that type of nuclear fuel assemblies, and was awarded a contract to supply the Washington Public Power Supply System (WPPSS).

Unfortunately the capacity of ABB CENP's Missouri plant to pelletize uranium oxide for the WPPSS type of nuclear fuel assemblies could not be established for the first deliveries due under that contract in 1996 and 1997.

ABB CENP was able to pelletize the uranium oxide at the Missouri plant for the February, 1998 delivery under the WPPSS contract. ABB CENO has received a contract to supply the Public Service Electric and Gas Company (PSE&G) at Hope Creek, New Jersey and is a strong contender for other contract awards.

The February, 1997 contract delivery to WPPSS will be the last to involve pelletization of enriched uranium in Sweden. Assembly will continue to be done here, with the welding process Hematite uses for other nuclear fuel assemblies being phased into use for the WPPSS deliveries over the next three years.

CONCLUSION

From 1970 until the creation of a new heading and subheadings under the Harmonized Tariff Classification System (HTS) in 1989, the U.S. Customs Service classified shipments of bundles of nuclear fuel rods distinctly from nuclear fuel assemblies, applying the duty-free rate to the uranium oxide and the rate of 5.5 percent to the zirconium tubing. The new HTS classification has had the effect of increasing the duty on ABB CENP's bundles by more than five-fold—despite the intent of HTS not to increase duty on any item.

Refunding the unintended duty increase imposed on the 1996 and 1997 WPPSS deliveries of ABB CENP's nuclear fuel bundles is a matter of equity.

The unintended duty has been a significant financial burden to the start-up of the ABB CENP business. Legislation to refund the unintended duty is necessary to clarify that the U.S. is hospitable to the creation of U.S. jobs and manufacturing plants to make goods here that would otherwise be imported. Refusal to enact the legislation would send the wrong signal worldwide.

For the sake of equity and U.S. jobs, H.R. 511 to refund the unintended duty, should be enacted into law as soon as possible.

H.R. 810

To establish drawback for imports of N-cyclohexyl-2-benzothiazolesulfenamide based on exports of N-tert-Butyl-2-benzothiazolesulfenamide.

September 22, 1999

Hon. Philip M. Crane
Chairman, Subcommittee on Trade
House Committee on Ways and Means
Washington, DC 20515

Dear Mr. Chairman:

We are writing in response to your request for comments for the record on miscellaneous trade and duty suspension bills. We support the proposed legislation to establish duty drawback for imports and exports of chemicals known as CBS and TBBS as originally provided in H.R. 810. We believe that drawback is warranted because these rubber vulcanization accelerators are commercially interchangeable under the terms of the Customs Modernization Act.

The 1993 Customs Modernization Act made important changes in how drawback applies to these chemicals. Previously the chemicals would have had to have been "fungible" with dutiable imports. Today they only need be "commercially interchangeable." Flexsys America I an Ohio-based firm, has provided technical testimony and other evidence conclusively demonstrating the commercial interchangeability of CBS and TBBS, including letters from Bridgestone/Firestone and Pirelli Armstrong, to U.S. Customs.

In the recent *Texport Oil Company v. United States,* the United States Court of Appeals for the Federal Circuit stated in part that "Congress clearly and unequivocally stated its intention....This precludes our acceptance of Customs' interpretive position, as it would require 'identity,' Instead, I am convinced that Congress intended 'commercially interchangeable' to be an objective, market-based consideration of the primary purpose of the good in question... Therefore, 'commercially interchangeable' must be determined objectively from the perspective of a hypothetical reasonable competitor; if a reasonable competitor would accept either the imported or the exported good for its primary commercial purpose, then the goods are 'commercially interchangeable' according to 19 U.S.C.'S 1313(j)(2)."

As evidenced by the court's comments, the U.S. Customs Service has taken a constrained view of the interchangeability concept. Given this disagreement, we support the approach in H.R. 810 to clarify the eligibility of these chemicals for drawback.

We are particularly concerned about Flexsys America L.P. because of its contributions to the economic strength of Ohio and the U.S. Flexsys is the leading supplier of chemicals specifically formulated for the rubber industry. Its headquarters for North and South America are located in Ohio, as is its world-class technical center. This center services Ohio-based customers like Aeroquip (Eaton), Bridgestone/Firestone, Cooper Tire, Goodyear Tire and Rubber, HBO Industries, Hercules Rubber, M.A. Hanna, Mark IV (formerly Dayco), and Tenneco. TBBS and CBS are two o the import products of Flexsys that—are produced domestically.

Adoption of H.R. 810's approach will help solidify Flexsys' opportunity to manufacture and export these products competitively. We hope you will include it in the Committee's omnibus bill.

Sincerely,

THOMAS C. SAWYER, M.C.
RALPH REGULA M.C.
SHERROD BROWN, M.C.
TONY HALL, M.C.
STEVEN C. LATOURETTE, M.C.

H.R. 1026

To provide for the reliquidation of certain entries of self-tapping screws.

JADE INTERNATIONAL, INC.
FOLCROFT, PA 19032
September 20, 1999

Hon. Philip M. Crane, MC
Chairman, Subcommittee on Trade
Committee on Ways and Means
1136 Longworth House Office Building
Independence and New Jersey Avenues, SE
Washington, DC 20515

Re: TR–15 and HR 1026, Statement in Support of the Measure

Dear Congressman Crane:

We respond to your Advisory Notice TR 15 dated August 12, 1999, in which you invited comments on certain miscellaneous trade and tariff bills, including HR 1026, a bill to provide for the reliquidation of certain Customs entries made in the Port of Philadelphia. For the reasons given below, we support the legislation.

Our company acts as a customs broker, and our responsibilities include the clearance and release of imported merchandise, the calculation and deposit of duties owed and the challenge of those assessments, when we believe that they are incorrectly assessed. In 1993 and 1994 our company filed certain protests to the assessment of customs duties alleging that the product was misclassified and excessive duties were collected. In 1955 certain of the protests were denied by Customs and some, but not all, of the protests were forwarded to the U.S. Court of International Trade where Federal litigation was commenced. In late 1996 the United States conceded liability and error without trial and the Court ordered the refund of those entries then before it. In reviewing the court file, it was determined that certain entries which were validly protested before the Customs Service (and therefore would have been the subject of court ordered refund) were not properly placed before the Court of International Trade. HR 1026 would order a reliquidation and refund by Act of Congress on those entries which would have been refunded by Court order but were not before the Court, and thus, results in no greater expense to the government than would have been incurred had the entries been reliquidated by court order. By the same token, without this legislation, the government will hold funds which the U.S. Court of International Trade has already determined were improperly collected in the first place.

In light of the above facts, it is clear that Customs holds now funds of our client that the U.S. Court of International Trade has already ruled should not have been collected. The just solution to such an outcome is legislation directing refund, and for that reason we support the measure.

Very truly yours,

ANTHONY CASTROVILLO
Vice President

cc: Leo Webb, Esquire
U.S. International Trade Commission
Washington, DC 20436

H.R. 1360

To amend the Harmonized Tariff Schedule of the United States to provide for equitable duty treatment for certain wool used in making suits.

see also American Apparel Manufacturers Association under H.R. 2196

Statement of American Fiber Manufacturers Association

Mr. Chairman: I appreciate the opportunity to comment on behalf of the American Fiber Manufacturers Association (AFMA), to the Trade Subcommittee regarding H.R. 1360. AFMA opposes this legislation.

Many fine wool fabrics are constructed as a blend of wool and man-made fibers. The official U.S. government definition for wool fabric only requires that it contain 85% by weight of wool fiber. It is common, for instance, to utilize polyester or other man-made fibers for the additional 15%to incorporate fabric properties that only can be obtained through the inclusion of a man-made fiber. U.S. wool fabric manufacturers also make large quantities of other blended wool and man-made fabrics of varying ratios. For this reason, wool fabric manufacturers have served as longtime, important customers for U.S. manufactured fiber producers. As a result, legislative proposals that damage the wool fabric industry will also have an adverse impact on U.S. manufactured fiber sales.

These tariff cuts are not necessary at this time. They are already undergoing a significant reduction as a part of the Uruguay Round/WTO. Any further unilateral cuts would undermine the current WTO tariff reduction schedule and preclude any reciprocal benefits for U.S. fiber, fabric, and apparel manufacturers as part of future WTO negotiations.

Consequently, we strongly encourage you to oppose any legislative effort to reduce or eliminate U.S. wool fabric duties. Thank you for your attention regarding this important matter.

Sincerely,

PAUL T. O'DAY

AMERICAN SHEEP INDUSTRY ASSOCIATION
September 20, 1999

Dear Mr. Chairman:

I appreciate the opportunity to comment to the Trade Subcommittee regarding our opposition to bill H.R. 1360. The American Sheep Industry Association (ASI) representing nearly 70,0000 producers of lamb and wool in the United States is adamantly opposed to this legislation. The legislation if enacted would have a significant and direct adverse impact on America?s wool fiber producers. If tariffs are cut on imports of Super 70's and 80's wool fabrics as the legislation calls for and eliminates import tariffs on Super 90's and finer-grade wool fabrics, imports of wool fabric will rise dramatically. This will result in a reduction of demand for domestic wool fabrics, and consequently, undermine the market for U.S. produced wool fiber. Today, part of the 1998 domestic wool clip and one half of the 1999 clip remain unsold. Domestic wool mills which purchase the vast majority of our domestic wool production, are struggling against a record tide of imports and unable to buy American wool in the quantities available.

The global situation makes the exporting of U.S. produced wool untenable. Australia?s long-term stockpile of wool has severely depressed worldwide wool prices for nearly a decade. Asia has long been one of the world?s largest wool buyers, however the financial crisis in Asia has eliminated them as a potential purchaser of wool.

If this legislation is enacted, not only would the U.S. producers of the fine wools used in the manufacturing of the fabrics specifically covered by the bill be harmed (see attachment ?U.S. Production of Fine Wool Fibers?), so would the thousands of producers of medium grade wools. This price depression would result because the tariff cuts on fine wool fabric would cause a tremendous downward price compression on medium and lower grade wool fabrics.

All sectors of agriculture production are undergoing severe economic conditions at this time, U.S. producers of wool are no exception. The enactment of H.R.1360 would just add to an already serious situation existing in the industry today. The producers of U.S. wool fiber are very much opposed to this legislation and the profound negative effect it will have on our industry.

Sincerely,

PETER ORWICK
Executive Director

[An attachment is being retained in the Committee files.]

Statement of American Textile Manufacturers Institute

This statement is submitted by the American Textile Manufacturers Institute (ATMI), the national association of the domestic textile mill products industry. ATMI's members account for approximately three-quarters of the textile fibers consumed in the United States and the great majority of wool fabrics used to make suits, the subject of H.R. 1360.

ATMI strongly objects to H.R. 1360 because it is bad trade policy. It is an unwarranted and unilateral trade concession by the United States that will seriously injure U.S. producers of wool fabrics, forcing some of them out of business.

The wool fabrics sector is the most import-sensitive segment of the U.S. textile industry and thus the one whose ranks have been the most depleted over the years. Last year, imports of wool fabric were 39.6 million square meters, compared to 105.8 million square meters of domestic production, and imports of wool apparel represented an additional 260.5 million square meters. In five years' time, i.e. from 1993 to 1998, imports of wool fabric have increased 18 percent and imports of wool apparel have increased 77 percent, while domestic production of wool fabric has *declined* 40 percent. These phenomena are not unrelated.

Recognizing the extreme import sensitivity of wool textiles, Congress has for many years declined to reduce tariffs applied to imported wool fabrics despite repeated requests from abroad to do so. However, in the Uruguay Round negotiations, U.S. negotiators yielded to intense pressure from their European counterparts and agreed to reduce U.S. tariffs on wool fabric (of the type included in H.R. 1360) by more than one-third. Since these tariff cuts were incorporated in a massive Uruguay Round Agreements Act which could not be amended, they became law. Now, importers of wool fabric want another bite at the apple via H.R. 1360. There can be no question that enactment of this bill will lead to a further, large increase in imports of wool fabric (that is, after all, its purpose) and will threaten the well-being of every wool fabric producer in the United States (and their employees) and the continued existence of some of them (see attached Exhibit A.)

H.R. 1360 is also poor trade policy from a tactical standpoint. Having agreed to the Uruguay Round tariff cuts noted above—a concession worth millions of dollars to countries exporting wool fabric to the United States—there is no reason for the United States to unilaterally grant further substantial tariff cuts exceeding those granted in the Uruguay Round when none of the beneficiary exporting nations have to grant anything to the United States in return. H.R. 1360 is, from a trade policy perspective, a giveaway, pure and simple. Trade policy should not be based on giving away the store or, in this case, the wool textile mill.

The fabrics covered by H.R. 1360 are produced in the United States. Further, domestic mills, which are currently suffering from capacity underutilization, would be more than pleased to increase production to meet any demands for these fabrics. In recent years, they have spent millions of dollars on capital improvements, much of it for specialized equipment that cannot be used to make anything except the referenced fabrics. If this bill is enacted, thousands of U.S. wool textile jobs would be imperiled.

Finally, given that there is significant domestic opposition to this legislation and that it would have a significant adverse budget impact (according to last year's CBO analysis, it would cost the Treasury approximately $22 million annually), we do not believe that such a controversial and costly measure should be smuggled through Congress as part of a larger package of otherwise non-controversial and relatively non-costly miscellaneous tariff bills.

For all these reasons, we urge that H.R. 1360 not be approved either as part of a larger package or as a stand-alone bill.

Forstmann Files for Chapter 11, Cuts 50% of Workforce

New York—Forstmann & Co. on Friday filed for Chapter 11-bankruptcy court protection in Manhattan. The Chapter 11 petition confirms a report in Friday's DNR that Forstmann would file.

Rodney Peckham, president and chief executive officer, said in an affidavit filed with the petition that the company will immediately cut over 50 percent of the company's workforce. Forstmann has 1100 employees, of which 900 are full-time. A source familiar with the bankruptcy said that the cuts will affect hourly employees at the company's two adjacent plants in Georgia.

Peckham explained that the company earlier this month "exhausted" its borrowing availability under its credit line. The liquidity problem arose from restructuring efforts on the past year and costs connected to the 1998 startup of its subsidiary, Forstmann Apparel Inc., which also filed for Chapter 11 protection.

He added that Forstmann has been in contact with other parties who are interested in buying or merging with the company. Butler, Chapman & Co. Inc. is the woolen and worsted fabric manufacturer's investment advisor. Sources said the company has been in talks with at least two companies for a possible sale of the company. It was not immediately known whether there were any plans for the subsidiary to be sold separately from Forstmann & Co.

The company, which plans to continue in operation, has a $50 million debtor-in-possession financing facility provided by a bank group led by Bank of America. It also hired Richard Redden, a turnaround consultant at OSNOS Associates Inc., who will act as interim chief operating officer.

Forstmann's Chapter 11 petition listed total liabilities of $58.6 million, including $50.5 million in secured debt and $7.2 million in unsecured debt. The company's top six secured debt holders are syndicate members that provided the company with its credit line. Unsecured creditors include: Richter Yarns Ltd, Ontario, Canada, $600,730; Prouvost USA, Inc., Jamestown, S.C., $258,291, and the Kent Manufacturing Co., Pickens, S.C., $81,570.

Forstmann listed total assets of $88.2 million.

From the Daily News Record, July 26, 1999, by Vicki M. Young.

Statement of Burlington Industries, Inc., Greensboro, North Carolina

MR. CHAIRMAN: I appreciate the opportunity to comment to the Trade Subcommittee regarding the opposition of Burlington Industries, Inc. to H.R. 1360, a bill to immediately reduce some and suspend other tariffs on high-end wool fabrics. Burlington Industries, Inc., in existence for over 75 years, is a diversified textile manufacturer. A large, important portion of Burlington"s business is wool fabric production. Burlington is the largest domestic manufacturer of worsted wool fabric and produces very large volumes of all the fabric types covered by H.R. 1360. Cutting tariffs by nearly 50% on so-called Super 70's and 80's wool fabric, and totally eliminating the tariffs for several years on so-called Super 90's and above wool fabrics, as called for under H.R. 1360, would be a direct and extremely harmful blow to our business, our employees, and the multi-million dollar investments we have made in this area. These investments and production plans were made based on the integrity of the duty structures under the WTO and the NAFTA. Changing these important wool fabric tariffs now would simultaneously undermine our new investments and jeopardize the viability of our existing operations.

Some proponents of this legislation have incorrectly stated that these tariff cuts/suspensions are necessary because there is not sufficient domestic availability for these fabrics. This is absolutely not the case.

In the fabrics designated as "Super 100's" and above in the legislation, the domestic industry already produces a significant portion of the demand for these fabrics and has the capacity to produce even larger volumes if the orders are forthcoming. Burlington, in conjunction with Warren of Stafford, a Connecticut wool fabric producer, already produce over 60% of the U.S. demand for the "Super 100's" and above wool fabric for the men's suit market.

For the fabrics designated as "Super 70's/80's/90's," Burlington Industries and other domestic manufacturers produce very large volumes of these fabrics for use in men's/boy's suits, sports coats, and slacks, as well as women's wool tailored apparel.

Companies in Mexico and Canada also produce these same fabrics. NAFTA fabrics are available to U.S. apparel manufacturers duty-free and quota-free. These Mexican and Canadian companies also have capacity to produce even larger volumes if the orders are received from U.S. apparel makers. Additionally, Burlington's wool fabric facility in Mexico will commence production next year and be able to produce exactly the fabrics covered by this legislation, as well as a wide range of other worsted wool fabrics. For this facility, the wool processing (scouring, combing, etc.) and wool top making and dyeing will be performed in our North Carolina and Virginia facilities; the yarn and fabric will be made in Mexico. These NAFTA qualifying fabrics will be available to U.S. suit producers duty and quota free.

Historically, the U.S. Congress has allowed unilateral tariff reductions/suspensions only in those situations where there is absolutely no domestic availability of the particular product considered. Collectively, current U.S. production of 70's and above wool fabric exceeds 20 million square meters annually; capacity exists to produce much more.

Enactment of H.R. 1360 not only would harm Burlington and other domestic manufacturers of these fabrics, but also would have impact on suppliers further down the production chain. Domestic companies, which make the top and yarn for these fabrics and the woolgrowers who provide the raw fiber for these fabrics would be harmed. U.S. woolgrowers sell virtually all of their clip to U.S. textile companies. If wool fabric tariffs are cut/suspended, U.S. apparel companies and importers will have a strong, built-in incentive to utilize even more imported fabric, thereby greatly decreasing demand for the domestic fabrics cited in the bill. This will in turn result in lesser demand for U.S. yarns and raw wool. In addition, it would decrease demand for U.S. wool fabrics of lower grades than those specified in the bill.

In Burlington's opinion, it is bad trade policy to unilaterally cut tariffs, particularly on very import-sensitive products. And to do so without the potential for U.S. producers to receive some reciprocal trade benefits from foreign competitors would be a travesty of justice. The U.S. is preparing to enter a multilateral trade liberalization round in November 1999, and, while we are very much against further tariff cuts, a multilateral round would be the only appropriate place to do this, not by unilateral, Congressional action. This particular segment of the textile industry took the largest hit the Uruguay Round, having to accept tariff cuts of about 30% on wool fabrics. The possibility of now being forced to bear up under additional, immediate tariff cuts is unthinkable.

The language of this proposed legislation is also totally unenforceable. The legislation calls for tariff reduction/suspension on fabrics defined as "Super 70's" and up. These are marketing, not technical, terms. There is no accepted domestic or international definition of "Super XX" fabrics. There is no way U.S. Customs could monitor or enforce such legislation. There is no doubt that massive fraud would occur, i.e. importers bringing in other types of fabric and calling them "Super 70's" and above in order to receive benefits of the much lower tariffs, and exporters doing the same. This legislation cannot be policed. Many billions of dollars worth annually in textile import fraud is already occurring, and Customs can't stop it.

The wool fabric and yarn sector of the domestic textile industry is already being hit very hard by textile product imports. The damage has been extreme. Since January of this year Burlington Industries alone has had to announce layoffs of 1,450 of our employees in our wool fabric division. The lay-offs are due to the tremendous surge in imports from the Asian countries, as well as ongoing imports of suits, sport coats, and slacks from Canada. Canada continues to abuse the Tariff Preference Level (TPL) negotiated in the Canadian Free Trade agreement and NAFTA, by flooding the U.S. with men's suits made of foreign fabric. This TPL issue is the root of the problem and is the primary reason that some apparel companies are pushing for this legislation. It would be much more reasonable and fair to correct the TPL problem than to create additional problems by cutting tariffs on these fabrics, thereby having a much more negative impact on the wool textile/fiber sector of this industry.

The above are just a few of the very valid reasons for our strong objection to this ill-conceived, damaging legislation. Burlington Industries wants very much to continue our wool fabric production business, and our remaining 5,800 wool fabric employees would very much like to keep their jobs, but we are at grave risk if H.R.1360 is enacted.

CARLETON WOOLEN MILLS, INC.
WINTHROP, MAINE 04364
September 17, 1999

Mr. A. L. Singleton
Chief of Staff
Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Singleton:

On behalf of the Northern Textile Association (NTA), I am writing to express strong opposition to H.R. 1360, legislation designed to severely reduce and in some cases eliminate totally, existing U.S. duties on certain grades of wool fabric. The NTA represents over 80% of domestic wool fabric and yarn producers, many of which manufacture products that would be directly affected by this legislation.

Our reasons for objection to H.R. 1360 are manifold, including the following points:

1. All of the fabrics covered by this bill are manufactured in the U.S. in large quantities. The companies that produce these fabrics employ thousands of U.S. workers whose jobs will be jeopardized by the severe tariff cuts envisioned in this legislation. In addition, the U.S. wool fabric industry is extremely depressed at this time. Several domestic wool fabric producers have been forced to cut production and staffing in response to the flood of low-priced goods flowing out from the depressed economies of East Asia. We have witnessed wool fabric industry layoffs and plant closings in Rhode Island, New Hampshire, Maine, Georgia, South Carolina, North Carolina, Virginia, and Oregon. A decision by Congress to cut existing U.S. duty rates will only exacerbate the poor market conditions that have led to the lay-off of thousands of wool fabric workers over the past eighteen months.

2. The U.S. is currently reducing the tariff on all wool fabrics by nearly one-third as a result of the Uruguay Round agreement. We are in 5th year of a phase down schedule under the WTO that will drop U.S. wool fabric duties from 36.1% to 25% in 2004. Yarn and fabric makers have invested millions of dollars in new plants and equipment in recent years based on this tariff phase down schedule, negotiated by the Executive Branch and approved through implementing legislation by Congress. If Congress allows further, unforeseen tariff cuts, the investment and long range planning activities of various companies will be destroyed. Moreover, it would be extremely unwise for Congress to make unilateral tariff cuts in this area just three months shy of the upcoming Seattle WTO talks. If it is deemed necessary to further reduce these duties, it should at least be done through a negotiation where U.S. wool fabric producers could possibly obtain reciprocal market opening concessions from foreign trading partners.

3. H.R. 1360 would provide significant incentives for Customs fraud. The language in the bill (Super 70's, 80's 90's etc.) refers to vague marketing terms, not precise definitions of measurement. They have no correspondence in international terminology or harmonized tariff schedules. U.S. Customs simply does not have the personnel or expertise to adequately enforce such vague classification.

Finally, the bill as drafted would cost the U.S. treasury nearly $15 million annually in lost tariff corrections or suspensions. For all these reasons, we believe it is totally inappropriate for the Ways & Means committee to include H.R. 1360 in any miscellaneous tariff package. Moreover, we believe that the committee should object to moving this flawed legislation in any form during the remainder of the 106th Congress.

Thank you for your attention to our concerns, and if I can provide you with any further information on this matter, please do not hesitate to contact me.

Sincerely,

J. MARSHALL MCDUFFIE
Sr. Exec. Vice President, Mfg.

August 9, 1999

The Honorable Philip M. Crane
Chairman
Subcommittee on Trade
1104 Longworth Building
Washington, DC 20515–6354

Dear Chairman Crane:

We are writing to express our strong opposition to HR 1360. We are among the scores of Members who have constituents that stand to be negatively impacted by the tariff reductions that this bill would unilaterally impose on various imported wool fabrics.

Enactment of HR 1360 in its entirety or any of its provisions would have a wide range of adverse effects on American wool fiber, top, yarn and fabric producers. We appreciate this opportunity to highlight some of the most significant reasons why this measure should be rejected. We have also included a fact sheet which provides additional information concerning the short-comings of this measure as well as organizations opposing it.

First, as part of the Uruguay Round/WTO agreement, the U.S. is currently reducing tariffs on imported wool fabrics by approximately thirty percent. In fact, wool fabrics are subject to greater duty reductions than any other textile product. Furthermore, U.S. wool textile quotas are being completely eliminated under the WTO/Uruguay Round. Hundreds of millions of dollars of investments made by domestic wool fabric producers have been based on the Uruguay Round/WTO and NAFTA trade rules and timetables. Unilaterally changing these agreements/rules now would completely undermine these investments and, in reality, put the wool fabric industry and all other U.S. industries on notice that they cannot rely on the integrity of U.S. trade agreements.

Second, contrary to the claims of some of the proponents of this bill, the U.S. wool fabric industry annually produces over 10 million yards of the so-called Super 70's, 80's and 90's wool fabrics. In the higher end—Super 100's and above—the U.S. wool fabric industry produces more than sixty percent (over 1.5 million yards) of the domestic suit manufacturers' requirements. Additionally, the domestic wool fabric industry has the capacity to produce even greater amounts of Super 70's, 80's, 90's, 100's and above wool fabrics.

Third, as you know, the U.S. will enter into a new round of WTO trade liberalization negotiations in less than six months. Even if a case could be made for eliminating and reducing U.S. tariffs in this sector, it would be totally counter to our interests to do so now. Making unilateral U.S. tariff cuts outside of the WTO negotiating context would assure that the our country would not have an opportunity to obtain any trade concessions whatsoever in return from foreign competitors.

Finally, this legislation will not correct the problem of harmful wool apparel imports from Canada under NAFTA as the proponents claim. The loophole in NAFTA, which allows Canada to make wool apparel with non-NAFTA fabric and flood the U.S. under the NAFTA zero tariff rate, is the problem and should be addressed by the Administration. Many members who have signed this letter have urged the Administration to take just this action. We believe that Congress should urge the Administration to fix the NAFTA loophole—not cut tariffs on wool fabric imports which will severely harm the nearly 90,000 U.S. workers in the wool fiber, top, yarn and fabric industries. These important sectors of our economy are already reeling under record levels of imports. Imports have already caused the loss of one-third of U.S. wool fabric jobs within the past three years.

We urge the Committee to oppose this bill either as a stand-alone measure or as part of any other legislation. It is not a miscellaneous tariff bill. Instead, it will seriously hurt the wool fiber, top, yarn and fabric industries in the United States. We welcome the opportunity to discuss this issue further with you and your staff.

Sincerely,

SAM GEJDENSON
Member of Congress

CHARLIE STENHOLM
Member of Congress

CHARLES NORWOOD
Member of Congress

HOWARD COBLE
Member of Congress

JOE SKEEN
Member of Congress

PATRICK KENNEDY
Member of Congress

WILLIAM JENKINS
Member of Congress
ROBIN HAYES
Member of Congress
RICHARD BURR
Member of Congress
BOB GOODLATTE
Member of Congress
VIRGIL GOODE
Member of Congress
RICK HILL
Member of Congress
JOHN SPRATT
Member of Congress
MELVIN WATT
Member of Congress
DAVID PRICE
Member of Congress
JAMES TRAFICANT
Member of Congress
LAMAR SMITH
Member of Congress
JOHN OLVER
Member of Congress
PAT DANNER
Member of Congress
DAN BURTON
Member of Congress
EARL BLUMENAUER
Member of Congress
JOHN JOSEPH MOAKLEY
Member of Congress
RICK BOUCHER
Member of Congress
MAC COLLINS
Member of Congress
TERRY EVERETT
Member of Congress
NANCY JOHNSON
Member of Congress
JAMES HANSEN
Member of Congress
MIKE MCINTYRE
Member of Congress
MICHAEL SIMPSON
Member of Congress
SUE MYRICK
Member of Congress
BOB ETHERIDGE
Member of Congress
CHARLES TAYLOR
Member of Congress
WALTER B. JONES, JR.
Member of Congress
JOHN PETERSON
Member of Congress
HELEN CHENOWETH
Member of Congress
HENRY BONILLA
Member of Congress
DUNCAN HUNTER
Member of Congress
CHARLES PICKERING
Member of Congress
EVA CLAYTON
Member of Congress

Wool Fiber, Yarn, Fabric Coalition

Points in opposition to H.R. 1360 and S. 218

Identical bills to cut/eliminate U.S. tariffs on imported wool fabrics

- The fabric types covered by the bills are readily available from U.S. producers.
- In six months, a new round of WTO trade liberalization talks will begin in Seattle. It would be tantamount to unilateral trade disarmament for the Congress to cut *any* U.S. tariffs now, outside of the WTO negotiating context.
- The bills purportedly would, but do not, address the problem of harmful wool apparel imports from Canada under NAFTA. The bills do not correct Canada's continuing misuse of a NAFTA loophole, which allows them to make wool apparel with non-NAFTA fabric and flood the U.S. under NAFTA's (zero) tariff rate. The Administration is aware of, and should fix, this ongoing, serious problem.
- The bills will harm the nearly 90,000 U.S. workers in the wool fiber, top, yarn, fabric industry.
- Congress should not make unilateral tariff cuts in the midst of an import crisis. The 1998 U.S. trade deficit was a record $168 billion with textiles/apparel comprising $49.2 billion. 1999 textile/apparel imports have grown *13%* over the same period in 1998. Job/business loss is severe.
- Record levels of imports have already resulted in U.S. wool yarn & fabric plant closings and lay offs of over 1,600 workers in 1998, 1,600 more in January and February 1999, for a minimum of 6,300 jobs lost over the last 3 years—a one third decrease in wool yarn & fabric employment.
- Slashing tariffs on wool fabrics will give an additional dramatic price advantage to imports causing further market shift toward imports and away from U.S. producers.
- The bills will undermine hundreds of millions of dollars in investments made by domestic wool fabric producers who relied on the integrity of U.S. trade laws, tariffs, the NAFTA, and the new WTO in making these investment decisions.
- The bills will cause serious damage to U.S. woolgrowers who export virtually no wool, have U.S. wool top, yarn and fabric producers as their sole customers, and are currently seriously impacted by increased lamb meat imports according to a February 1999 U.S. ITC ruling.
- This Legislation is virtually unenforceable. U.S. customs has inadequate resources, the bill's classification descriptions are vague, and importers can easily avoid tariffs by falsely declaring the quality level of wool fabrics.
- Under the WTO, U.S. wool fabric tariffs are currently in the process of being reduced by 30% and import quotas are being eliminated. Further unilateral tariff

cuts will be an additional assault on the U.S. wool textile industry that is simply unconscionable.

U.S. WOOL FABRIC TARIFF CUTS / ELIMINATION

(S.218 & H.R.1360)

PARTIAL LISTING OF GROUPS THAT STRONGLY OPPOSE, AND WHOSE MEMBERS WOULD BE ADVERSELY IMPACTED BY THIS LEGISLATION.

- American Fiber Manufacturers Assn.
- American Textile Manufacturers Institute
- American Sheep Industry Assn., Inc.
- American Yarn Spinners Association
- Arizona Wool Producers Association
- Boston Wool Trade Association
- California Wool Growers Association
- California Wool Marketing Association
- Canadian Co-op Woolgrowers LTD-Ont.
- Connecticut Sheep Breeders Assn.
- Colorado Wool Growers Association
- Georgia Textile Manufacturers Assn.
- Idaho Wool Growers Association
- Illinois Lamb & Wool Producers, Inc.
- Kern County, CA, Woolgrowers Assn.
- Maryland Sheep Breeders Association
- Michigan Sheep Breeders Association
- Mid-States Wool Growers Cooperative Association—OH
- Mid-States Wool Growers Cooperative Association—SD
- North American Textile Council—UNITED STATES, MEXICO, CANADA
- North Carolina Textile Manufacturers Association
- Montana Wool Growers Association
- Nevada Wool Growers Assn.
- Northern Textile Association
- Ohio Sheep Improvement Association
- Producers Marketing Cooperative—TX
- New Mexico Woolgrowers Assn.
- Sheep Producers of Hawaii
- South Carolina Manufacturers Alliance
- South Dakota Sheep Growers Assn.
- Tennessee Sheep Producers
- Texas Sheep & Goat Raisers Assn.
- Tri State Wool Marketing Association
- U.S. Wool Marketing Association
- Utah Wool Growers Association
- Washington State Sheep Producers
- West Texas Wool and Mohair Assn.
- Wyoming Wool Growers Association

PARTIAL LISTING OF FIRMS DIRECTLY INVOLVED IN WOOL PRODUCTS (FIBER, TOP, YARN, OR FABRIC) THAT OPPOSE AND STAND TO BE HARMED BY S.218/H.R.1360

- Amicale Industries, Inc.—NC, PA
- Anodyne, Inc.—TX
- Ballinger Wool & Mohair Inc.—TX
- Blackwell Wool & Mohair Co., Inc.—TX
- Burlington Industries, Inc.—AR, MS, NC, NY, SC, TN, VA
- Carleton Woolen Mills, Inc.—ME
- Center of the Nation Wool, Inc.—SD
- Cleyn & Tinker, Inc.—NY
- Crescent Woolen Mills—WI
- Crown Yarn Dye Company, Inc.—MA
- Desmon Mills, Inc.—RI
- Dishman International Co., Inc.—TX
- Dorr Woolen Company—NH
- Dyecraftsmen, Inc.—MA
- Easthampton Dye Works, Inc.—MA
- Edwin Borgh Wool & Textile Fibers—PA
- Eldorado Wool Company, Inc.—TX
- Faribault Woolen Mill Co.—MN
- Forstmann & Company, Inc.—GA
- Forte, Dupee, Sawyer Co.—MA
- Groenewold Fur & Wool Company—IL
- Hanora Spinning, Inc.—RI, SC
- L.W. Packard & Co., Inc.—NH
- International Woolen Co., Inc.—ME
- Jagger Bros.—ME
- The Kent Manufacturing Company—SC
- Lometa Wool & Mohair Co.—TX
- Mid-States Wool—OH, KS
- Mt. Jefferson Woolens—OR
- NAFTA Textile Mills—RI
- Northwest Woolen Mills—RI
- Ohsman & Sons Co., Inc.—IA
- Ott & Zimmermann, Inc.—NJ
- Ozona Wool & Mohair Co.—TX
- Pendleton Woolen Mills—OR, WA
- Priour-Varga Wool and Mohair Inc.—TX
- Prouvost USA, Inc.—SC

Ranchman's Wool and Mohair Inc.—TX
R.C. Elliott & Co.—UT
Robinson Mfg.—ME
Roswell Wool and Mohair—NM
Roswell Livestock & Farm Supply—NM
Sanderson Wool Commission—TX
Southwestern Wool & Mohair, Inc.
Uvalde Producers Wool & Mohair—TX
Warren Corporation—CT
Wellman, Inc.—Miss., NC, NJ, SC
Westwood, Inc.—MA, RI
Western Wool & Mohair Co.—TX
Woodbury Wool Co.—CO
Wool Growers Central Storage—TX
The Wool Shed—UT
Woolrich, Inc.—PA
The Worcester Company—RI

DuPont and Celanese also oppose and stand to be harmed by S.218/H.R.1360, because their fibers are commonly blended into wool and other fabrics, and because if enacted, this legislation would set a dangerous precedent for making future tariff cuts on imports of other types of fabrics and products. The National Cotton Council also opposes the legislation due to it's precedent-setting nature.

GEORGIA TEXTILE MANUFACTURERS ASSOCIATION, INC.
ATLANTA, GEORGIA 30303
September 15, 1999

Honorable Phil Crane
Chairman
Subcommittee on Trade
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

On behalf of the Georgia Textile Manufacturers Association, which represents the more than 104,000 Georgians employed in the state's textile industry, I wish to convey our opposition to H.R. 1360, which would reduce, and in some instances eliminate, the tariffs on certain wool fabrics.

The bill would set a dangerous precedent for U.S. trade policy. In six months, a new round of WTO trade liberalization talks will begin in Seattle, and it would be tantamount to unilateral trade disarmament for the Congress to cut any U.S. tariffs now, outside of the WTO negotiating context.

The bill would undermine hundreds of millions of dollars in investments made by domestic wool fabric producers who relied on the integrity of U.S. trade laws, tariffs, NAFTA and previous WTO agreements in making investment decisions. Under the current WTO agreement, U.S. wool fabric tariffs are already in the process of being reduced by 30 percent—representing greater duty reductions than for any other textile product—and import quotas are being eliminated.

Drastic, unilateral tariff cuts such as those proposed in H. R. 1360 would have a severe negative impact on U.S. manufacturers of wool fabrics and the thousands of people they employ, including those in Georgia.

Thank you for your consideration of our views with regard to this important matter.

Sincerely,

G. L. BOWEN III
President

Cc: Mr. Jim Robinson

STATE OF IDAHO
SECRETARY OF STATE
September 20, 1999

MR. CHAIRMAN:

I appreciate the opportunity to comment to the Trade Subcommittee with respect to my strong opposition to H.R. 1360, The Wool Fabric Tariff Cut/Elimination Legislation.

Idaho has historically depended upon the wool growing industry which has contributed greatly to the economy of this state. The sheep numbers at one time in Idaho alone amounted to over 2½ million head. That number now is less than 200,000 head and presently in a free-fall in the entire U.S. because of the high wool fabric imports to the U.S. we cannot afford to lose anymore woolen mills. The approval of H.R. 1360 would cause irreparable damage to the wool and sheep industries of the United States.

Recently I witnessed a producer offer his entire clip of this year's wool in exchange for the cost of shearing the sheep. The sheep shearing company turned the offer down because the company would be losing money. The woolen mills cannot offer a price for the producer to survive in the wool growing business.

Nothing wears better than wool. I recall in 1951 during the cold war with the Soviet, Russia began to stockpile wool. The united states got worried and also began to stockpile wool. Wool prices went upward. That day may come again; but what are we going to do if we have no supply of wool in this country!

I cannot emphasize enough that the imports of wool fabrics from foreign countries have already perilously affected the United States wool textile industry, and also the wool production ability. The defeat of H.R. 1360 is critically essential. The passage of H.R. 1360 would be a death blow to our woolen mills and wool industry.

PETE T. CENARRUSA
Secretary of State, State of Idaho

KENT MANUFACTURING COMPANY
PICKENS, SC 29671
September 16, 1999

Re: Opposition to H.R. 1360, Wool fabric tariff cut/elimination legislation

MR. CHAIRMAN:

I appreciate the opportunity to comment to the Trade Subcommittee regarding our opposition to bill H.R. 1360.

The Kent Manufacturing Company is a major manufacturer of yarns located in Pickens, SC. Several years ago Kent made significant investment in expanding our operations to specifically manufacture yarns for high-end wool worsted fabrics, exactly the types of fabrics covered by legislation H.R. 1350. We provide these yarns for a number of U.S. companies who chose not to make these yarns themselves or do not have the capacity to make enough of these high-end yarns. These yarns go into fabrics designated as "Super 70's/80's/90's" and "Super 100's" and up, exactly the types of fabrics covered in this legislation. To make the tariff cuts as proposed in this legislation would certainly be detrimental not only to the U.S. wool fabric companies that produce these fabrics, but also for companies like Kent who make the yarns for these fabrics.

In addition to the business disadvantages of this legislation, it is in our view certainly not a good trade policy to make unilateral tariff cuts, particularly of the levels considered in this legislation, when there is an upcoming multilateral trade liberalization round beginning in Seattle in December. While we are very much against significant tariff cuts, a multilateral round is the place to make any cuts, not in a unilateral environment by the Congress of the U.S.

Sincerely,

MARK B. KENT
CEO

L.W. PACKARD & COMPANY, INC.
ASHLAND, NEW HAMPSHIRE 03217
September 17, 1999

Mr. A. L. Singleton
Chief of staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Subject: H.R. 1360 Wool Fabric Tariff (WFT) Cuts

Dear Mr. Singleton:

I am writing you today as President of the L.W. Packard Co. of Ashland, New Hampshire to convey to you in the strongest possible terms my staunch opposition to H.R. 1360, which proposes to cut wool fabric tariffs on high-end wool fabrics. This legislation calls for severely reducing, and in some cases eliminating totally, existing U.S. duties on certain grades of wool fabric. We have reviewed the various aspects of the bill and we can only draw the conclusion that it would be devastating to not only L.W. Packard, but to much of the woolen textile industry in the United States.

Before spelling out the many and varied reasons for our opposition to H.R. 1360 I would like to give you some background on my company so that you may better appreciate my position and why I believe that this proposal is unfair and not in the best interests of the United States and the woolen textile industry.

L.W. Packard is a privately owned company which was founded in Ashland, New Hampshire in 1916. Until recently we have employed 300+ individuals, most of whom come from Ashland, a community of fewer than 2,000 people. In 1998 we paid out $7,000,000 in wages and salaries. Additionally, we have over the last three years invested $7,000,000 in new plant and equipment, nearly all of which has been dedicated to the manufacture of fine woolens, which is the area in which H.R. 1360 proposes to reduce or eliminate tariffs. Another $650,000 has been allocated to be spent on environmental improvements.

In addition to manufacturing woolen fabric we produce cashmere, camel hair, alpaca, angora, and mohair fabric. These "luxury" fabrics would be especially hard hit by the relaxation and/or elimination of tariffs on fine woolen fabrics as proposed by H.R. 1360.

In 1995 Textile World magazine selected L.W. Packard as one of the Top Ten Textile Companies in the World. No other company of our size has ever received such global recognition for its efforts in successfully representing the textile interests in this country. We take great pride in all that we have accomplished, and we are extremely concerned that a reduction in wool fabric tariffs will negate all the investments we have made in new plant, people, and equipment.

At the present time the woolen fabric industry is extremely depressed and any additional cuts to U.S. tariffs would put in jeopardy thousands of U.S. jobs. One of the principal reasons why the domestic woolen industry has suffered in recently years can be directly related to the greatly increased level of imports. If all competition were carried out on a level playing field, we could better understand the rationale behind the call to further reduce tariffs. However, this is not the case, unfortunately, as we invest heavily in environmental controls and paying our people a fair wage, whereas much of our offshore competition is not concerned with these very important issues.

The elimination of the tariff on high-end wool fabrics will only further depress prices and market conditions for producers of lower grades of wool fabrics. This is why even those manufacturers not producing the type of fabrics in H.R. 1360 strongly oppose the bill. Thus, it is not just the high-end producers of woolen fabric that will be adversely affected by the proposed legislation. A much larger segment of the market will be hurt if the bill is approved.

It should also be noted that the U.S. is presently reducing the tariff on all wool fabrics by nearly one-third as a result of the Uruguay Round agreement. We are in the fifth year of a phase down schedule under the WTO that will drop wool fabric duties from 36.1% to 25% in 2004. The woolen textile industry has invested millions of dollars in new plants and equipment in recent years based on the tariff phase down schedule, which was negotiated by the Executive Branch and approved through implementing legislation by Congress. If it is deemed necessary to further reduce duties on woolen fabrics, it should at least be done through negotiation where U.S. woolen fabric producers could possibly obtain reciprocal market opening concessions from foreign trading partners.

The extremely vague classification standards included in the bill would virtually make it impossible for Customs to ensure compliance. It has neither the resources or the expertise to put in place adequate enforcement mechanisms, and as a result, significant incentives for Customs fraud would exist.

In summary, I would like to emphasize that I find H.R. 1360 to be a seriously flawed piece of legislation which will further exacerbate the poor market conditions which currently exist in the woolen fabric industry. This will only add to the layoffs and plant closings that have been occurring over the last several years. Please believe me when I say that our concerns are genuine. We are not crying wolf. A serious problem exists and the passing of the proposed legislation can only be catastrophic for my company and the entire woolen fabric industry.

I thank you for your consideration of the concerns which I have noted above. If I can in any way provide you with additional information, please do not hesitate to contact me. Hopefully, I have been able give you input which will be helpful to you as you consider H.R. 1360.

Yours sincerely

JOHN L. GLIDDEN
President

dlb 9/16/1999

Statement of National Retail Federation

I. *Introduction*

The National Retail Federation (NRF) is the nation's largest retail trade association with membership that comprise all retail formats and channels of distribution, including department, specialty, discount, catalogue, Internet, and independent stores. In its role as the retail industry's umbrella group, NRF also represents the entire spectrum of retailing, including 32 national and 50 state retail associations. NRF's members represent an industry that encompasses over 1.4 million U.S. retail establishments, employs more than 20 million people—about 1 in 5 American workers—and registered sales of $2.7 trillion in 1998.

NRF supports the provisions in H.R. 1360 that would lower or eliminate crippling tariffs on wool fabrics used by American workers to produce high-quality men's suits, jackets and trousers. Such tariff reductions would allow American wool suit manufacturers to be more competitive with imported wool suits, jackets and trousers at the same time it gives American consumers the opportunity to choose from a wider range of more affordable products.

Retailing is all about providing customers with a variety of competing brands and labels at various price points. But such competition is limited for high-quality men's suits, which account for just under 60 percent of all suits sold in the United States, according to the market research firm NPD. Most of the suits sold at the higher price points ($500 to $2,000) are made with very fine, high-quality (and expensive) wool fabrics made in countries like Italy and England. Such fabrics are not produced in the United States. When U.S. suit manufacturers import those fabrics, they must pay tariffs of 31.7 percent, which translates into an increase of $60 to $200 per suit. Their counterparts in Canada, for example, pay tariffs of 0–16 percent on such fabric.

Therefore, wool suit manufacturers in Canada enjoy a significant cost advantage over American wool suit manufacturers that enables Canadian manufacturers to sell more of these expensive suits in the United States. In addition, they are able to export these suits (up to certain limits) to the United States duty-free under the North American Free Trade Agreement.[1]

H.R. 1360 would correct this disadvantage U.S. wool suit manufacturers face.

NRF supports this legislative correction for two important reasons. First, it would give our customers greater options. We want them to be able to buy fine suits at great values whether they are made in Canada, the United States, or elsewhere. By

[1] Restricting imports of Canadian wool suits and jackets is not an option because it would violate NAFTA, lead to a nasty trade dispute, and be unfair to American consumers by raising already high prices.

lowering the cost of producing such suits in the United States, American producers would be able to compete and retailers would be able to source more of these suits from domestic producers.

Second, it would preserve American production and related apparel jobs. Retailers prefer whenever possible to source goods domestically. U.S. producers are better able to provide us with faster turn-around, and the logistics of purchasing from U.S. suppliers are much less complicated than they are for foreign producers. A not inconsequential additional benefit is that increased U.S. sourcing will help to stem the loss of apparel jobs in the wool suit sector. A study by the Tailored Clothing Association (TCA) estimates that the industry has lost 30,000 jobs in the past decade as a result of the high tariffs. It is notable that UNITE! has joined U.S. retailers and manufacturers in supporting this tariff change provision.

H.R. 1360 would have no negative impact on the American wool industry, which the tariffs are supposed to protect. This is because the type of wool used to make these fine fabrics is not produced in commercial quantities in the United States. U.S. wool quality is concentrated in the medium grades. Moreover, the U.S. textile industry is not producing the fabrics necessary to make these suits in the United States. According to the TCA, U.S. fabric mills primarily produce woolen fabrics used in blankets and outerwear, not worsted fabrics used in suiting. U.S. fabric mills also are reluctant to accept small orders on wide patterns and variety selection.

The tariff changes in H.R. 1360 are long overdue and we urge the Committee to pass them as soon as possible.

Statement of Dennis M. Julian, Executive Vice President, North Carolina Textile Manufacturers Association, Raleigh, North Carolina

Mr. Chairman, I appreciate the opportunity to comment to the Trade Subcommittee regarding our opposition to H.R. 1360. The North Carolina Textile Manufacturers Association (NCTMA) is a not-for-profit trade association which represents fiber and textile producers in North Carolina. The textile industry is the state's largest manufacturing employer. Of the 808,200 manufacturing jobs in North Carolina in July 1999, 154,900 were in textiles. In addition, North Carolina leads the nation in textile employment and production.

In this state alone, the tariff reductions and eliminations proposed by this legislation will negatively impact more than 1,300 wool fabric employees; more than 500 wool growers; and a substantial number of the more than 10,500 employees in man-made fibers, whose products are routinely combined with wool to produce wool blend fabrics.

Under the World Trade Organization, U.S. wool fabric tariffs are currently in the process of being reduced by 30 per cent and import quotas are being eliminated. Additional wool fabric tariff reductions and eliminations at this time will give an additional and dramatic price advantage to imports, causing a further market shift toward imports and away from U.S. products.

This shift would come on the heels of a one-third decrease in U.S. wool yarn and fabric employment during the past three years—a total loss of at least 6,300 jobs. The record levels of imports have resulted in wool yarn and fabric plant closings and permanent layoffs of 1,600 domestic employees in 1998 and an additional 1,600 employees during the first two months of 1999.

Overall, the passage of this legislation will negatively impact the nearly 90,000 employees in the U.S. wool fiber, top, yarn, and fabric industry.

Following negotiations leading to the North American Free Trade Agreement and the World Trade Organization, U.S. wool fabric producers made hundreds of millions of dollars in investments in production, relying on the integrity of U.S. trade laws, tariff schedules, NAFTA, and the WTO in making these decisions. To unilaterally alter these tariffs now would undermine the integrity of earlier trade negotiations by the government.

In addition, since a new round of World Trade Organization trade liberalization talks begin in six months in Seattle, Washington, it would be inappropriate for the Congress to reduce or eliminate any tariffs outside of the WTO negotiating context at this time. To do so would undermine the U.S. negotiating position.

The fabric types covered by this legislation are readily available from U.S. producers, who have the capacity to produce a volume more than sufficient to serve the market. Yet, the legislation proposes to reduce or eliminate tariffs on a volume which is almost double the size of the entire market for these fabrics. This makes no economic sense.

Nor is it wise to unilaterally reduce or eliminate tariffs in the midst of an import crisis. The U.S. trade deficit in 1998 was a record $168 billion; the textile and apparel trade deficit was $49.2 billion. In 1999, textile and apparel imports have increased 13 per cent over 1998 levels.

The loss of domestic textile and apparel jobs and market share has been dramatic. In North Carolina alone, according to the Employment Security Commission, the state lost 8,241 textile and apparel jobs in 1998 and 10,513 through August 1999.

There are two additional problems with this legislation. First, it is virtually unenforceable. U.S. Customs has inadequate resources to police the full range of textile and apparel imports, although the agency does its best with the resources it has. Because the legislation's classification descriptions are vague, importers can avoid tariffs by falsely declaring the quality level of wool fabrics. In addition, the legislation does not correct Canada's continuing misuse of a NAFTA loophole which allows that country to make wool fabric with non-NAFTA fabric and flood the U.S. market under NAFTA's zero tariff rate.

In conclusion, there are a number of compelling reasons to oppose this potentially very harmful legislation. It would further impact U.S. textile and apparel jobs and market share in an industry which is already being damaged by low-cost imports, many of them illegal.

NORTHERN TEXTILE ASSOCIATION
BOSTON, MA 02110
September 2, 1999

Mr. A. L. Singleton
Chief of Staff
Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Singleton:

On behalf of the Northern Textile Association (NTA), I am writing to express strong opposition to H.R. 1360, legislation designed to severely reduce and in some cases eliminate totally, existing U.S. duties on certain grades of wool fabric. The NTA represents over 80% of domestic wool fabric and yarn producers, many of which manufacture products that would be directly affected by this legislation.

Our reasons for objecting to H.R. 1360 are manifold, including the following points:

1. All of the fabrics covered by this bill are manufactured in the U.S. in large quantities. The companies that produce these fabrics employ thousands of U.S. workers whose jobs will be jeopardized by the severe tariff cuts envisioned in this legislation. In addition, the U.S. wool fabric industry is extremely depressed at this time. Several domestic wool fabric producers have been forced to cut production and staffing in response to the flood of low-priced goods flowing out from the depressed economies of East Asia. We have witnessed wool fabric industry layoffs and plant closings in Rhode Island, New Hampshire, Maine, Georgia, South Carolina, North Carolina, Virginia, and Oregon. A decision by Congress to cut existing U.S. duty rates will only exacerbate the poor market conditions that have led to the lay-off of thousands of wool fabric workers over the past eighteen months.

2. The U.S. is currently reducing the tariff on all wool fabrics by nearly one-third as a result of the Uruguay Round agreement. We are in 5th year of a phase down schedule under the WTO that will drop U.S. wool fabric duties from 36.1% to 25% in 2004. Yarn and fabric makers have invested millions of dollars in new plants and equipment in recent years based on this tariff phase down schedule, negotiated by the Executive Branch and approved through implementing legislation by Congress. If Congress allows further, unforeseen tariff cuts, the investment and long range planning activities of various companies will be destroyed. Moreover, it would be extremely unwise for Congress to make unilateral tariff cuts in this area just three months shy of the upcoming Seattle WTO talks. If it is deemed necessary to further reduce these duties, it should at least be done through a negotiation where U.S. wool fabric producers could possibly obtain reciprocal market opening concessions from foreign trading partners.

3. H.R. 1360 would provide significant incentives for Customs fraud. The language in the bill (Super 70's, 80's, 90's etc.) refers to vague marketing terms, not precise

definitions of measurement. They have no correspondence in international terminology or harmonized tariff schedules. U.S. Customs simply does not have the personnel or expertise to adequately enforce such vague classification.

Finally, the bill as drafted would cost the U.S. treasury nearly $15 million annually in lost tariff revenue, far exceeding the normal one-half million-dollar benchmark for miscellaneous tariff corrections or suspensions. For all these reasons, we believe it is totally inappropriate for the Ways & Means committee to include H.R. 1360 in any miscellaneous tariff package. Moreover, we believe that the committee should object to moving this flawed legislation in any form during the remainder of the 106th Congress.

Thank you for your attention to our concerns, and if I can provide you with any further information on this matter, please do not hesitate to contact me.

Sincerely,

KARL SPILHAUS
President

PENDLETON WOOLEN MILLS
PORTLAND, OR 97208
September 20, 1999

Mr. A. L. Singleton
Chief of Staff
Committee on Ways & Means
U. S. Houses of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Singleton:

This letter is being sent to record Pendleton Woolen Mills' opposition to HR 1360. This bill which eliminates or drastically reduces duties on certain wool fabric types will have a negative impact on Pendleton and is also bad policy, for the following reasons:

1. The legislation will be so difficult to enforce that Customs cannot be expected to do so. Even if regulations are promulgated which define the marketing terms employed by the bill, experience shows that fraud will be rampant. Customs will find it very difficult to keep up with testing the fiber diameters of garments. This bill is not practical.
2. This bill will negatively impact the domestic industry. Pendleton makes many items which are covered by the bill. Increasing import penetration into the market will force us to lay off workers and source overseas, or cede market share.
3. A tariff reduction is already under way based on the structure of the Uruguay Round. We count on orderly government policy when we make business decisions.
4. Unilateral cuts are poor policy. Normally when tariffs are restructured there is quid pro quo from our trading partners. U.S. Treasury will lose $15 million per year, with nothing to show except a benefit to certain U.S. companies at the expense of other U.S. companies.

I hope that the committee will take these comments into consideration regarding HR 1360. I urge the committee to not proceed with this unwise and damaging legislation.

Sincerely,

B. H. BISHOP

BHB/le

Statement of Producers' Marketing Cooperative Inc., San Angelo, Texas

MR. CHAIRMAN: I appreciate the opportunity to comment to the Trade Subcommittee regarding our opposition to bill H.R. 1360. On behalf of Producers' Marketing Cooperative Inc. (PMCI) and our 500 wool producer member owners, we oppose H.R. 1360, which would cut or eliminate tariffs on selected wool fabrics.

This legislation will negatively impact all the wool our members produce and market in PMCI. The reasoning for this legislation is due to the loophole in the NAFTA agreement, which allows Canadian exporters of men and boys wool suits—made of foreign fabrics-to flood the U.S. market with product, which does not meet the rules of origin or true intent of the NAFTA agreement. Because this loophole has not been corrected it has created problems with the garment manufacturers here in the U.S. Now we are going to try and make two wrongs into a right. These fabrics are available here in the U.S. and our sheep growers produce the wool that is used to manufacturer the same type fabrics. If this legislation goes forward, it will cause further erosion of domestic wool processors and wool fabric producers, which purchase our wool. This legislative effort will not help any wool industry segment, including domestic garment manufacturers, in the long term. If you are serious about correcting trade issues, then correct the TPL loophole involving Canadian shipment of non-NAFTA fabrics in garments into the U.S. market.

The net effect, of this proposed tariff reduction, to our growers will be reduced competitive markets, reduced wool value, reduced income, and reduced production. Prices today are well below production cost to grow wool. We hope this is a short-term market situation, but we do not need a congressional trade concession that could make it permanent. The economic viability of many central and west Texas communities are at stake as well as rural communities throughout the U.S.

Tariff cuts will help other countries at the expense of U.S. workers and producers. Korea, Australia, and African countries are implementing actions to strengthen their textile industries. Korea has set aside $US 4.9 BILLION to strengthen textile manufacturing. The Australian government has allocated $US 470.77 MILLION in a package to assist the country's ailing textile, clothing, and footwear (TCF) industries. A $US 8 million is aimed at helping Australian TCF firms increase their export capabilities. Last year the Australian government announced a five-year tariff freeze that would not allow tariffs to be reduced further. Free trade and fair trade are two separate issues since these countries and others have government supported plans that subsidize wool and wool fabric.

Our domestic WOOL processors and fabric manufacturers have given in to the largest tariff reduction and quota elimination in the Uruguay Round of GATT under the WTO. Add the impact of the Tariff Preference Level abuse by Canadian companies using foreign wool fabric under NAFTA and we have a real mess. In addition, during the GATT negotiations the U.S. sheep producers were left out of a fiber forward provision, which has added to the reduction in sheep producers by allowing wool exporting countries access to our market without providing potential exports of our wool product. All these events have financially hurt domestic wool processors with more going out of business each year. Now this legislation proposed will undermine the integrity of the U.S. government to honor agreements with our own citizens.

In 1998, more than half the wool in Texas could not be sold. Not because our growers are strong and greedy, but because there was no market domestically. Producers' Marketing Cooperative is actively involved in moving our growers into value added processes for their wool through strategic alliances with domestic processors. If we loose domestic wool processing, yarn and fabric making to foreign countries and companies where will our growers be able to pursue value added opportunities? This legislation will put more domestic wool processors and fabric makers out of business and therefore hinder our ability to create markets for our member's wool through value-added processes. We are on schedule with our marketing activities based on the scheduled GATT tariff reduction levels. We can not afford to have the rules changed when we are in midstream.

The legislation is ambiguous in the language, which makes it impossible to enforce. While the terms may have meaning in greasy wool and wool top they do not have any standard meaning beyond these stages of processing. In addition, the U.S. has the only official standards for spinning counts in the world. Any foreign company can use these terms without having to meet any standard from within their own country. Therefore, U.S. customs will have to check virtually all shipments to prevent misuse of this legislation's intent. To check fabric content will require costly and tedious test under laboratory conditions, not simply looking at the label.

In the long term we face loosing a viable U.S. wool industry from wool producer through wool fabric manufacturer if this or similar legislation is approved. Given a fair chance we have the potential to produce and manufacture goods, which can meet domestic consumer needs and help balance the trade deficit the U.S. is burdened with currently. If we are not provided a fair market access we will loose an industry which will be more expensive to retool and cost the U.S. consumer and U.S. economy.

To enact H.R. 1360 would be devastating to our wool growers and succeeding segments of the wool industry. Thank you for allowing Producers' Marketing Cooperative to make comment regarding this proposed legislation.

Statement of James E. Elliott, R. C. Elliott & Co., Salt Lake City, Utah

MR. CHAIRMAN: I appreciate the opportunity to comment to the Trade Subcommittee regarding our opposition to bill H.R.1360.

R. C. Elliott & Co., a wool buying and marketing company since 1920, representing most of the western states wool growers, is opposing H.R. 1360, The Wool Fabric Tariff Cut/Elimination Legislation.

All of us in the domestic wool industry. eg. wool growers and wool fabric manufacturers are already being harmed by the flood of imports of foreign cloth to the U. S. market. Our customers are being hurt. Their business is down to 10% of its normal usage. Wellman Industries, a wool top producer will be closed in six weeks, Worcester Co., a wool fabric producer has closed, Forstmann & Co., a woolen and worsted fabric producer is in Chapter 13, Roddie Wool Scouring of Brady, Texas, the largest commercial wool scouring facility in the U. S. is basically shut down for lack of business, and Pendleton Woolen Mills closed its scouring plant. This has left the American Wool fiber producers with a very limited market.

It is my firm belief that with NAFTA and H.R. 1360 the Sheep Producing and Wool Textile Producing industry of the U.S. will end. This would affect jobs all across the U. S., hundreds of thousands of them.

Statement of South Carolina Manufacturers Alliance, Columbia, South Carolina

MR. CHAIRMAN: I appreciate the opportunity to comment to the Trade Subcommittee regarding our opposition to bill H.R. 1360. It is clear to us that there is potential harm for almost 90,000 U.S. workers in the wool fiber, top, yarn, and fabric industry. Record levels of imports have already resulted in U.S. wool yarn and fabric plant closings and job losses of over six thousand during the last three years. A new round of W.T.O. trade liberalization talks will begin in Seattle in just six months. To substantially cut any U.S. tariff now outside of the W.T.O. negotiating arena seems to be very premature and will definitely weaken our position in Seattle. Additionally, Congress absolutely should not make unilateral tariff cuts in the midst of what is clearly an import crisis. The 1998 U.S. trade deficit was a record $168 billion with textiles/apparel comprising $49.2 billion of that deficit. In 1999, textile/apparel imports have grown 13% over the same period in 1998. Job and business loss continues to be severe. Slashing tariffs on wool fabrics would give an additional dramatic price advantage to imports, thus causing additional market shifts toward imports and away from U.S. producers. The fabric types covered by H.R. 1360 are readily available from U.S. producers.

Finally, under the W.T.O., U.S. wool fabric tariffs are currently in the process of being reduced by 30%, and import quotas are being eliminated. Further, unilateral tariff cuts will be devastating to the U.S. wool textile industry and is clearly not in the best interest of workers, manufacturers, and wool growers.

H.R. 1360 represents bad policy and should be rejected.

We appreciate your consideration of our perspective on this important issue.

Statement of Tailored Clothing Association

On behalf of the Tailored Clothing Association (TCA), I am responding to your request for written comments for the record from parties interested in various trade proposals. TCA represents the American manufacturers and suppliers of men's suits, sports jackets, and tailored pants. The TCA strongly urges the Subcommittee to act favorably on H.R. 1360, a bill to reduce the tariffs on certain high-end wool fabric used in men's suiting.

Our industry has seen the loss of tens of thousands of jobs and the disappearance of major named brands as a result of a trade policy that imposes a "Made in America" tax on every suit made in the United States. Since NAFTA, we have experienced a 40% reduction in production and a 50% loss in jobs. Unless Congress corrects the unlevel playing field our government has created the industry will continue to disappear.

H.R. 1360 was introduced by Congressman James Walsh and is currently cosponsored by Representatives Amo Houghton, Louise Slaughter, Harold Rogers, Sherwood Boehlert, Michael Forbes, John LaFalce, Jack Quinn, David Hobson, Rod Blagojevich, Bart Gordon, and Nick Rahall, II.

Identical legislation, S. 218, has been introduced in the Senate by Senator Daniel Patrick Moynihan. Cosponsors of S. 218 include Senators Charles Schumer, Richard Durbin, Chuck Hagel, Barbara Mikulski, Arlen Specter, Don Nickles, Peter Fitzgerald, Rick Santorum, Phil Gramm, and Fred Thompson.

The legislation provides a temporary duty suspension on high-end grades of fabric, known in the industry as Super 90s and higher grades, for use in suiting and reduces the duty on Super 70s and 80s grade fabric to the prevailing tariff rate on finished wool suits.

In 1998, the legislation was favorably reported out of the Senate Finance Committee as part of a larger trade package. The Ways & Means Committee has yet to act on the legislation.

CURRENT TRADE LAW

Currently our tariff schedule imposes one of the highest duties in this country on imported wool fabric—30.6%. While there may have been a time that this duty was intended to protect a domestic textile industry—the American textile industry no longer serves this market niche.

Our current tariff schedule also contains a tariff inversion—while we pay 30.6% on high-end wool fabric, we pay only 19.8% on an imported finished wool suit. It is less expensive to import a finished suit than the raw wool fabric needed to make the suit here in the USA.

Finally, to add insult to injury, our government negotiated away special concessions to Canada in NAFTA. Under NAFTA, Canada is granted the right to purchase the same Italian wool fabric duty-free, make the suit in Canada, and import the suit duty-free to the United States despite the 100% foreign components. How much does Canada pay in duties on the fabric they import? Zero. The result: NAFTA created a new Canadian export industry—high-end men's suits. With virtually no Canadian exports before NAFTA, Canada exported $140 million of suits to the U.S. in 1998—over 1 million suits annually. The Canadian trade negotiator has publicly bragged about these trade concessions, stating in *Wrestling with the Elephant*, "The (Canadian) government agreed to cut the tariffs on imported materials. Meanwhile, the manufacturers of woolen suits were laughing all the way to the bank."

These three trade policies—the high tariff rate, the inverted duty structure, and the special NAFTA loophole—have caused our industry to lose thousands of jobs in Illinois, New York, Kentucky, Pennsylvania, Virginia, and many other states. Our government's policy has made it harder and harder for our companies to continue to operate in this country.

U.S. PRODUCTION OF WORSTED WOOL FABRIC

U.S. textile companies will *not* be harmed if H.R. 1360 is enacted. The only company that is currently producing high-end worsted wool fabrics is Loro Piana, an Italian-owned company that imports its yarn from Italy and weaves the fabric in Connecticut. Loro Piana cannot supply more than 10% of our industry's needs, and companies in our industry have promised to continue to purchase its products because of its quality and convenience of domestic sourcing.

Furthermore, Burlington Industries in no longer even supplying the lower quality worsted fabrics except in plain, simple weaves (i.e., solid colors without texture). Thousands of employees have been laid off and numerous plants have been closed just this year, as Burlington relocates their productions focus to cut-and sew operations in Mexico. Attached is a press release describing these closures and a letter from Burlington to a TCA company informing them of their decision to cease production.

Burlington is unable to tell the industry when or if it will ever return to worsted wool production in the lower quality grades. Forstmann, which used to be a worsted wool supplier, has just reentered bankruptcy for the second time and has publicly disclosed in its SEC filings that it has exited the men's suiting fabric business. Attached are the relevant pages. Clyne and Tinker of Canada has no domestic mills. With the exception of Loro Piana in Connecticut, the U.S. textile industry does not produce the worsted wool fabric covered by H.R. 1360 and needed to make high-end men's suits.

Earlier this year, USTR convened a meeting with our industry and the textile industry to determine whether there was any other U.S. production of worsted wool fabric useable in suiting. The meeting resulted in no other company being identified as a domestic source.

Raw Wool Producers

There has been some confusion regarding the scope of the pending legislation.

H.R. 1360 only impacts high-grade worsted wool fabric used in suiting. The raw wool for these fabrics is produced by pure blood Merino sheep in Australia. The wool needed to make these fabrics require very fine micron diameters (the measure of the individual fibers of wool). The U.S. sheep industry does not produce this grade of superfine wool fiber. Attached is a letter from the U.S. Department of Agriculture confirming this fact.

Supporters

H.R. 1360 is supported by the Union of Needletrades, Industrial and Textile Employees (UNITE), American Apparel Manufacturers Association (AAMA), Clothing Manufacturers Association (CMA), Tailored Clothing Association (TCA) and the National Retail Federation (NRF). Attached is an op-ed and editorial supporting the legislation.

Conclusion

On behalf of an industry that simply wants an opportunity to compete on a level playing field, we urge you to act favorably on H.R. 1360. Please repeal the "Made in America" tax and allow the remaining companies in our industry a fair chance to compete against our foreign manufacturers.

Burlington to Reorganize Apparel Fabrics Business in Comprehensive Plan for Future

Burlington Industries, Inc, (NYSE:BUR) announced today a comprehensive reorganization of its apparel fabrics business, designed to position the company for long-term success against growing worldwide competition. *Operations will be streamlined and U.S. capacity will be reduced by 25 percent to compensate for the continuing surge of low-priced garment imports, primarily from Asia. The plan will result in the loss of approximately 2,900 jobs and the closing of seven plants.*

George W. Henderson III, Chairman and Chief Executive Officer, said, "We have been running our apparel fabrics operations at less than full capacity over the last 9–12 months, anticipating that the surge of low-priced garment imports from Asia might only be the temporary result of the Asian financial crisis. We now believe that this situation is more permanent in nature and we must reduce our U.S manufacturing capacity accordingly and utilize only our most modern facilities to be competitive."

Henderson noted that the interior furnishings segment of the company, which represented 42 percent of fiscal 1998 sales, is not part of the reorganization. The plan affects only the apparel products segment. The major elements of the plan are:

- The company will combine two businesses that have complementary product lines and serve many of the same customers. The merger of the two—Burlington Klopman Fabrics and Burlington Tailored Fashions—will create a fast, responsive organization with an improved cost structure.
- Burlington Sportswear will become a business unit within the Burlington Global Denim division, marketing fine cotton slacks and fabrics. The company will close its knitted fabrics and shirts business.
- Burlington will reduce US apparel fabrics capacity by 23 percent and at the same time reorganize manufacturing assets to work together in a fast, modern, versatile and cost-effective configuration. *Seven plants will be closed: Mooresville, Forest City, Oxford, Cramerton and Statesville, NC; Bishopville, SC; and Hillsville, VA. The plan will result in the loss of approximately 2,900 jobs as the result of the plant closings, plus elimination of one department in Raeford, NC* and overhead reductions throughout the company.
- The cost of the reorganization will be reflected in a restructuring charge, before taxes, of approximately $80–90 million in the second fiscal quarter, ending April 3,1999, plus other expenses related to the restructuring of approximately $25–35 million, before taxes, that will be charged to operations over the next six to nine months.

Henderson said, "By reducing our overall capacity, utilizing only our most modern equipment, and concentrating on a value-added product mix, we will be able to run our US operations on a much more efficient and cost-effective basis. The combination of streamlined and modern US operations, together with our new state-of-the-art manufacturing facilities, coming on stream later this year in Mexico, will position the company well to compete on a global basis."

"We deeply regret the loss of jobs, many of which are held by long-term Burlington employees. We recognize that our markets face increasingly competitive pressures from a global economy, *but we find it intolerable to continue to lose US jobs to unfair trade*. Unfair trade takes many forms, including the use of child labor, the illegal transshipment of products to circumvent trade laws, the heavy support of foreign industries by foreign governments to enable them to dump their products in the US market at extremely low prices, and finally the lack of environmental regulation in many parts of the world that allows foreign manufacturers to pollute the environment without bearing the costs of responsible environmental protection practices that we willingly follow on the United States. Last year, 260,000 US manufacturing jobs were lost, despite a robust economy. Some 42 percent of these job losses were in the textile and apparel industries. We continue to work closely with our elected officials in Washington to find a fair balance in world trade-one that recognizes the vital importance of manufacturing jobs in the US economy."

Burlington Industries, Inc. is one of the world's largest and most diversified manufacturers of textile products for apparel and interior furnishings.

This press release contains statements that are forward-looking statements within the meaning of applicable federal securities laws and are based upon the company's current expectations and assumptions, which are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. Such risks and uncertainties include, among other things, global economic activity, the success of the company's overall business strategy, the company's relationships with its principal customers and suppliers, the success of the company's expansion in other countries, the demand for textile products, the cost and availability of raw materials and labor, the company's ability to finance its capital expansion and modernization programs, the level of the company's indebtedness and the exposure to interest rate fluctuations, governmental legislation and regulatory changes, and the long-term implications of regional trade blocs and the effect of quota phase-out and lowering of tariffs under the GATT trade regime.

BURLINGTON MENSWEAR
NEW YORK, NEW YORK
February 17, 1999

Hartz & Co.
730 5th Avenue
New York, NY

Keith,

For our Spring 2000 season we have decided to pull our seasonal stock dye lines. It was determined that due to a realignment of our manufacturing facilities we would not be able to fulfill our delivery obligations for the upcoming season.

This is not to say that in future seasons we will not offer seasonal fancies. After our manufacturing restructure, and following further product developments, a decision will be made as to our involvement with seasonal stock dyes.

We apologize for any inconvenience this may cause, and look forward to continuing the advancement of our piece dye programs.

Best regards,

Forstmann Files for Chapter 11, Cuts 50% of Workforce

New York—Forstmann & Co. on Friday filed for Chapter 11-bankruptcy court protection in Manhattan. The Chapter 11 petition confirms a report in Friday's DNR that Forstmann would file.

Rodney Peckham, president and chief executive officer, said in an affidavit filed with the petition that the company will immediately cut over 50 percent of the company's workforce. Forstmann has 1100 employees, of which 900 are full-time. A source familiar with the bankruptcy said that the cuts will affect hourly employees at the company's two adjacent plants in Georgia.

Peckham explained that the company earlier this month "exhausted" its borrowing availability under its credit line. The liquidity problem arose from restructuring efforts on the past year and costs connected to the 1998 startup of its subsidiary, Forstmann Apparel Inc., which also filed for Chapter 11 protection.

He added that Forstmann has been in contact with other parties who are interested in buying or merging with the company. Butler, Chapman & Co. Inc. is the woolen and worsted fabric manufacturer's investment advisor. Sources said the company has been in talks with at least two companies for a possible sale of the company. It was not immediately known whether there were any plans for the subsidiary to be sold separately from Forstmann & Co.

The company, which plans to continue in operation, has a $50 million debtor-in-possession financing facility provided by a bank group led by Bank of America. It also hired Richard Redden, a turnaround consultant at OSNOS Associates Inc., who will act as interim chief operating officer.

Forstmann's Chapter 11 petition listed total liabilities of $58.6 million, including $50.5 million in secured debt and $7.2 million in unsecured debt. The company's top six secured debt holders are syndicate members that provided the company with its credit line. Unsecured creditors include: Richter Yarns Ltd, Ontario, Canada, $600,730; Prouvost USA, Inc., Jamestown, S.C., $258,291, and the Kent Manufacturing Co., Pickens, S.C., $81,570.

Forstmann listed total assets of $88.2 million.

From the Daily News Record, July 26, 1999, by Vicki M. Young.

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

The Honorable Thad Cochran
United States Senate
326 Russell Senate Office Building
Washington, DC 20510–2402

Dear Senator Cochran:

Thank you for your letter of April 14, 1999, requesting price and reporting information concerning 18–19 micron grade wool produced in the United States.

During the last 10 reporting periods the volume of finer wool grades (19–19 micron) has been insufficient to warrant price and sales reporting. Historically, the minimum sales volume sufficient to justify reporting is at least 3 sellers offering a minimum aggregate quantity of approximately 500 pounds of wool in the 18–19 micron category during a reporting period. (Note that this minimum in effect defines "commercial quantity.") The Agricultural Marketing Service (AMS) has never received sales dated for this category of wool that meet these minimum reporting requirements.

Recent AMS field experience concerning finer wool grade is rather instructive. During the week of May 3, 1999, AMS market news staff visited New Mexico to inspect wool sales. Having seen more than 2 million pounds of wool offered for sale, the staff reports that no finer grades in the 18–19 micron categories were offered for sale. These finer wool grades represent less than one-half of one percent (.5%) of total U.S wool output.

With regard to U.S. dependence on Australia for wool, available data indicate that Australia is the major supplier of finer wool grades to the United States. Consequently, we do not have data by which to refute the International Trade Commission's statement, in its Industry and Trade Summary on wool and related animal hair, that the United States is dependent on Australia for those grades.

Please be assured that the Department of Agriculture will continue to report all sales of wool that are represented in the commercial marketplace in economically viable quantities. I hope that this information is helpful to you.

Again, thank you for writing.

Sincerely,

TIMOTHY J. GALVIN
Administrator

Time to Shear a Wool Tariff

During my long life in the retail business, I always have sought to offer customers a choice of fine-quality goods made both in the United States and abroad.

Customers are best served when they can choose from a variety of competing brands and labels. This principle is the reason the National Retail Federation, the largest trade association representing retailers throughout the United States, supports an effort in Congress to cut a crippling tariff on materials used for making high-quality men's suits.

Not for the first time, a protectionist trade policy is having the counterintuitive result of closing U.S. manufacturing plants and killing American jobs.

U.S. manufacturers of high end men's suits and formal wear are hobbled by a huge tariff—more than 31%—on the fabrics they must use.

Most manufacturers of high-end suits use very fine woolens, particularly those made in Italy and England. Such fabrics are not produced in the United States.

These fabrics are expensive to begin with. Add the import duty to the fabric cost and the numbers jump quickly. For American consumers, the tariff translates into an increase of $60 to $200 per suit.

It's no surprise, then, that U.S. garment-makers have largely abandoned the high-end suit market, leaving it to other countries.

Canada has been a big winner. Canada cut its tariffs on European woolens, while the United States kept its tariffs high.

Through North American Free Trade Agreement, Canadian-made suits are exempt from import duties in America, lowering their price relative to American-made suits.

The predictable result: While American production of men's wool suits and formal wear has fallen about 40% in the last decade, Canada's exports of quality men's suits to the United States have surged from nearly zero to approximately 1.5 million annually.

Meanwhile, employment in the U.S. tailored-clothing industries has fallen during the past decade from 58,000 to 30,000. And the government predicts another 10,000 jobs will be lost by 2006.

The American wool industry, which the tariff is supposed to protect, never has been threatened by the deluxe imports, because the type of wool used to make these fine fabrics is not produced in the United States.

Thus the net result of this protectionist effort has been to drive apparel manufacturers out of the United States, leaving American woolgrowers with a smaller pool of domestic clients.

Like so many protectionist efforts, this one has fallen prey to the law of unintended consequences.

It is no wonder that Unite, the Union of Needletraders, Industrial and Textile Employees, has joined U.S retailers and manufacturers in seeking to eliminate the self-defeating U.S. wool tariff.

The National Retail Federation wants Americans to be able to buy fine suits at great values whether they are made in Canada, the United States or elsewhere.

Congress now has an opportunity to preserve that choice for American consumers and to give American suit-makers a fair chance to keep manufacturing jobs on our side of our northern border.

The pending omnibus trade bill, as approved by the Senate Finance Committee, would slash the tariff on high-quality woolens.

Shearing the wool tariff would help keep jobs in the United States and help lower prices for American consumers. That suits American retailers just fine.

From the Journal of Commerce, September 17, 1999. By Stanley Marcus, Chairman emeritus of Neiman Marcus. This article was distributed by Bridge News.

Is This How Tariffs Should Work?

Protectionists share a faith that says tariffs protect American workers. If they would only look at the U.S suit-making business, they could see the ruinous effects of this line of thinking.

In the last decade, the domestic tailored-clothing industry lost nearly half of its jobs—from 58,000 to 30,000. If U.S. trade policy isn't changed, it will lose another 10,000 by 2006. In March alone 200 Americans lost jobs in the industry when Hartmarx Corporation was forced to close its Knoxville, Tennessee suit-making plant.

At the same time, Canadian suit makers have prospered. They sell their suits here for $200 less than domestic-made suits of identical quality. Since 1991, they've increased their no-tariff exports to the U.S by more than 250%.

The cause of all this woe? Canada has had the good sense to drop a stiff tariff on imported fine wool fabrics that the U.S. continues to levy.

Worse yet, while American suit-makers are whacked by a duty on fine-wool fabrics that exceeds 31%, foreign-made suits, cut from those same high-end fabrics made primarily in Italy and England are subject to only a 19.8% tariff.

Even populist Republican presidential candidate Pat Buchanan and Rep. Richard Gephardt, D-Mo., both faithful protectionists, would have to admit something is wrong.

After 10 years of decline, someone in power has finally noticed that the tariff is wrecking the industry. A group of Republicans and Democrats in the House and three Democrats in the Senate have introduced bills that will reduce the tariff.

The lawmakers have the support of the Union of Needletrades, Industrial and Textile Employees, suit makers and retailers. Except for the Canadian suit-makers who've so generously benefited from shortsighted U.S trade policy, it's hard to find anyone who'll support the tariff. Given this broad opposition, it seems that a reduction in the tariff is certain.

Yet the power behind such a collection of interests by no means ensures a reduction—or better yet, an elimination—of the tariff. There's been talk of retaliation. Instead of dropping the tariff, the government would hike the duty on the more than 5 million European-made suits bought in the U.S each year.

That, of course, would be self-defeating. No one wins a trade war. They only make matters worse. When a country fires's shot (a tariff created or increased), the targeted country responds in kind. The one-upmanship continues until markets are closed or are so severely restricted that they're effectively closed.

The lessons are out there. Canada cut its tariff and its suit-makers prospered. America can do the same. There's no reason why the suit making industry should suffer a handicap imposed by flawed policy. What a concept: Free up trade, protect domestic industries.

From Investor's Business Daily Editorial Page, Thursday, April 1, 1999.

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 2, 1999

or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission File Number: 1-9474

FORSTMANN & COMPANY, INC.

(Exact name of registrant as specified in its charter)

GEORGIA	58-1651326
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
498 Seventh Avenue, New York, New York	10018
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (212) 642-6900

"There can be no assurance that the Company will be able to achieve an adequate level of sales consistent with management's expectations for fiscal year 1999 to enable the Company to generate sufficient funds to meet its operating needs. These factors raise substantial doubt about the Company's ability to continue as a going concern."

"The menswear fabric and government fabric sales order backlog at May 30, 1999 declined by $6.5 million over the comparable time a year earlier. Approximately $6.0 million of this decline related to the company's decision to exit the men's suits and government businesses."

Statement of UNITE, the Union of Needletrades, Industrial and Textile Employees

On behalf of UNITE, the Union of Needletrades, Industrial and Textile Employees, I am responding to your request for written comments for the record from parties interested in various trade proposals. UNITE represents 200,000 workers employed in the U.S. in the apparel, textile and other light manufacturing industries. UNITE strongly urges the Subcommittee to act favorably on H.R. 1360, a bill to reduce the tariffs on certain high-end wool fabric used in men's and boys' suits.

This matter is of extreme importance to UNITE and our members, because it affects the future of suit manufacturing in the United States and the possible loss of more than 30,000 of the best jobs in apparel manufacturing. The problem that H.R. 1360 will resolve arises from a combination of factors:

The tariff structure in tailored clothing, known as a "tariff inversion," directly encourages the production of suits offshore. The tariff on wool for suits is 30.6%, while the tariff on finished suits is 19.8%. A manufacturer or retailer who must import wool to make suits here pays half again as much in duty as a manufacturer who makes the identical suit offshore and imports the finished suit. This is an anomaly in tariff law.

Canada imposes no tariff on imports of fine wool for suits. Under a provision of the Canada-U.S. Trade Agreement, that was retained in NAFTA, Canadian companies can make suits using the identical imported wool on which U.S. companies pay a 30.6% duty and export those suits to the U.S. duty-free. The result has been an increase of Canadian exports of men's and boys' suits to the U.S. from about 100,000 in 1991 to 1.5 million suits in 1998. The 30.6% duty translates into a $60 to $200 per suit hidden tax on American consumers.

Since 1991, more than 73 plants making men's tailored clothing in the U.S. have shut down, putting 12,656 UNITE members and thousands of non-union employees out of work. Domestic production of men's and boys' suits alone has decreased from 7.64 million units in 1990 to 3.96 million units in 1995. The remaining U.S. plants—in Illinois, New York, Kentucky, Pennsylvania, Virginia and other states—and their 30,000 workers are at risk. The tariff affects better women's suit manufacturers in the same way and has resulted in loss of jobs in those companies as well.

UNITE has worked closely with the Tailored Clothing Association and others affected by the inversion to craft a solution that will solve our problem without creating other problems. We believe that the bill offered in both Houses of Congress with bipartisan support (H.R. 1360 and S. 218) meets the test. The bill contains essentially the same language as was adopted by the Senate Finance Committee in 1998 as part of S. 2400.

The bill eliminates the tariff on the finest wool fabrics used in men's suits (known in the industry as Super 90s and above), and lowers the tariff on the next higher grades (Super 70s and 80s) to the tariff level applicable to finished suits. There is no U.S. producer of the fabrics in question who will be adversely affected by the change we are proposing. Suit manufacturers having collective bargaining agreements with UNITE buy a substantial percentage of the current limited domestic production, and are committed to continuing the same level of domestic purchases even if the tariffs are reduced as we propose.

If the tariffs are not corrected and U.S. suit manufacturers continue to go out of business or move offshore, those few companies that manufacture the wool in question in the United States will have no domestic customers and will be forced out of business as well.

The textile industry, led by Burlington Industries, has put up a tough fight to prevent any cuts in tariffs, arguing that cuts will harm the domestic textile industry. Burlington appears, however, to be protecting its $300 million investment in new plants in Mexico, rather than its factories or workers in the U.S. On January 26, 1999, Burlington announced that it was closing seven apparel fabric plants in North and South Carolina and Virginia, and laying off 2,900 workers in the U.S., more than a 15 percent reduction in force. The Mexican plants will be used by the company to supply the U.S. market.

Regardless of the merits of any particular case, the textile industry takes a hardline position against *any* reduction in tariffs, contending that any change represents a foot in the door to reducing other tariffs. We see no reason that the change we seek, which eliminates a unique tariff inversion and causes no harm to domestic producers, represents a precedent for reductions in normal tariffs that do affect domestic industries. We believe the Subcommittee, Committee and the House will continue to police carefully all changes in tariff schedules.

Statement of Utah Wool Marketing Association

MR. CHAIRMAN: I appreciate the opportunity to comment to the Trade Subcommittee regarding our opposition to bill H.R. 1360.

Utah Wool Marketing Association is a consigning/purchasing warehouse for raw wool throughout the West. As imports continue to increase, wool sales are declining. We have also experienced mill closings that have, and will continue to devastate the Wool Industry. This, due to increased imports of wool products.

I strongly urge you not to support the H.R.1360 Bill as it will decrease the amount of Wool/Sheep Producers and jobs in this country.

Sincerely,

WILL HART GRIGGS
Utah Wool Marketing Association

WARREN CORPORATION
STAFFORD SPRINGS, CT 06076
September 15th, 1999

Mr. A.L. Singleton
Chief of Staff
Committee on Ways & Means
US House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Singleton:

I am writing on behalf of all the employees at Warren Corporation to express our strong opposition to H.R. 1360, legislation that would eliminate outright the existing duties on fine grade wool fabrics (super 90s and finer). Our company is a specialized producer of fine wool fabrics would be directly affected by this legislation.

Our reasons for opposing HR 1360 include the following:

Our company is a textile manufacturer, located in Stafford Springs, CT and New York, NY that has been in operation since the 1850's. Over the past 10 years, we have specialized in the production of fine woolen and worsted natural fabrics. We currently produce over 1.2 million yards of fine wool fabrics (super 90s and finer), and have a production capacity of over 2 million yards. We employ over 300 people in Connecticut and New York whose jobs would be in serious jeopardy should the tariffs suddenly be eliminated.

Since 1988, we have committed $40 million in modern, state of the art equipment, renovations, expansions, and personnel training. In the past three years alone, we invested $14 million in one of the most modern weaving facilities in the country.

These investment decisions were made on the assumption that the tariff structures established under the WTO and NAFTA would hold. As it stands now, the Uruguay round incorporates a progressive 35% reduction in tariffs for wool fabrics. Eliminating these tariffs outright would throw a devastating blow to the investments just made, and would equate to a very unwise unilateral concession right before the upcoming WTO talks in Seattle.

HR 1360 is based on the retailing industry's terminology described as super 70s, 80s etc. There currently does not exist an agreed upon definition for these terms, nor does the terminology correspond to the harmonized tariff schedules. In addition, Customs does not have the resources or the technical expertise to enforce such vague distinctions. Thus the bill would provide significant incentives for Customs fraud.

In summary, we are strongly opposed to this bill, and feel that it is inappropriate for the Ways and Means committee to include H.R. 1360 in any tariff package. We believe that any modification to the tariff structure should be initiated through the Seattle Round negotiations, and should not differentiate between segments, but rather be adopted evenly across the whole industry.

Sincerely yours,

ROBERTO MODICA
VP of Operations

Statement of West Texas Wool & Mohair Association, Mertzon, Texas

MR. CHAIRMAN: I appreciate the opportunity to comment to the Trade subcommittee regarding our opposition to bill H. R. 1360.

Below are some very important reasons we oppose H. R. 1360.

1. West Texas produces a quality grade of wool that is in need of protection. Even though we have the tariff in place, the imports are still underselling our product because of production costs and the strength of the U.S. dollar verses the Asian countries' currency. Because of the flood of foreign products, our company was unable to sell our raw wool at production cost or above for 1998 and 1999. The outlook for year 2,000 is even worse. Our producer customers are being forced to go out of business.

2. I am asking you to address the serious problem of the NAFTA loophole allowing Canada to make wool apparel with NON NAFTA fabric and flood the U.S. under NAFTA's (zero) tariff rate.

3. In the midst of an import crisis, congress should not make unilateral tariff cuts. Our country has gained great strength due to manufacturing industries. The record deficit is greatly impacting job/business loss in the U.S.

4. Slashing tariffs on wool fabrics will give an additional dramatic price advantage to imports—causing further market shift toward imports and away from U.S. producers.

5. The bills will cause serious damage to U.S. woolgrowers who export virtually no wool and have U.S. wool top, yarn and fabric producers as their sole customers.

6. Please help the working Americans to continue to have factory jobs in America.

Statement of Wool Fiber, Yarn, Fabric Coalition

MR. CHAIRMAN: Our coalition represents nearly 90,000 U.S. citizens, who derive their livelihoods as growers of wool fiber, or producers of wool top, yarn and fabrics. We appreciate the opportunity to comment to the Trade Subcommittee regarding H.R.1360. We are united in adamant opposition to this bill for the various reasons detailed below.

Due to U.S. concessions under the Uruguay Round/WTO, U.S. wool fabric tariffs are already being reduced 30% and all import quotas are being eliminated. Because the agreed-to U.S. tariff cuts and quota elimination was so severe, a 10-year phase down/out period (starting in 1995) was adopted. The industry also was given the clear understanding that future, additional tariff cuts would not be faced. Further tariff cuts that are mandated by H.R. 1360, will violate commitments made in conjunction with the Uruguay Round/WTO.

It is blatantly unfair to now propose additional, immediate, unilateral tariff cuts—-cuts that will destroy the hundreds of millions of dollars in investments made by U.S. wool fabric manufacturers in state-of-the-art machinery and equipment. Millions more were spent on training employees in these sophisticated manufacturing processes. Many of these investments were specifically designed to expand capacity for production of the fabrics covered by H.R.1360. The success of these expensive investments is dependent upon the integrity of existing trade laws, tariffs, the NAFTA, and the WTO. Changing these important wool fabric tariffs now would simultaneously undermine new investments and jeopardize the viability of existing operations

Furthermore, it is wrong to cut or eliminate U.S. tariffs in the midst of an import crisis. The 1998 total U.S. trade deficit was a record $168 billion. The textile/apparel trade deficit was a huge $49.2 billion in 1998. In volume terms, textile/apparel imports jumped 13.3% on top of a 20.1% increase in 1997 reports the Commerce Dept., saying this marks "the first time since 1983 & 1984 when imports rose at double-digit levels 2 years in a row." For the period Jan-June 1999, textile & apparel imports are up 7.9% over the same period in 1998.

The highly import-sensitive U.S. wool fabric industry, already under siege from Eastern European, Asian and Latin American wool product imports, has been hard hit by the Asian financial crisis and resulting flood of Asian imports. U.S. wool fiber, wool top, wool yarn & fabric job and business loss is widespread. In *January and February of 1999* alone:

In New Hampshire, Homestead Woolen Mills announced its closure.

Burlington Industries, Inc. announced a 25% cut in apparel fabric capacity, termination of its knitted fabric and shirts business altogether, and closure of 7 plants and 1 department—for a loss of 2,900 jobs in N. & S. Carolina, Virginia & New York (15% of Burlington's U.S. workforce). 1,395 of these jobs were in wool yarn and fabric production. Burlington reported that these actions were taken "to compensate for the continuing surge of low-priced garment imports, primarily from Asia." For the quarter ended 1/2/99, net income was down 39.7% and net sales were down 15.5%.

In Maine, Carlton Woolen Mills downsized.

Wool fabric producer Forstmann & Co. closed its Louisville, Georgia plant, laying off 200 employees, announced a net loss of $19.0 million for FY '98,—on top of a $7.0 million net loss the prior year, and a sales decrease of 24.8%. Forstmann's President stated "Our financial difficulties are driven by the erosion in sales which has been compounded by a surge in imports."

Wellman Inc., polyester fiber & wool top producer, reported a net loss of $23.1 million for 4th quarter 1998, and a 27.3% decrease in sales, citing high levels of

Asian imports as a major problem. Wool top production was reduced from a 7 to 5 day-a-week operation

American Sheep Industry-In February 1999, the U.S. International Trade Commission unanimously ruled that lamb meat imports are threatening serious harm to U.S. sheep producers; these imports have already taken over 1/3 of the U.S. market. As for the wool fiber side of their business, sales were significantly down. Wool textile imports have increased to a point where U.S. wool textile producers have cut back on their wool fiber purchases. Wool fabric tariff cuts will leave U.S. woolgrowers with an even more greatly reduced customer base for their wool. U.S. wool product manufacturers are *the* customers of U.S. woolgrowers; virtually no wool is exported.

DuPont, producer of man-made fibers, (fibers that are commonly blended into wool and other fabrics) reported a 25.8% drop in earnings for the 4th quarter of 1998, blaming high imports of garments from Asia and a serious problem with Asian imports of filament fiber at very low prices.

In addition, during 1998, more than 1,600 wool yarn and fabric workers lost their jobs. Among them:

In Maine, Carlton Woolen Mills, Cascade Woolen Mill, Eastland Woolen Mill, and wool yarn spinner Guilford of Maine, all closed plants. And International Woolen Co., Inc. and wool yarn spinner Jagger Brothers made workforce reductions.

In Massachusetts, woolen and worsted apparel fabrics producer Anglo Fabric, and wool felt producer The Felters Company, both closed plants. And wool yarn dyer Crowne Yarn Dye Co., Inc. and wool yarn dyer, Dyecraftsmen, Inc both made workforce reductions.

In New Hampshire, Dorr Woolen Company closed a plant. And woolen spinner and weaver L. W. Packard & Co. is severely downsizing.

In Pennsylvania, Woolrich, Inc made workforce reductions.

In Rhode Island, Woodhall Weaving Mills, Inc. closed a plant. Rochambeau woolen mill downsized 3 times in 18 months. And wool yarn spinner Desmon Mills Inc. made workforce reductions.

Plant closures and job & business losses suffered during January and February did not stop there—the damage to our industry is continuing. For example, during July and August 1999:

- Forstmann & Co. filed for Chapter 11 bankruptcy court protection and announced it will cut over 50% of its workforce, equating to over 550 jobs.
- Wellman, Inc. announced it is closing its wool top operation after 70 years in the business.
- Worcester Co., in operation for 60 years, announced they will shut down their woolen mill, leaving 390 people without jobs.
- The American Sheep Industry reported "U.S. wool sales are disastrous, with unsold wool clip from both 1998 and 1999."

Within the last 3 years there has been over a 1/3 decrease in employment in the U.S. wool yarn and fabric industry. All the while, foreign competitors are enjoying financial backing from their governments. The following are 2 examples of the fact that U.S. producers must compete with foreign government-subsidized imports.

The *Australian Government* announced it is "pumping A$772 million into renewed support for the country's textile, clothing and footwear industries." "... so as to become more globally competitive" ... "package aimed at encouraging additional investment in the wool, cotton, leather and fashion industries." And the Australian government announced a 5-year tariff freeze, prohibiting further tariff reductions. (This is just the opposite action that H.R.1360 would direct for our country.)

On 6/26/98 the *Wool Record Weekly* reported that in *Korea*, "President Kim Dae-jung has pledged to provide South Korea's textile industry with grants worth 6,800 billion won (U.S. $4.9 billion)."

In 1998, fine worsted wool fabrics were entering this country at least 20% below the previous year's prices. Even with the duty, this was a great bargain for the apparel industry. Last year the price of imported Korean worsted wool fabric dropped from $10 to $8 a yard—a major decrease in price. Imported Korean worsted wool fabrics and other Asian imports have made it very difficult for U.S. wool fabric producers to compete.

Foreign producers benefit from the ability to pay extremely low wages, few to no benefits, and the fact that most are not required to—and do not—spend the added millions that U.S. wool fabric manufacturers must spend in order to be environmentally responsible. The high import sensitivity combined with the need for large sums of capital investment and environmental controls has resulted in a small number of wool fabric producers remaining in the U.S.

The current tariff schedule was designed to acknowledge the unusually high levels of investment needed by U.S. woolen and worsted wool fabric manufacturers. Raw wool itself is more expensive than other fibers, and wool yarn and fabric manufacturing is unique in that the procedures and processes involved are much more complicated and expensive than in other types of fibers. For instance, the processing of cotton or man-made fibers for suiting fabric may go through 20–25 processes, but over 50 processes are required to transform raw wool into worsted wool fabric for tailored apparel.

H.R.1360 is an open invitation for fraud. Language in the bill provides tariff cuts of nearly 50% on imported fabrics so-called "super 70's and 80's," and totally eliminates tariffs on so-called "super 90's and above." The terms "super 70's, 90's" etc, are general retail marketing descriptions—NOT measurable terms, nor do they correlate to tariff schedules or any international or scientific standards. U.S. Customs could not possibly enforce the provisions of H.R.1360; fraud will go undetected. Exporters & importers could easily, falsely declare fabric types to avoid duties.

Enacting cuts of this kind would set a very damaging, impossible-to-reverse, precedent. As a result, any industry or importer group that wishes to change the rules and overturn the negotiated tariffs on the importation of ANY product, would have the precedent to press Congress to take unilateral action on their behalf.

The tariff cuts/eliminations proposed in H.R.1360 far exceed the $500 thousand annual revenue loss limit for miscellaneous duty suspensions. The revenue loss for H.R. 1360 will be several millions of dollars annually. Moreover, this proposal violates the 2nd criteria for duty suspensions—that there be no domestic supply/sources available. THE FACT IS—there are domestic manufacturers for these products. Domestic wool fabric manufacturers are producing over 20 million square meters annually of all the fabric types covered by H.R.1360, i.e. Super 70's and above. Additional capacity exists. Consequently, there is no way that this measure could be construed as a non-controversial, miscellaneous duty suspension.

It is important to note that wool textile companies in Canada and Mexico are also currently producing significant volumes of the fabrics covered by H.R.1360. NAFTA fabrics of the types covered by this proposal are available to U.S. apparel manufacturers at the preferential *zero* duty rate.

THE REAL PROBLEM THAT SHOULD BE ADDRESSED:

Canada's exploitation of NAFTA's wool apparel tariff preference level (TPL) is the real problem behind the current, damaging request for immediate U.S. wool fabric tariff cuts. It is a well-known fact that Canada has intentionally thwarted the purpose of the TPL and has violated its verbal agreements at the expense of the U.S. wool textile and apparel industry.

A Tariff Preference Level (TPL) provision in the Canadian Free Trade Agreement (CFTA), and continued in the North American Free Trade Agreement (NAFTA), allows special trade benefits for wool apparel assembled in Canada using non-NAFTA fabric. This apparel is being exported to the U.S. under the preferential NAFTA (zero) tariff rate, as if the fabric had been made in a member country (U.S., Canada, or Mexico)—as is the normal rule of origin requirement.

This provision was included to allow Canada to have access to foreign fabric *only* when those fabrics were not available from the NAFTA countries. The Canadian negotiators also assured the U.S. negotiators that Canadian apparel makers would not harm U.S. wool fabric and apparel manufacturers by concentrating their exports to the U.S. in specific product areas.

Canada is using virtually all of its wool apparel TPL, and is concentrating approximately 90% of it in wool suits, sport coats and slacks. Canada is using non-NAFTA fabric for these TPL exports—even though great quantities of these same fabrics are produced in the U.S., MEXICO and CANADA (the NAFTA Partners).

The legislative proposal, H.R.1360, does not solve the Canadian import problem. It only creates new problems and will worsen the import situation for those in the industry which are also currently being harmed—i.e. U.S. wool fiber, top, yarn and fabric producers.

The Administration is well aware of the real cause of this problem. Rather than slashing tariffs and adding to the burden already being carried by U.S. wool fiber, top, yarn and fabric producers, the correct approach to the Canadian problem is for the Administration to take action through the appropriate safeguard mechanism available under the WTO. Up to this point, they have not done so. Now is the time.

In conclusion, enactment of H.R. 1360 will cause even greater damage to our industry, by providing a further dramatic price advantage to imports, causing more market shift away from U.S. products. We urge and hope that H.R.1360 not be included as part of a miscellaneous tariff suspension or technical corrections package, or allowed to move either independently or as part of another legislative package.

Thank you for the opportunity to comment on behalf of the Wool Fiber, Yarn, Fabric Coalition. See below for a partial list of Coalition members and others that oppose H.R.1360.

American Fiber Manufacturers Assn.
American Textile Manufacturers Institute
American Sheep Industry Assn., Inc.
American Yarn Spinners Association
Arizona Wool Producers Association
Boston Wool Trade Association
California Wool Growers Association
California Wool Marketing Association
Canadian Co-op Woolgrowers LTD-Ont.
Connecticut Sheep Breeders Assn.
Colorado Wool Growers Association
Georgia Textile Manufacturers Assn.
Idaho Wool Growers Association
Illinois Lamb & Wool Producers, Inc.
Kern County, CA, Woolgrowers Assn.
Maryland Sheep Breeders Association
Michigan Sheep Breeders Association
Montana Wool Growers Association
Nevada Wool Growers Assn.
Northern Textile Association
Ohio Sheep Improvement Association
Producers Marketing Cooperative—TX
New Mexico Woolgrowers Assn.
Sheep Producers of Hawaii
South Carolina Manufacturers Alliance
South Dakota Sheep Growers Assn.
Tennessee Sheep Producers
Texas Sheep & Goat Raisers Assn.
Tri State Wool Marketing Association
U.S. Wool Marketing Association
Utah Wool Growers Association
Washington State Sheep Producers
West Texas Wool and Mohair Assn.
Wyoming Wool Growers Association
Mid-States Wool Growers Cooperative Association—OH
Mid-States Wool Growers Cooperative Association—SD
North American Textile Council—UNITED STATES, MEXICO, CANADA
North Carolina Textile Manufacturers Association Ballinger Wool & Mohair Inc.
Amicale Industries, Inc.—NC, PA
Anodyne, Inc.—TX
Blackwell Wool & Mohair Co., Inc.—TX
Burlington Industries, Inc.—AR, MS, NC, NY, SC, TN, VA
Carleton Woolen Mills, Inc.—ME
Center of the Nation Wool, Inc.—SD
Cleyn & Tinker, Inc.—NY
Crescent Woolen Mills—WI
Crown Yarn Dye Company, Inc.—MA
Desmon Mills, Inc.—RI
Dishman International Co., Inc.—TX
Dorr Woolen Company—NH
Dyecraftsmen, Inc.—MA
Easthampton Dye Works, Inc.—MA
Edwin Borgh Wool & Textile Fibers—PA
Eldorado Wool Company, Inc.—TX
Faribault Woolen Mill Co.—MN
Forstmann & Company, Inc.—GA
Forte, Dupee, Sawyer Co.—MA
Groenewold Fur & Wool Company—IL
Hanora Spinning, Inc.—RI, SC
L.W. Packard & Co., Inc.—NH
International Woolen Co., Inc.—ME
Jagger Bros.—ME
The Kent Manufacturing Company—SC
Lometa Wool & Mohair Co.—TX
Mid-States Wool—OH, KS
Mt. Jefferson Woolens—OR
NAFTA Textile Mills—RI
Northwest Woolen Mills—RI
Ohsman & Sons Co., Inc.—IA
Ott & Zimmermann, Inc.—NJ
Ozona Wool & Mohair Co.—TX
Pendleton Woolen Mills—OR, WA
Priour-Varga Wool and Mohair Inc.—TX
Prouvost USA, Inc.—SC
Ranchman's Wool and Mohair Inc.—TX
R.C. Elliott & Co.—UT
Robinson Mfg.—ME
Roswell Wool and Mohair—NM
Roswell Livestock & Farm Supply—NM
Sanderson Wool Commission—TX
Southwestern Wool & Mohair, Inc.
Uvalde Producers Wool & Mohair—TX
Warren Corporation—CT
Wellman, Inc.—Miss., NC, NJ, SC
Westwood, Inc.—MA, RI
Western Wool & Mohair Co.—TX
Woodbury Wool Co.—CO
Wool Growers Central Storage—TX
The Wool Shed—UT
Woolrich, Inc.—PA
The Worcester Company—RI

DuPont and Celanese also oppose and stand to be harmed by H.R.1360, because their fibers are commonly blended into wool and other fabrics, and because if enacted, this legislation would set a dangerous precedent for making future tariff cuts on imports of other types of fabrics and products. The National Cotton Council also opposes the legislation due to its precedent-setting nature.

Statement of Yocom-McColl Testing Laboratories, Inc., Denver, Colorado

Mr. Chairman: We appreciate the opportunity to comment to the Trade Subcommittee regarding our opposition to bill H.R. 1360.

Yocom-McColl Testing Laboratories, Inc. is the only independent wool testing laboratory in the United States. We have been established in Denver, Colorado since 1964 and provide fiber measurement services for the domestic wool and textile industry (everyone from producers to yarn and fabric makers). In the last three years, we have seen the industry decimated from the loss of wool producers to the closing of textile processing facilities and the disastrous result—the loss of thousands of jobs.

Our laboratory has state-of-the-art equipment which has cut the cost of testing, but by the loss of sheep numbers and the closing of textile plants, it is questionable that there will be an independent wool testing facility surviving in the United States.

Both H.R. 1360 and S.218 are essentially the same bill, written to cut or eliminate U.S. tariffs on imported wool fabrics. These bills further the destruction of the domestic wool and textile industry in an already hostile trade climate. Record levels of imports have already resulted in U.S. wool, yarn, and fabric plant closings and the layoff of over 1,600 workers in 1998 and 1,600 more in the first two months of 1999. This summer has seen a further escalation in the loss of infrastructure in the domestic textile industry

Wellman Industries announced it was closing its wool top business due to it customers being flooded with imports of wool garments and fabric and no sign of any reduction in import pressure. Forstmann & Company, Inc., one of the country's largest woolen and worsted wool fabric producing firms, announced it has filed for protection under Chapter 11 due to a 15% decline in market demand. This was accompanied by further pressure from the dumping of wool fabric imports below cost to generate American dollars. Worcester Textile Company has closed, Roddie Wool Scouring was close to being shut down for lack of business, and Pendleton Woollen Mills closed its scouring operation. Burlington Industries is running at about 10% of its normal capacity

Enactment of HR 1360 in its entirety or any of its provisions would have a wide range of adverse effects on the remaining American wool, fiber, top, yarn and fabric producers. Wool fabrics are already subject to greater duty reductions than any other textile product. As part of the Uruguay Round/WTO agreement, the U.S. is currently reducing tariffs on imported wool fabrics by about thirty percent.

In addition, U.S. wool textile quotas are being completely eliminated under the WTO/Uruguay Round. Nor does the HR 1360 legislation do anything to correct the problem of wool apparel imports from Canada under NAFTA. The loophole in NAFTA which hurts our wool and textile industry assures Canada a supply of non-NAFTA fabric and allows it to flood the U.S. with these goods under the NAFTA zero tariff rate. This problem has not been addressed by the Administration.

The investments made by domestic wool fabric producers have been made in good faith based on WTO and NAFTA trade rules and timetables. The passage of HR 1360 completely undermines these investment decisions and blatantly emphasizes that U.S. trade agreements are no longer based on integrity, but on political expediency.

The U.S. is entering a new round of WTO trade liberalization negotiations within the next six months. Any unilateral tariff cuts by the U.S. outside of the WTO negotiating context would assure that the United States and the U.S. textile industry would have already given up the opportunity to gain any trade concessions whatsoever in return from our foreign competition.

In conclusion, it is not true that the U.S. wool fabric industry cannot produce fine wool fabrics. The domestic wool fabric industry annually produces over 10 million yards of 70's, 80's and 90's wool fabrics. In the higher end—what is known the Super 100's and above—the U.S. wool fabric industry produces more than sixty percent (over 1.6 million yards) of the domestic suit manufacturers' requirements. The domestic wool fabric industry has the capacity to produce even greater amounts of fine wool fabrics.

Recently publicized unemployment figures emphasize the addition of a high percentage of service-related positions in our country and a dramatic loss of manufacturing jobs. The manufacturing sector is one of the areas that can retain and improve technology and technical skills; the long range benefits of a population composed of telemarketers, customer service representatives, and sales associates is less certain.

Thank you for giving us this opportunity to make a written statement in opposition to H.R. 1360, Wool Fabric Tariff Cut/Elimination Legislation.

H.R. 1582

To suspend temporarily the duty on a certain chemical.

C. P. HALL COMPANY
CHICAGO, ILLINOIS 60606
September 17, 1999

Mr. A. L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Re: Opposition to H.R. 1582—Temporary Duty Suspension bill

Triethyleneglycol bis(2-ethylhexanoate) (CAS No. 94–28–0)

Dear Mr. Singleton:

This submission refers to the submission made to you on subject, dated April 24, 1998.

The situation is essentially unchanged. C. P. Hall respectively requests that H.R. 1582, temporary duty suspension on Triethyleneglycol bis(2-ethylhexanoate) not be passed into law. The reasons follow.

- C.P. Hall knows of the following domestic producers of said product. Eastman Chemical, C. P. Hall, and Teknor Apex. Also, this product could be made by a variety of other plasticizer manufacturers, as well as by many domestic toll producers.
- C.P. Hall's corresponding product is TegMeR® 803 and is of at least equivalent quality to the market demand.
- C. P. Hall is not aware of any raw material or production problems that would prevent any of the above named suppliers from meeting the present requirement of the petitioner, Solutia, and expected growth.
- C. P. Hall has in the past proposed to Solutia to supply partial or full requirement on said product. We are prepared to invest and assure quality on their total requirement.
- C. P. Hall has manufacturing facilities in Chicago, IL and Carteret, NJ, whose operations could be adversely impacted by passage of H.R. 1582.

This product is used in a variety of other polymers in the U.S. most notably in rubber compounds and plastics. A technical data sheet and MSDS for said product were included in last year's submission.

For further information, please contact me directly and I thank you for consideration of this opposition to H.R. 1582.

Very truly yours,

DR. MARVIN J. BURGESS
Product Manager

ccs: V. Kamenicky—Commerce
C. Robinson—USITC
R. Cantrell—USITC

E. I. du Pont de Nemours and Company
Wilmington, DE 19880
September 20, 1999

BUSINESS PROPRIETARY INFORMATION
CONFIDENTIAL TREATMENT REQUESTED

A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D. C. 20515

Re: Miscellaneous Trade and Tariff Legislation

Dear Mr. Singleton:

I am writing on behalf of E. I. du Pont de Nemours and Company ("DuPont") in response to your request for submission of written comments on legislation introduced in the 106th Congress which, if enacted, would provide temporary suspensions of duty for specific products. DuPont is opposed to H.R. 1582, a bill that would amend Subchapter II of Chapter 99 of the Harmonized Tariff Schedule of the United States by inserting a new heading, 9902.32.50, for triethyleneglycol bis (2-ethyl hexanoate) (CAS No. 94–28–0) provided for in subheading 2915.90.50 as duty free through December 31, 2002.

DuPont is a science and technology based company headquartered in Wilmington, Delaware. Its markets include high-performance materials, specialty chemicals, pharmaceutical and biotechnology.

Triethyleneglycol bis 2-ethyl hexanonte is a plasticizer that is an integral ingredient used in the manufacture of polyvinyl butyral ("PVB"). The primary use of PVB is laminated safety glass used in windshields and construction projects. DuPont is one of two domestic manufacturers of PVB, which it markets under the tradename Butacite®. DuPont's PVB production process uses a {different plasticizer, tetraethylene glycol di-heptanoate,} commonly referred to as {4G7}, which it toll manufactures in New Jersey. DuPont domestically manufactures PVB at two plants located in North Carolina and West Virginia. Approximately {3000} employees support DuPont's domestic PVB operations.

Presently, there is sufficient capacity within the United States of glycol based plasticizers used to manufacture PVB. Indeed, there is overcapacity for PVB production two to three times U.S. demand. Consequently, both domestic producers export a significant amount of their US manufactured PVB. Eliminating the tariff on the plasticizer would lead to an increase in the oversupply of PVB and negatively affect current plant utilization. DuPont believes the tariff suspension request is merely a mechanism to gain additional unnecessary and unfair reductions on the import price of PVB at the expense of domestic manufacturers. Imports from low priced foreign producers would lead to further price suppression and erode average U.S. selling prices of the end product, PVB. These lower prices would make it increasingly difficult for domestic producers to support future investment in United States PVB production, which ultimately could lead to decreased employment.

Based upon the information and reasons outlined above, DuPont strongly opposes H.R. 1582. DuPont remains willing to provide any additional information that would be useful, and very much appreciates the opportunity to express its views.

Very truly yours,

Elaine M. Olsen

* Business proprietary information is bracketed.

cc: Committee on Finance
Mr. Raymond L. Cantrell, U.S. International Trade Commission
Mr. Vince Kamenicky, International Trade Administration, U.S. Department of Commerce

bcc: R. J. Byers, P&IP
D. G. B. Gamble, Legal
V. H. Leichliter, Legal
R. M. Heine, EA

H.R. 1740

To reliquidate certain entries of N,N-dicyolohexyll-2-benzothazole-sulfenamide.

NO COMMENTS SUBMITTED.

H.R. 1808

To provide an exemption from certain import prohibitions.

Statement of Frutarom, Inc., North Bergen, New Jersey

I. SUMMARY

Frutarom, Inc. ("Frutarom"), established in 1926, is a leading processor and supplier of gum arabic, and one of only three processors in the United States. Gum arabic is an essential ingredient in a wide variety of products vital to the United States economy. Prior to the imposition of the sanctions against Sudan on November 3, 1997, Sudan was the principal source of supply for the United States, and the only reliable source in the world. Since the imposition of the sanctions, the importation of gum arabic from Sudan is banned. As a result, the United States processors of gum arabic, industry sectors that use gum arabic, and United States consumers that purchase products with gum arabic face severe economic consequences, unless Congress acts now to pass an exemption for the importation of gum arabic under H.R. 1808.

Frutarom testified before the Subcommittee on the Use and Effect of Unilateral Sanctions against Sudan on May 27, 1999. Since then, Frutarom has continued to press the State Department with its pending license application to waive the Sudanese sanctions to permit badly needed imports of gum arabic, but as of this date, no such waiver has been granted. We understand that the reluctance to grant the application reflects the strongly held views of some officials within the government that the United States must not fail to uphold human rights. We agree that human rights must be upheld in our own country and throughout the world. But the trade embargo as it affects gum arabic is benefiting the Khartoum government, with no apparent impact on human rights goals, and it is and threatening to destroy the jobs and livelihoods of American gum arabic processors in the United States.

Current trade data and other factors demonstrate that the Khartoum government is *benefiting* from the United States trade embargo on gum arabic, while American processors are seeing their businesses gutted by foreign competition. Gum arabic is one of Sudan's major exports. Our European allies have not joined the United States in economic sanctions against Sudan and, as a result, Sudan is free to trade with the rest of the world, and does. Sudan has a ready market for gum arabic throughout Europe and particularly in France, where since the imposition of the U.S. sanctions French gum arabic processors have doubled their imports from Sudan in an aggressive move to dominate the United States gum arabic market. The rise in Sudanese exports of gum arabic to France and other European countries, coupled with limited world supplies, has increased the price of Sudanese gum arabic, directly benefiting Sudan.

Unless Congress moves quickly to grant relief to United States gum arabic processors, French processors are positioned to take over the United States gum arabic market, thereby controlling the price of the product. European processors, particularly the French, systematically target the customers of United States processors with the lure of high quality Sudanese gum arabic. Additionally, French processors have been bidding up the price on alternative sources of lesser quality Chadian gum arabic, making it extremely difficult for United States processors to compete in domestic and international markets. Left unchecked, this will result in the loss of the United States gum arabic processing industry, the loss of jobs, higher product costs for United States consumers, and the loss of export markets for U.S. processed gum arabic.

There is no question that the Khartoum government has committed unthinkable atrocities against its own people on a massive scale, not unlike other countries with which the United States continues trade relations. Sudan has been embroiled in a terrible civil war since 1983. The Khartoum government, which displaced a democratically elected government in 1989, has continued the conflict against the people of southern Sudan. But the government is not alone in committing the atrocities, according to a recent opinion piece by U.S. Assistance Secretary for African Affairs, Susan Rice.[1] "Crimes against civilians have also been perpetrated by the Sudan People's Liberation Army, the largest rebel movement in Sudan," she acknowledges. In an eloquent, public plea to end the brutal war against civilians, Assistant Secretary Rice calls on world governments to enforce the UN sanctions imposed on Sudan in 1996. However, she does not use this forum to call for multilateral support of United States economic sanctions. It appears clear from her statements that multilateral sanctions are not achievable against Sudan. Our Canadian neighbors are investors in Sudan's oil industry, and the Europeans are active trading partners with Sudan. Thus, after almost two years of a complete trade embargo against Sudan, no discernable change in human rights has been achieved, based on the assistant secretary's article. While there is no evidence that the Sudanese have been hurt, our comments quantify how American's have been hurt, which is the direct result of the Administration's unintended policy.

The facts outlined above and discussed below demonstrate that gum arabic from Sudan is an ineffective and unacceptable choice for unilateral sanctions, and multilateral sanctions appear highly unlikely. We urge the Subcommittee to move H.R. 1808 forward for full consideration by the House.

II. Gum Arabic and Its Importance to the United States Economy

a. What is Gum Arabic?

Gum arabic is a natural gummy exudate obtained by tapping the branches of the Acacia Senegal tree. It is grown primarily in what is known as the Gum Belt along the southern periphery of the Sahara Desert. Approximately 75% to 80% of the world's gum arabic is produced in Sudan. Moreover, the finest quality gum arabic is found in Sudan.

Gum arabic production begins with the Sudanese farmer who tends his very valuable trees throughout the year. At exactly the right time of year, determined by expertise acquired over many years, the farmer taps his trees. Gum exudes where the bark has been cut and three weeks later the first gum arabic collection is made. Millions of Sudanese men and women, of every ethnic background, rely on gum collection as a vital source of income.

Gum arabic is a remarkable substance. It is used in products purchased every day by United States consumers. In pharmaceuticals, gum arabic is used as a binder in tableting. In cough syrups it is used as a demulcent. In the flavor and beverage industries it is a preferred emulsifier. Gum arabic is used to stabilize foam in the manufacture of soft drinks and beer and to clarify wine. As an emulsifier, gum arabic provides excellent shelf-life stability to oil-in-water emulsions and does not mask flavors with filmy texture or off-flavor on the tongue, features unmatched by synthetic additives. In cosmetics, it functions as a stabilizer in lotions and screens. Gum arabic increases the viscosity of cosmetics, imparts spreading properties, and gives a protective coating and smooth feel. In lithography, it is used in the preparation of etching and plating solutions, plate washes, and protective coatings for the plates in storage. In confections, it is used primarily to retard sugar crystallization and emulsify fat. It also is used as a glaze component in chewing gums, cough drops, and lozenges. In textiles, it is used as a fabric finish. In foods, it is commonly used in meats, sauces and dressings, baked goods, candy, cheeses, ice creams, icings and numerous other food products. The product is vital to the United States economy.

b. Non-substitutability

No substitutes match gum arabic's extraordinary film-forming and emulsifying qualities. Users of gum arabic have encountered every form of disincentive to continue using this beleaguered product. Famine, drought, pestilence, wild price swings, shortages, and political crises have given the broadest opportunity for suppliers of competitive products to replace gum arabic. Synthetic imitators from modified starches and maltodextrins, and other products have been developed to take ad-

[1] Susan Rice and David Scheffer, Sudan Must End Its Brutal War Against Civilians, International Herald Tribune, September 1, 1999. Ms. Rice is Assistant Secretary for African Affairs. Mr. Scheffer is U.S. Ambassador at large for war crimes.

vantage of the vulnerability of supply of gum arabic, but these substitutes have failed to replace gum arabic in most pharmaceutical, food, and beverage products where taste, mouth feel, superior emulsification, low calorie value, high fiber content and extended product shelf-life are demanded by United States industries and consumers.

In the early 1970's United States gum arabic consumption exceeded 33 million pounds per year. The famine in the gum belt of 1973–1975 resulted in a tripling of gum prices and gum arabic usage was cut nearly in half. Certain bulk usage applications in non-food products were permanently replaced. We believe that most applications where gum arabic was substitutable were successfully targeted during this period.

Since the disastrous period of the 1970's, and the droughts, shortages, and price increases during the 1980's and 1990's, gum arabic usage in the United States has not diminished. The volume has actually grown roughly in line with the growth of the product category served. Periodic displeasure with the challenges of supply have led to warnings of the product's demise, but its film-foaming and emulsifying qualities have necessitated its survival. The emphasis in recent years on the importance of "natural" and "soluble fiber" have further secured gum arabic's position in the United States market.

The inability of certain industry sectors, such as the beverage, food and pharmaceutical industries, to secure high quality gum arabic would have an immediate and negative impact on the United States economy by lessening the quality of their products and reducing their sales. Competing imported products manufactured with gum arabic would gain a qualitative advantage, and thus would further damage United States producers.

III. Absence of Alternative Sources

a. Quality

Gum arabic grown in Chad holds the best promise of replacing Sudanese gum arabic, but only in the future. Current crop yields in Chad are immature and of lesser quality than Sudanese gum arabic, with viscosity levels as much as ten times higher than the levels present in the Sudanese product. Much of the gum arabic Frutarom has purchased from Chad is of viscosity levels too high to be accepted by key industry sectors served. The best method of achieving an appropriate viscosity level using Chadian gum arabic is by mixing the product with Chadian gum arabic containing lower viscosity levels, or blending the product with Sudanese gum arabic. Mixing and blending are both processes which add considerable costs and can drive up the price of the customer specified product. Frutarom must buy larger than standard quantities of Chadian gum arabic in order to achieve appropriate viscosity levels demanded by customers. In some instances, even after costly mixing of the Chadian gum arabic, Frutarom's customers have rejected orders, causing the company to begin the expensive process again with a different batch of gum arabic. But quality is not the only issue affecting Frutarom's competitive position in United States and international markets.

b. Price

Because of the artificial demand created by the unilateral sanctions, and despite its lesser quality, the price of the Chadian gum arabic is higher than world prices for the Sudanese product. Currently, as a direct result of unilateral sanctions against Sudan, Frutarom has paid about 40% to 50% more for lesser quality Chadian gum arabic than European competitors are paying for the highly desirable Sudanese gum arabic. Other factors are driving up the price of Chadian gum arabic. French competitors are bidding up the price in order to drive American processors out of business. If European competitors are allowed free reign of the United States market, American consumers will be subject to monopolistic pricing.

IV. Loss of Competitive Position

a. Loss of Domestic Market

Without authorization to import additional quantities of the Sudanese product, Frutarom and other United States processors will not be able to compete with European counterparts in quality and price. Recent cancellations of international orders placed with Frutarom, as well as current trade data, already show signs that United States processors are losing international export markets to European competitors. But much more threatening is the loss of the domestic market to France and other European competitors who have unfettered access to high grade Sudanese gum arabic.

French import data show that French imports of gum arabic from Sudan have doubled since the sanctions were imposed, more than compensating Sudan for the direct loss of United States gum arabic trade. At the same time, French exports of gum arabic to the United States have reached a record high.

Incredibly, in just one year French imports of gum arabic from Sudan jumped from 5,556 tons during 1997 to 10,701 tons during 1998. During the combined years of 1997 and 1998, French exports to the United States increased almost 60% over 1996 exports. Alarmingly, this trend has continued into 1999, as French trade data for the first quarter of 1999 show that the French increased their exports to the United States by almost 20 percent over 1998. United States import data for January and February of 1999 show that France has replaced Sudan as one of the leading exporters of gum arabic to the United States with a record 51% share of the U.S. import market, substantially up from the 23% share for the same period in 1998. During the first two quarters of 1999, United States data show a steady increase in French imports. While Great Britain has not gained significant market share in the United States, imports from the U.K. increased by 125% during the first two quarters of 1999 as compared to the same period during 1998, showing a steady erosion of the U.S. processors' market. And as expected, United States imports from Chad increased due to the sanctions, but only to a 45% share of U.S. imports for 1998. During the first two quarters of 1999, the data show that U.S. imports from Chad increased to 52% share of the market. However, we believe the increased market share of Chadian gum arabic is not an indication of greater import penetration, but represents excessive and uneconomic imports due to the processors' need to buy larger quantities of Chadian gum arabic in order to attain acceptable viscosity levels.

Frutarom's domestic customers have been directly targeted by French processors marketing Sudanese gum arabic. French processors are happily aware that the United States government has not granted waivers for imports of Sudanese gum arabic for 1999 and beyond.

The French trade data for 1998 show that 51% of its total gum arabic imports came from Sudan, and only about 28% imported from Chad. There can be no doubt that French exports to the United States include high quality Sudanese gum arabic which has been spray dried and processed in France and exported to the States as a product of France. Thus, the only differences in gum arabic available in the U.S. prior to and after the November, 1997 sanctions are that the French processors have replaced the U.S. processors and the French are now in the position to control the price processed gum arabic.

b. Loss of Export Market

Frutarom cannot match European competitors in terms of price and quality in international markets. Frutarom recently lost a long-time customer in Asia for reasons the customer described as a product quality issue. The overseas customer of many years broke its contract with Frutarom in favor of French competitors, who are marketing the Sudanese processed product at prices United States processors are unable to offer for the Chadian product.

Frutarom's loss of international business is not isolated. Current trade data support the conclusion that this is a frequent occurrence. A close examination of United States and French trade data show a loss of export market share to the French in traditional United States export markets. The data show early signs of declines in exports to Mexico and certain South American countries such as Brazil, Colombia, Argentina, Chile, Venezuela, with corresponding increases in French exports to these markets. For the combined years of 1997 and 1998, French exports worldwide increased more than 40%, and this trend has continued in 1999 with more than a 15% increase during the first quarter of 1999. U.S. export data show that exports of gum arabic declined approximately 15% in 1998, from the previous year. However data for the first quarter of 1999 show a dramatic drop in U.S. exports of gum arabic. Exports plunged approximately 38% from the same period during 1998. The decline in United States exports of gum arabic will continue in 1999 and become more pronounced by 2000 if relief is not granted. Thus, the effect of the unilateral embargo on gum arabic is to worsen the United States trade deficit.

V. Conclusion

After almost two years of sanctions, the evidence is very clear that the Sudanese government and foreign processors are benefiting from the embargo on gum arabic from Sudan. The once dominate position of United States gum arabic processors is being lost to French and other European processors. The Administration is ceding an entire industry, one that has been strong for many decades, to foreign competition, and with that goes the livelihoods of Americans. Sanctions often impact the poorest people, not only in the sanctioned country, but in the United States, as well. Frequently they impact jobs of those who depend on weekly pay-checks to support their families. Job loss already has occurred among the gum arabic processors. We appeal to you to look first into your back yard and protect American families impacted by this untenable situation.

By voting favorably on H.R. 1808, you have an opportunity to stabilize the market and prevent the Sudanese from benefiting from a policy that was intended to induce positive change in Sudan. Once shipments return to pre-sanction levels, prices should stabilize and Sudan may begin to feel the pain of the United States sanctions. At the same time, you will save an American industry, assist in the battle to overcome the trade deficit, and protect American consumers from monopolistic practices of foreign processors.

We would be pleased to provide any additional information the Subcommittee may require to address this very serious issue.

United States Imports of Gum Arabic

Quantity in Kilograms

	1999 Jan/Feb		1998 Jan/Feb		98		97 (Imposition of Sanctions)		96	
	Imports	Share	Imports	Share	Imports	Share	Imports	Share	Imports	Share
France	754,758	51%	709,451	23%	5,325,605	34%	4,479,040	40%	3,190,359	32%
Sudan	0	0	2,097,000	68%	2537,000	17%	3,564,140	33%	3,299,760	33%
Chad ..	658,182	44.6%	157,600	5%	5,640,633	37%	2,425,189	22%	1,577,053	15.7%
UK	24,151	1.6%	24,326	.79%	244,171	1.6%	282,374	2.6%	323,999	3.2%
Nigeria	20,000	1.35%	80,000	2.60%	569,442	3.72%	676,349	6.2%	639,486	6.4%
World	1,473,591	....	3,069,501	....	15,288,286	....	10,908,755	....	10,021,268	

* Source: United States Department of Commerce, Census Bureau. Global Trade Database
** HTS No. 1301.20.0000

French Imports of Gum Arabic

Quantity in Tons

	98		97		96	
	Imports	Share	Imports	Share	Imports	Share
Sudan	10,701.900	51%	5,556.000	33%	5,344.100	40%
Chad	5,925.100	28%	5,033.100	30%	3,977.500	30%
Nigeria	1,577.100	7.5%	2,301.800	14%	1,119.900	8%
United States	391.100	1.9%	335.300	2.0%	206.000	1.5%
World	20,965.200	....	16,853.200	....	13,199.29	

*Source: Global Trade Information Services
** HTS No. 1301.20.0000

United States Exports

Quantity in Kilograms

	1999 Jan/ Feb	1998 Jan/ Feb	98	97 (Imposition of Sanctions)	96
Mexico	14,646	22,725	182,438	129,270	208,979
Brazil	0	0	20,735	126,007	117,278
Argentina	774	678	21,580	47,686	33,897
Colombia	0	16,896	51,414	54,126	71,571
Chile	0	0	4,465	0	27,837
Venezuela	0	2,068	2,803	80,040	25,266
Philippines	0	21,284	21,284	47,183	161,854
Japan	8,294	8,016	62,491	228,928	247,809
World	225,891	225,118	2,052,068	2,384,716	2,064,877

Source: United States Department of Commerce, Bureau of Census, Global Trade Database

United States Imports, 1999/1998 First and Second Quarter Comparison

Quantity in Kilograms

	1999 Jan–June	1998 Jan–June
France	2,483,058	2,278,345
Great Britain	85,031	37,718
Chad	3,324,288	2,313,719
Sudan	0	2,097,000
World	6,385,923	7,241,882

United States World Exports, 1999/1998 Comparison, First and Second Quarter

	1999 Jan–June	1998 Jan–June	Loss of Export Market
World	759,974	1,222,406	38%

French World Exports, 1999/1998 Comparison, First Quarter

Quantity in Kilograms

	1999 Jan–June	1998 Jan–June	Market Gain
World	3,553,200	3,079,000	15.40%
United States	1,208,900	1,011,700	19.49%

H.R. 1951

To suspend temporarily the duty on HIV/AIDS drugs.

NO COMMENTS SUBMITTED.

H.R. 1952

To suspend temporarily the duty on HIV/AIDS drugs.

NO COMMENTS SUBMITTED.

H.R. 1963

To suspend until December 31, 2002, the duty on triacetonamine.

JBC INTERNATIONAL
WASHINGTON, DC 20006
22 September 1999

A.L. Singleton
Chief of Staff, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Comments on *Miscellaneous Corrections to Trade Legislation and Miscellaneous Duty Suspension Bills*, Advisory No. TR–15, from the Committee on Ways and Means, Subcommittee on Trade, dated 12 August 1999, regarding technical changes to improve the trade laws submitted by the Administration, the business community, and the public, and also proposed legislation to provide temporary suspension of duty for certain specific products.

Dear Mr. Singleton:

On behalf of the Uniroyal Chemical Company, we respectfully submit these comments on the proposals for miscellaneous corrections to trade legislation and miscellaneous duty suspension bills now under consideration by the Committee.

Uniroyal Chemical is a leading worldwide manufacturer of specialty chemicals and polymers to customers in over 120 countries with sales exceeding $1 billion. Headquartered in Middlebury, Connecticut, the company serves many markets including rubber processing, plastics, crop protection, petroleum, petrochemical, recreation, graphic arts, mining, electronics, adhesives and sealants, and paints and coatings.

We offer comments in support of H.R. 1963, Proposed Duty Suspension for Triacetonamine (TAA), and H.R. 2194, Proposed Duty Suspension for Butralin.

Triacetonamine (H.R. 1963). TAA is a proprietary nitroxyl free radical mixture with ethylbenzene, which is used as a raw material in the manufacture of Uniroyal Chemical Company's line of NAUGARD SFR (stable free radical) polymerization inhibitor chemicals. These chemicals inhibit the development of polymers during the curing of rubbers and plastics. Uniroyal's NAUGARD SFR product line is unique in that it is characterized by very low usage levels (approximately 20% as much as other inhibitor chemicals), does not require air injection, and has high storage stability. It has low toxicity and environmental impact. It is a dark orange or brown viscous liquid with a characteristic odor.

TAA is a proprietary chemical not produced domestically in the United States. It is manufactured by Huls Incorporated in Germany. Product testing and research on TAA has been carried out at the Uniroyal facility in Naugatuck, CT. All TAA used in manufacturing NAUGARD SFR, however, is imported. Import projections, values, and tariff rates for 2000, 2001, and 2002 result in assessed duties ranging from $79,000 to $93,000, far below the revenue loss threshold to warrant favorable consideration for duty suspension purposes.

Suspending the duties on TAA will allow Uniroyal to reduce its costs for producing NAUGARD SFR and thereby pass these savings on to the rubber chemical manufacturers who purchase this product. The modest cost of this legislation in foregone duty collections is far outweighed by its stimulating effect on the economy and the growth of cutting edge chemical technology in the U.S.

Butralin (H.R. 1963). Butralin is a plant growth regulator for control of suckers on flue-cured and air-cured tobaccos, including burley, Maryland, dark, and cigar types. It is a limpid yellow orange liquid with an aromatic odor. Butralin mixes readily with water to form a yellow, creamy emulsion. It may be applied alone or in a tank mix with maleic hydrazide products. If allowed to stand for several hours, or if exposed to the air for extended periods, it may form a yellow orange waxy solid necessitating thorough agitation before resuming spraying. It is typically applied with motorized field sprayers equipped with nozzles that deliver a coarse spray. It may also be applied by using a hand-held dropline, knapsack sprayer, or jug application. Butralin is used only for tobacco farming.

Butralin is manufactured by CFPI Agro in France. It is not produced domestically in the United States. Product testing and research on Butralin has been carried out at the Uniroyal facility in Gastonia, NC. Import projections, values, and tariff rates for 2000, 2001, and 2002 result in assessed duties ranging from about $51,000 to

$53, 400, far below the revenue loss threshold to warrant favorable consideration for duty suspension purposes.

Reducing the landed cost for Butralin would allow Uniroyal Chemical to pass on the resultant savings to tobacco farmers who would use Butralin and who have been economically distressed in recent years. Given that the U.S. is scheduled to reduce its tariff rates during this period in keeping with its commitments in the Uruguay Round, the cost of the legislation in foregoing revenue collections is minimal and becomes less each year.

We believe these proposals are perfect examples of what the duty suspension provisions are intended to accomplish. All parties will benefit from the immediate suspension of tariffs on TAA and Butralin. We strongly urge support of these legislative initiatives.

Sincerely,

G.M. MATTINGLEY, JR.
Vice President, Government Affairs

H.R. 2064

To suspend temporarily the duty on instant print film.

NO COMMENTS SUBMITTED.

H.R. 2065

To suspend temporarily the duty on instant print film.

NO COMMENTS SUBMITTED.

H.R. 2071

To suspend temporarily the duty on a certain chemical used in the textile industry and in water treatment.

NO COMMENTS SUBMITTED.

H.R. 2072

To suspend temporarily the duty on a certain chemical used in the paper industry.

NO COMMENTS SUBMITTED.

H.R. 2073

To suspend temporarily the duty on a certain chemical used in water treatment.

NO COMMENTS SUBMITTED.

H.R. 2074

To suspend temporarily the duty on a certain chemical used in water treatment and beauty care products.

NO COMMENTS SUBMITTED.

H.R. 2075

To suspend temporarily the duty on a certain chemical used in photography products.

NO COMMENTS SUBMITTED.

H.R. 2076

To suspend temporarily the duty on a certain chemical used in peroxide stabilizer and compounding.

NO COMMENTS SUBMITTED.

H.R. 2078

To suspend temporarily the duty on a certain chemical used in the textile industry.

NO COMMENTS SUBMITTED.

H.R. 2098

To suspend temporarily the duty on dark couverture chocolate.

NO COMMENTS SUBMITTED.

H.R. 2099

To suspend temporarily the duty on mixtures of sennosides.

NO COMMENTS SUBMITTED.

H.R. 2132

To suspend temporarily the duty on Cibacron Red LS–B HC.

NO COMMENTS SUBMITTED.

H.R. 2133

To suspend temporarily the duty on Cibacron Brilliant Blue FN–G.

NO COMMENTS SUBMITTED.

H.R. 2134

To suspend temporarily the duty on Cibacron Scarlet LS–2G HC.

NO COMMENTS SUBMITTED.

H.R. 2135

To suspend temporarily the duty on MUB 738 INT.

NO COMMENTS SUBMITTED.

H.R. 2142

To suspend for 3 years the duty on fenbuconazole.

NO COMMENTS SUBMITTED.

H.R. 2143

To suspend for 3 years the duty on 2,6-dichlorotoluene.

NO COMMENTS SUBMITTED.

H.R. 2144

To suspend for 3 years the duty on 3-Amino-3-methyl-1-pentyne.

NO COMMENTS SUBMITTED.

H.R. 2145

To suspend for 3 years the duty on triazamate.

NO COMMENTS SUBMITTED.

H.R. 2146

To suspend for 3 years the duty on methoxyfenozide.

NO COMMENTS SUBMITTED.

H.R. 2147

To suspend until December 31, 2002, the duty on cyclic olefin copolymer resin.

NO COMMENTS SUBMITTED.

H.R. 2150

To suspend temporarily the duty on 1-fluoro-2-nitro benzene.

NO COMMENTS SUBMITTED.

H.R. 2151

To suspend temporarily the duty on thionyl chloride.

BAYER CORPORATION, U.S.A.
INTERNATIONAL REGULATORY COMPLIANCE
PITTSBURGH, PA 15205
Sept. 17, 1999

The Honorable Philip M. Crane
Chairman, Subcommittee on Trade
House Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Crane:

Bayer Corporation operates major businesses in health care, life sciences, chemicals and imaging technologies, employs 24,000 people throughout the United States and is headquartered in Pittsburgh, Pennsylvania. Bayer Corporation is the largest subsidiary of Bayer AG, a $32 billion pharmaceutical and chemical company based in Leverkusen, Germany, with 140,000 employees worldwide.

Currently, Bayer AG is one of two producers of Thionyl Chloride (TC) worldwide. The other producer of Thionyl Chloride is Sauerfabrik (formerly Schweitzerhalle) in Switzerland. Thionyl Chloride is not manufactured in the United States but is an important ingredient in many U.S. and international products. Thionyl Chloride is used in the production of agricultural fungicides, to protect U.S. crops. It also has a humanitarian use as a raw material in the manufacture of protease inhibitors for the treatment of HIV/AIDS infected individuals. Thionyl Chloride is also used by major U.S. manufacturers as an electrolyte for lithium chloride batteries, as a pharmaceutical for controlling stomach acid, as a dehydrator to remove water from air conditioning fluid and as an imaging chemical for photographic applications.

Although Thionyl Chloride is listed on Schedule C of the Chemical Weapons Convention (CWC), Bayer Corporation does not sell Thionyl Chloride to any military or government entity. In addition, Bayer requires an End-User Certificate from all customers and complies fully with the reporting and certification requirements.

Thionyl Chloride customers include FMC Corporation, Uniroyal, Eastman Chemical, Merck and Rohm and Haas. The pharmaceutical and agriculture industries as well as Bayer Corporation's customers and Industrial Product Division with major operations at Baytown, Texas would benefit from the tariff suspension on sales of Thionyl Chloride.

We hope this supplemental information is useful in the ITC deliberations regarding proposed tariff suspension for Thionyl Chloride. Please don't hesitate to contact us with any questions.

Very sincerely,

KAREN L. NIEDERMEYER

Duty Suspension Bill for Thionyl Chloride

TITLE AS INTRODUCED:

To suspend temporarily the rate of duty on thionyl chloride.

SUMMARY OF BILL:

Temporarily suspends the most-favored-nation (MFN) rate of duty on imports of thionyl chloride through December 31, 2002.

Effective date:

The 15th day after enactment.

Retroactive effect:

None.

STATEMENT OF PURPOSE:

Thionyl Chloride (TC) is used to manufacture agricultural pesticides, pharmaceutical intermediates, such as those used to make protease inhibitors for HIV treatment, and is also used in the chemical industry as a mild chlorinating agent. It is listed on Schedule C of the Chemical Weapons Convention (CWC) (1) because it is a precursor to weapons agents. Schedule C compounds are considered valuable commercial compounds but it is recognized that they can be misused to make chemical weapons. Due to the concerns about misuse, Bayer Corporation does not sell TC to any military or government entity. TC Customers include FMC Corporation, Uniroyal, Eastman Chemical, Merck and Rohm and Haas. Bayer's Industrial Products Division, with major operations at Baytown, Texas would benefit from the tariff suspension on sales of TC.[1]

PRODUCT DESCRIPTION AND USES:

Thionyl chloride is a colorless to slightly yellow liquid that is highly corrosive. Synonyms for this product are sulfurous oxychloride and sulfur oxychloride. Thionyl chloride is used in the chemical industry, for example, as a chlorinating agent for pharmaceutical and agricultural products. Imported TC is delivered to bulk storage at Bayer's Baytown Texas plant and stored there until transported out of the plant by rail cars, tank trucks and drums to Bayer's various customers in the U.S. The Baytown plant has state-of-the art security measures employed throughout the plant. In particular, TC is stored in an area which has 24 hour security and the storage containers must be operated manually.

TARIFF TREATMENT:

Product	HTS Subheading	Col. 1-general Rate of Duty
Thionyl chloride	2812.10.5050	3.7%

[1] The CWC bans the manufacture, use, possession and stockpiling of chemical weapons. It was ratified by the U.S. Congress in 1997 and is in full implementation. All but a few nations have ratified the treaty. Bayer Corporation imports TC from Germany, one of the countries involved in crafting the original treaty and one of the first countries to ratify the CWC. All of the requirements that apply to TC are the same in both countries. Reporting requirements of the CWC are triggered by the storage of 30 tons of TC; reporting and verification requirements of TC are triggered by 200 tons. In addition, Bayer requires an End-User Certificate from all customers and complies fully with the reporting and verification requirements.

STRUCTURE OF DOMESTIC INDUSTRY (INCLUDING COMPETING PRODUCTS):

Thionyl chloride is not manufactured in the United States.

There are a number of chlorinating agents that may be considered when introducing chlorine into an organic molecule. Selection of the "optimum" chlorinating agent is based not only on relative price, but on the intended reaction chemistry of the planned process and the equipment available. There are seven commonly used chlorinating agents: elemental chlorine, hydrochloric acid (with pressure), sulfuryl chloride, phosgene (extremely toxic), phosphorous trichloride, phosphorous oxychloride and thionyl chloride. Thionyl chloride is considered a *mild* chlorinating agent and is used in syntheses where this property is a benefit to effective yield, efficiency (non solid residues) and economy.

U.S. CONSUMPTION:

Approximately 7,750,000 lbs. per annum.

Thionyl chloride

in pounds

	1996	1997	1998
U.S. production	8,422,234	0	0
U.S. imports	66	7,133,669	7,671,084
U.S. exports	0	0	0*
Apparent U.S. consumption	8,422,300	7,133,669	7,671,084

*A very small amount may be exported to Canada.

EFFECT ON CUSTOMS REVENUE:

0.037 × $1,564,732 (1998 dutiable value) = $57,895 per annum.

Future (2000–2002) effect:

The yearly rate of thionyl chloride use is forecasted for this time period to be relatively constant.

Annual imports:

Are expected to range between 7 and 8 million pounds over the period 2000–2002.

BILL LANGUAGE:

"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:

9902.29.07	Thionyl chloride (Cas No. 7719-09-7) (provided for in subheading 2812.10.5050).......	Free	No change	No change	On or before 12/31/02

H.R. 2152

To suspend temporarily the duty on TEOF (triethyl orthoformate).

NO COMMENTS SUBMITTED.

H.R. 2153

To suspend temporarily the duty on PHBA (p-hydroxybenzoic acid).

NO COMMENTS SUBMITTED.

H.R. 2154

To suspend temporarily the duty on myristic acid (tetrabecanoic acid).

NO COMMENTS SUBMITTED.

H.R. 2155

To suspend temporarily the duty on THQ (Toluhydroquinone).

NO COMMENTS SUBMITTED.

H.R. 2160

To suspend temporarily the duty on a certain chemical compounds.

NO COMMENTS SUBMITTED.

H.R. 2165

To suspend temporarily the duty on certain compound optical microscopes.

NO COMMENTS SUBMITTED.

H.R. 2167

To suspend temporarily the duty on parts of certain magnetrons.

NO COMMENTS SUBMITTED.

H.R. 2168

To temporarily reduce the duty on certain cathode-ray tubes.

NO COMMENTS SUBMITTED.

H.R. 2169

To temporarily suspend the duty on certain cathode-ray tubes.

NO COMMENTS SUBMITTED.

H.R. 2176

To amend the Harmonized Tariff Schedule of the United States to modify the tariff treatment of certain categories of raw cotton.

Statement of American Cotton Shippers Association

The American Cotton Shippers Association supports the enactment of HR 2176 and urges the Subcommittee to favorably report the legislation to enable the US textile industry to have access to duty-free imports of raw cotton of staple lengths measuring less than 11/4 inch when US cotton production does not provide adequate supplies of such fiber.

INTEREST OF ACSA

ACSA was founded in 1924 to provide a united voice for the cotton merchandising trade of the United States and is composed of primary buyers, mill service agents, merchants, shippers, exporters, and importers of raw cotton who are members of four federated associations located in sixteen states throughout the cotton belt:

Atlantic Cotton Association (AL, FL, GA, NC, SC, & VA)
Southern Cotton Association (AR, LA, MS, MO, & TN)
Texas Cotton Association (OK & TX)
Western Cotton Shippers Association (AZ, CA, & NM)

ACSA's 162 active member firms handle over 80% of the U.S. cotton sold in domestic and export markets and are the importers of record for virtually all of the raw upland cotton imported into the United States under WTO, NAFTA, and the quota allocations triggered by the Federal Agriculture Improvement & Reform Act of 1996.

NEED FOR THE TARIFF CHANGE & ITS MINIMAL TARIFF REVENUE COSTS

When the Smoot-Hawley Tariff Act was enacted by Congress in 1930 duty free status was granted to cotton measuring less than 1⅛ inch since these cottons were the most commonly used staple length processed by US textile mills. In the ensuing 69 years improved seed varieties, cultivation practices, and harvesting methods resulted in the production of longer staple lengths of cotton. Further, the technological improvements in the textile spinning process require the use of cotton longer than 1⅛ inch. There is minimal use for cotton measuring less than 1⅛ inch and little of it is produced. US tariff policy should not be an impediment to the importation of raw upland cotton when US textile mills need the requisite foreign supplies whenever crop conditions prevent the production of such cotton in the US. Therefore, duty free status should be accorded to upland cotton quota imports measuring less than 1¼ inch. According to National Cotton Council statistical data, this change will have a minimal impact on tariff revenue. Were the change in effect these past ten years, the estimated reduction would range from a high of only $195,400 in 1995 to a low of $5,000 in 1992 with a yearly average of $60,830.

Statement of American Textile Manufacturers Institute

The American Textile Manufacturers Institute (ATMI) supports enactment of H.R. 2176 that would, in ATMI's opinion, improve U.S. trade laws.

ATMI is the national trade association for the U.S. textile industry. Member companies operate in more than 30 states and process nearly 75 percent of all fibers, both natural and synthetic, consumed by textile plants in the United States. The industry employs nearly 600,000 people.

Today America's textiles is a $81 billion a year high-tech industry. It is known as the most efficient and productive manufacturer of textiles in the world. The industry invests some $2.7 billion a year on the best equipment in order to compete domestically and globally.

Americans each year consume 1.2 billion pairs of trousers, 3.2 billion shirts and blouses, 300 million sweaters and 16 billion square yards of textiles in the form of sheets, towels, draperies, carpet, upholstery, industrial and automotive fabrics. Cotton is the fiber of choice in most of these products, either by itself or in blend with other natural and/or synthetic fibers. ATMI members annually consume upwards of 11 million bales or raw cotton to meet customer demands and consumer needs. In fact, the U.S. textile industry is one of the largest consumers of raw cotton in the world.

By far, most raw cotton consumption in U.S. textile mills, year-in and year-out, is domestically grown. Current agriculture law, however, does recognize that U.S. textile mills, to remain globally competitive, must have constant access to an adequate supply and variety of raw cotton at competitive prices. To assure this, mills have been permitted since 1930 to import limited quantities of raw cotton, under very specific circumstances and restrictions.

It was in 1930 that the United States first imposed tariffs on certain categories of raw cotton based on varying staple lengths of the cotton. At that time, the predominant staple length utilized in textile mills was below 1 1/8 inch. Since then, staple lengths have tended to increase for several reasons—most notable are improved seed varieties, cultivation practices and harvesting methods. In addition, technological enhancements in textile processing today require the longer cotton staple lengths. Taken together, these changes have had the effect of moving the majority of cotton that would be imported today, into the United States, from a category without a tariff to a category with a tariff.

In February of this year, the combined U.S. textile industry, through ATMI, and U.S. cotton industry, through the National Cotton Council, jointly acknowledged this situation. An industry-wide consensus resolution was adopted that seeks to remove the applicable tariff from raw cotton with a staple length common to today's production and cotton utilization practices. Specifically, the proposed change would eliminate the current tariff of 4.4 cents per kg. on upland cotton with a staple length of 1⅛ inch to less than 1¼ inch. Such action would serve to remove an impediment to the importation of upland cotton, on those infrequent but critical occasions when U.S. cotton textile manufacturing firms require non-U.S. sources to supplement their U.S.-grown cotton.

Subsequently, legislation was introduced that achieves the above-described objective. ATMI supports passage of H.R. 2176 and urges the Subcommittee on Trade to favorably report the legislation.

Statement of National Cotton Council of America, Memphis, Tennessee

The National Cotton Council supports enactment of HR 2176 for the purpose of removing existing general tariffs on imports of cotton with a staple length less than 1¼ inch.

The National Cotton Council is the central organization of the United States cotton industry. Its members include producers, ginners, oilseed crushers, merchants, cooperatives, warehousemen, and textile manufacturers. While a majority of the industry is concentrated in 17 cotton producing states, stretching from the Carolinas to California, the downstream manufacturers of cotton apparel and home furnishings are located in virtually every state.

The industry and its suppliers, together with the cotton product manufacturers, account for one job of every thirteen in the U.S. Annual cotton production is valued at more than $5 billion at the farm gate. In addition to the fiber, cottonseed products are used for livestock feed, and cottonseed oil is used for food products ranging from margarine to salad dressing. While cotton's farm gate value is significant, a more meaningful measure of cotton's value to the U.S. economy is its retail value. Taken collectively, the business revenue generated by cotton and its products in the U.S. economy is estimated to be in excess of $50 billion annually. Cotton stands above all other crop in its creation of jobs and its contribution to the U.S. economy.

During our annual meeting this past February, our delegates adopted a resolution calling for the elimination of general tariffs with respect to cotton below 1¼ inch in staple length. That resolution reads as follows:

> Recognizing that, in 1930, when import restrictions were established to protect U.S. cotton producers, the predominant staple lengths produced and utilized by domestic mills were below 1⅛ inch, and that production and utilization trends have changed significantly, therefore, to assure adequate supplies of competitively priced cotton whenever U.S. production, price levels or trade agreements authorize imports, that tariffs be imposed only with respect to cotton 1¼ inch and longer;

It is our understanding that the purpose of HR 2176 is to eliminate the general rate of tariff applicable to cotton with a staple length of 1⅛ inches to less than 1¼ inches. The National Cotton Council supports this change with the understanding that there is no intent to alter the application of any existing quotas on any staple length of cotton.

BACKGROUND

Certain categories of raw cotton imported into the United States are subject to a tariff. These tariffs were established based on varying staple lengths of cotton. Over time, staple lengths have tended to increase, moving the majority of cotton that would be imported into the U.S. from a category without a tariff into a category with a tariff.

On top of this, importers are not always certain of the staple length of the cotton they are importing. It often may be slightly longer than advertised, subjecting the importer to a tariff that was not anticipated. There are also serious concerns about the manner in which Customs has chosen to enforce the tariff line. (unfair sampling procedures, etc.)

The NCC supports legislation that would remove the applicable general tariff from cotton with a staple length that is less than 1¼ inch.

Proposal

Staple Length	Current General Tariff	Proposed Change
less than 1⅛ inches	none	no change
1⅛ inches to less than 1¼ inches	4.4 cents per kg (about 2.2 cents per lb.).	eliminate tariff
1¼ inches to less than 1⅜ inches	4.4 cents per kg (about 2.2 cents per lb.).	no change
1⅜ and over	1.5 cents per kg (about .69 cents)	no change

The complicating factor, with respect to any amendment, is that TSUS line numbers 5201.00.22 and 5201.00.34 include cotton from 1¼ staple length to less than 1⅜ staple length. In order to accomplish the goal of the proposal, TSUS lines 5201.00.22 and 5201.00.34 will both need to be split into two categories with staple lengths of ⅛ to less than 1¼ and 1¼ to less than 1⅜.

ESTIMATED COST

An analysis of the cost of this proposed change in tariff treatment is attached.

CONCLUSION

It is the sole intent of the National Cotton Council that the general tariff currently applicable to upland cotton with a staple length of 1⅛ inches to less than 1¼ inches be removed. Removing this tariff should liberalize trade in cotton.

Tariff Revenue Impact of Allowing Duty-Free Imports of Raw Cotton of Certain Staple Lengths

Under the 1999 Harmonized Tariff Schedule of the United States, imported raw cotton of a staple length of at least 28.575 mm (1⅛ inches) but less than 34.925 mm (1⅜ inches) is subject to an in-quota tariff of 4.4¢/kg (Chapter 52, Subheading 5201.00.22 and Subheading 5201.00.34. The proposed legislation would set the in-quota tariff equal to zero for cotton with a staple length of at least 28.575 mm (1⅛ inches), but less than 31.75 mm (1¼ inches). The duty on cotton with a staple length of 31.75 mm to 34.925 mm would be unchanged. Concern has been raised about the magnitude of the potential loss in tariff revenue resulting from duty-free importation of the specified cotton.

Analysis conducted by Economic Services of the National Cotton Council indicates that the loss in tariff revenue would be insignificant, amounting to less than $40,000 in a typical year and less than $200,000 in a year with significant raw cotton imports (see attached exhibit).

- Annual U.S. imports of raw cotton of *all* staple lengths are typically less than 50,000 bales.

—Imports reach higher levels only when the U.S. cotton crop is decimated by adverse environmental conditions, greatly reducing the available supply of U.S. cotton. In 1998, a 20 percent shortfall in production was experienced because of adverse weather across all regions of the U.S. cotton belt.

—Even with a 20 percent shortfall, USDA projects *total* U.S. raw cotton imports in the 1998 marketing year (MY98)[1] of only 400,000 bales.

—For MY99, USDA projects total raw cotton imports of 50,000 bales. Virtually all of these bales will be imported in August and September of 1999. Hence, U.S. raw cotton imports in fiscal year 2000 (FY2000) will be essentially nil.

• Cotton with a staple length between 28.575 mm and 31.75 mm, the category affected by the proposed legislative change, comprises only a small proportion of total U.S. raw cotton imports in any given year.

—Officials with the U.S. Customs Service indicate that no more than five percent of the cotton imported into the United States thus far in MY98 has a staple length between 28.575 mm and 34.925 mm, a result consistent across years. The proposed legislative change affects only a subset of these imports, those bales with staple lengths between 28.575 mm and 31.75 mm.

—For lack of available data, we will assume that all bales between 28.575 mm and 34.925 mm are subject to the tariff change. If total imports reach 400,000 bales by the end of MY98 as projected by USDA, cotton in the affected category would constitute only about 20,000 bales of the total.

—With a duty of 4.4/kg, the maximum tariff revenue generated from these 20,000 bales would be approximately $192,000, also representing the maximum loss in revenue as a result of the proposed legislative change to the Harmonized Tariff Schedule.

—We should also note that cotton with a staple length less than 28.575 mm, which accounts for at least 75 percent of the total U.S. raw cotton imports according to Customs officials, already enters the United States duty-free.

We understand that one estimate has placed the presumptive loss in tariff revenue from allowing duty-free importation of cotton between 28.575 mm and 31.75 mm to be approximately $32 million. We are uncertain, however, if this represents the estimated annual loss in tariff revenue or the cumulative loss over a period of years.

If we assume that this figure represents the estimated cumulative loss over a 5-year period, the implied annual loss in tariff revenue is $6.4 million.

• To generate $6.4 million in tariff revenue with an in-quota tariff of 4.4¢/kg, annual imports of raw cotton in the affected category would have to be approximately 670,000 bales, for a total of 3.35 million bales over the 5-year period.

• Cumulative U.S. raw cotton imports of *all* staple lengths since 1970 are just 1.8 million bales (inclusive of projected imports in 1998).

—If every one of these 1.8 million bales had been subject to a 4.4¢/kg duty, the total tariff revenue generated since 1970 would only be about $17 million.

—As discussed above, only about five percent of the bales imported in any given year have a staple length between 28.575 mm and 31.75 mm. Thus, of total raw cotton imports of 1.8 million bales since 1970, less than 100,000 fall into this particular staple length category. The estimated tariff revenue generated on these bales since 1970, a period of 29 years, is less than $900,000 assuming a duty of 4.4¢/kg.

Prepared by Economic Services of the National Cotton Council

[1] The import data are only available on a marketing year basis from USDA. The marketing year for cotton extends from August 1 to the following July 31.

Estimated Tariff Revenue Losses

Marketing Year	Imports 1/ (000 Bales)	Affected 2/ (000 Bales)	Revenue 3/ (000 $)
1970	37	2	17.7
1971	72	4	34.5
1972	34	2	16.3
1973	48	2	23.0
1974	34	2	16.3
1975	92	5	44.1
1976	38	2	18.2
1977	5	0	2.4
1978	4	0	1.9
1979	5	0	2.4
1980	28	1	13.4
1981	26	1	12.5
1982	20	1	9.6
1983	12	1	5.7
1984	24	1	11.5
1985	33	2	15.8
1986	3	0	1.4
1987	2	0	1.0
1988	5	0	2.4
1989	2	0	1.0
1990	4	0	1.9
1991	13	1	6.2
1992	1	0	0.5
1993	6	0	2.9
1994	20	1	9.6
1995	408	20	195.4
1996	403	20	193.0
1997	13	1	6.2
1998	400	20	191.6
Total	1792	90	858.4

1/ Imports of all staple lengths, 480-lb. Bales.

2/ Imports of staple lengths at 28.575 mm, but less than 34.925 mm.
The tariff change truly only affects cotton between 28.575 and 31.75 mm.

3/ Estimated loss of tariff revenue from eliminating tariff

Statement of Hon. William M. Thomas, a Representative in Congress from the State of California

I urge passage of H.R. 2176 to both liberalize and simplify trade in cotton fiber. The bill updates our tariff schedules by changing the length of cotton fiber at which tariffs are assessed from 1 and 1/8ths inches to a length of 1 and 1/4th inches. This proposal has the strong support of the cotton industry and is noncontroversial.

H.R. 2176 is supported by the cotton industry because the trade recognizes today's tariff structure no longer reflects market realities. When the current tariff threshold for cotton was set in 1930, the bulk of the fiber trade occurred in lengths below 1 and 1/8ths inches, so most imports of raw cotton, if any, were duty free.

The trade has changed as a result of improved fiber and ginning processes to the point where staple lengths have generally increased. Because cotton imports occur only when the domestic industry is unable to obtain adequate supplies within the United States, imposition of tariffs under the current standard unnecessarily penalizes the domestic industry when U.S. growers cannot satisfy milling requirements.

Further, increasing the threshold for imposing tariffs to 1 and 1/4ths inch would simplify the process of importing cotton. As cotton is often classed by hand overseas, importers buying what they believe will be duty-free cotton frequently find Customs imposing duties on imports months after the goods have entered U.S. commerce. While part of the importers' difficulties arises from the differing results from mechanical classing methods used in the United States and hand classing, there have also been disputes over the means by which Customs applies classing results in finally determining whether cotton imports are subject to duties. Raising the threshold for tariff application would resolve many of these problems.

H.R. 2176 has the approval of the entire cotton industry. The National Cotton Council, which represents cotton growers, ginners, shippers, millers and textile manufacturers, is endorsing the bill. The American Cotton Shippers Association and the American Textiles Manufacturers Institute also support H.R. 2176.

Passing H.R. 2176 makes sense for both industry and for government. Given the improvements it would make in trading cotton and its strong endorsement by the trade, Congress should approve the bill as soon as possible.

H.R. 2186

To suspend temporarily the duty on Rhinovirus drugs.

NO COMMENTS SUBMITTED.

H.R. 2191

To require that jewelry imported from another country be indelibly marked with the country of origin.

NO COMMENTS SUBMITTED.

H.R. 2192

To require that jewelry boxes imported from another country be indelibly marked with the country of origin.

NO COMMENTS SUBMITTED.

H.R. 2194

To suspend temporarily the duty on Butralin.

see JBC International under H.R. 1963

H.R. 2196

To suspend temporarily the duty on slide fasteners, with chain scoops of base metal die-cast onto strips of textal material.

AMERICAN APPAREL MANUFACTURERS ASSOCIATION
ARLINGTON, VA 22201
22 September 1999

Mr. A. L. Singleton
Chief of Staff
Committee on Ways and Means
US House of Representatives
Washington, DC 20515

REF: TR–15 (August 12, 1999)

Dear Mr. Singleton:

On behalf of the American Apparel Manufacturers Association (AAMA)—the national trade association of the US apparel industry and its suppliers—I am writing to express strong support for three of the measures that were listed as candidates for the miscellaneous duty suspension package.

HR 2196/HR 2197 LEGISLATION TO ELIMINATE DUTIES ON CERTAIN POLISHED TOOTH AND DIE CAST ZIPPERS

Metal zippers (found in HTS 9607.11.00) are currently charged a duty of 10 percent.[1] Although there is domestic production of some metal zippers, there are several kinds of metal zippers—die cast (formed by pouring liquid metal into a mold directly on the tape) or polished edge (regular teeth polished to remove sharp edges)—that are not available domestically. The quality and ascetic look of these die cast or polished edge zippers are such that they are not substitutes for regular metal zippers. Unfortunately, the HTS does not draw a distinction between these and regular metal zippers. As a result, although there is no domestic production, these zippers are taxed at the full 10 percent duty rate.

In 1998, about $9.6 million worth of metal zippers under HTS 9607.11.00 were imported into the United States. Less than 22 percent of these zippers were imported from Japan, Switzerland, and Italy—the only three countries that are the source of polished edge or die cast metal zippers. As a result, removing the duty on these zippers would result in no more than a duty loss of $211,000.[2] In fact, because not every zipper import from these three countries is polished edge or die cast, the duty loss would actually be much smaller. This savings, however, is significant for the small companies who have to pay the duties.

We believe this proposal is not controversial since the zippers subject to the duty suspension are not manufactured domestically. Moreover, about 25 percent of metal zippers imported into the United States are already imported duty free (because they are imported under the GSP program or from countries—such as Mexico—with whom the United States has suspended duties on this product).

[1] From the period 1995 to 1998, the duty on metal zippers dropped from 14 percent to 10 percent.

[2] $9.6 million times 22 percent times 10 percent.

HR 1360 LEGISLATION TO CORRECT A TARIFF INVERSION ON HIGH END IMPORTED WOOL

Correcting the inversion on high end imported wool is urgently needed to address an anomaly that is swiftly eroding the manufacturing and employment base in a significant part of our industry. Currently, the tariff on higher end wool imports is 31.7 percent. Yet the duty on the suits that are manufactured with that wool is only 20.2 percent (expected to drop to 17.5 percent by 2004). As a result, it is cheaper to import a finished wool suit than it is to import the raw material and make that same wool suit here in the United States. The losers in this equation are the suit makers and their employees.

The situation is exacerbated when we incorporate Canada and Mexico into the mix. Because of the NAFTA, imported suits from those countries face no duty (in the case of Canada) and an 11 percent duty (in the case of Mexico). Moreover, Canada imposes no tariff on its own imports of high-end wool fabric. As a result, Canadian firms can import fine wool fabric, manufacture suits, and ship them to the United States—all without encountering any duty. This means Canadian suits effectively enjoy a 31.7 percent preference over US suits in the US market. Again, the big losers are US suit-makers and their employees.

We applaud the measured and thoughtful response of this proposal that is now before the House. Its multi-tiered approach balances the needs of the domestic industry while achieving the elements of a rational trade policy. The proposal would provide for the elimination in the duty on Super 90's and above grade wool. Because these high-grade wool fabrics are not made in sufficient commercial quantities, diversity, and style in the United States, the tariff elimination should pose no particular hardship. The proposal is structured differently for the segment of the domestic wool industry that engages in the production of Super 70's and 80's grade wool fabric. In these cases, the duty rate is temporarily reduced from 31.7 percent to the 21.2 percent rate assessed on suits. The proposal makes no changes to the tariff structure affecting the lower grade wool fabrics or raw wool, which accounts for most US production. That rate—between 7 and 7.8 percent—remains unchanged.

We would prefer to source all our wool fabrics domestically. Unfortunately, the combination of inadequate domestic supplies, the tariff break accorded Canada under the NAFTA, and the inverted duties penalizing our own companies make this impossible. Over the past five years we have learned that there are no legal remedies to fix the Canada problem and that the domestic wool industry is not capable of fixing the wool fabric availability problem. The only solution—if we are to retain a domestic suit making capability and its workers—is to fix the inverted duty on fancy wool fabric duty NOW.

As a whole, the proposal eliminates the offensive duty inversion—and the incentive to import instead of manufacture domestically—while retaining a measured level of protection for the various elements of the domestic wool industry. The approach is entirely consistent with our trade policy, which encourages a competitive domestic manufacturing base in the context of a liberal trading environment. When fully implemented, the fix should benefit needletrade workers, apparel manufacturers, and consumers.

Thank you for providing me this opportunity to comment on these important measures.

Sincerely,

STEPHEN LAMAR
Director, Government Relations

H.R. 2197

To suspend temporarily the duty on slide fasteners fitted with polished edge chain scoops of base metal.

see American Apparel Manufacturers Association under H.R. 2196

H.R. 2198

To suspend temporarily the duty on branched dodecylbenzene.

CK Witco Corporation
Greenwich, CT 06749
September 15, 1999

Mr. A. L. Singleton
Chief of Staff
Committee on Ways and Means
U. S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Submission of Written Comments Supporting H. R. 2198

Dear Mr. Singleton:

Pursuant to the Advisory dated August 12, 1999 concerning miscellaneous duty suspension proposals, we are writing to express our full support of H. R. 2198, providing for the temporary duty suspension on imports of branched dodecylbenzene (DDB).

CK Witco is the largest domestic consumer of branched DDB, which we use in the production of a number of products we sell in the domestic market. There is no U. S. producer of this product, nor is there any domestically produced alternative product to meet our production requirements. As the largest domestic importer and user of DDB, we are most interested in seeing the current U. S. duty applied to imports of this product temporarily suspended. We also believe that the other importers of DDB are equally supportive of H. R. 2198.

It should also be noted that the U. S. duty for DDB, and the other products classified under 2902.90.30 of the Harmonized Tariff Schedules of the U. S., will be permanently reduced to zero by 2004 under the phase down from the previous Uruguay Round agreements.

Since there is no U. S. production of the type of branched DDB we import, there should be no objection to H. R. 2198. Please let the record reflect our full support of H. R. 2198.

These comments are provided in the required 6 copies and on a 3.5-inch diskette as requested. There are no exhibits or other attachments to our statement.

Sincerely,

Vincent A. Calarco
President and Chief Executive Officer

H.R. 2207

To suspend temporarily the duty on a certain fluorinated compound.

Statement of AlliedSignal Inc.

AlliedSignal Inc. appreciates the opportunity to comment on H.R. 2207, introduced by Representative J.D. Hayworth of Arizona. This measure provides for the temporary suspension of the U.S. import duty on a certain fluorinated compound, classified under 2914.70.40 of the Harmonized Tariff Schedule of the United States (HTSUS).

Granting a suspension of the duty on the product subject to this legislation is justified and appropriate. To our knowledge there is no U.S. commercial production of the exact product in question. For this reason passage of H.R. 2207, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry.

Description of AlliedSignal Inc.

AlliedSignal manufactures advanced technology products for the aerospace, automotive and other markets. Some of our main aerospace products are jet propulsion engines, commercial avionics such as the enhanced ground proximity warning collision-avoidance system, and aircraft landing and lighting systems. Our automotive product names include Fram® filters, Autolite® sparkplugs, Prestone® car care products, and Garrett® turbochargers for passenger cars, light trucks and heavy industrial equipment. We also are a leading producer of power generation and management systems, nylon and industrial fibers, specialty chemicals, and advanced materials for the electronics and electric power distribution sectors.

AlliedSignal employs some 70,400 people worldwide, approximately 50,000 of whom are in the United States. The company's principal U.S. manufacturing operations are located in Arizona, California, Missouri, Maryland, Ohio, Virginia, New Jersey, Kansas and South Carolina. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index. AlliedSignal was named the "best diversified company" by Forbes Global magazine; the "most admired" aerospace company by Fortune magazine, both globally and in the United States; and one of the "100 best companies to work for" by Fortune.

DESCRIPTION OF THE PRODUCT AND ITS USES

The compound addressed in this legislation is used in the preparation of a proprietary polymer.

SUSPENDING THE DUTY ON THE SUBJECT FLUORINATED COMPOUND IS WARRANTED

There is no U.S. commercial production of the fluorinated compound on which suspension of duty is being sought. Further, based on import projections for this product for the period covered by H.R. 2207, this legislation also complies with the Committee's "no-cost" requirement.

SUMMARY

To AlliedSignal's knowledge there is no U.S. commercial production of the exact product in question. This legislation also meets the Committee's "no cost" criterion. For these reasons passage of H.R. 2207, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry. Granting a suspension of the duty on the product subject to this legislation is justified and appropriate.

H.R. 2208

To suspend temporarily the duty on a certain light absorbing photo dye.

Statement of AlliedSignal Inc.

AlliedSignal Inc. appreciates the opportunity to comment on H.R 2208, introduced by Representative J.D. Hayworth of Arizona. This measure provides for the temporary suspension of the U.S. import duty on a certain light absorbing photo dye, classified under 2934.90.90 of the Harmonized Tariff Schedule of the United States (HTSUS).

Granting a suspension of the duty on the product subject to this legislation is justified and appropriate. To our knowledge there is no U.S. commercial production of the exact product in question. For this reason passage of H.R. 2208, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry.

DESCRIPTION OF ALLIEDSIGNAL INC.

AlliedSignal manufactures advanced technology products for the aerospace, automotive and other markets. Some of our main aerospace products are jet propulsion engines, commercial avionics such as the enhanced ground proximity warning collision-avoidance system, and aircraft landing and lighting systems. Our automotive product names include Fram® filters, Autolite® sparkplugs, Prestone® car care products, and Garrett® turbochargers for passenger cars, light trucks and heavy industrial equipment. We also are a leading producer of power generation and management systems, nylon and industrial fibers, specialty chemicals, and advanced materials for the electronics and electric power distribution sectors.

AlliedSignal employs some 70,400 people worldwide, approximately 50,000 of whom are in the United States. The company's principal U.S. manufacturing operations are located in Arizona, California, Missouri, Maryland, Ohio, Virginia, New Jersey, Kansas and South Carolina. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index. AlliedSignal was named the "best diversified company" by Forbes Global magazine; the "most admired" aerospace company by Fortune magazine, both globally and in the United States; and one of the "100 best companies to work for" by Fortune.

DESCRIPTION OF THE PRODUCT AND ITS USES

The particular photo dye addressed in this legislation is used in small quantities as a light absorbing dye in certain silver halide film emulsions. It is a red dye, used generally to absorb light in the green part of the color spectrum.

Photographic dyes are specifically tailored to meet particular customer requirements. This particular dye is imported for use in specific proprietary film emulsions.

SUSPENDING THE DUTY ON THE SUBJECT LIGHT ABSORBING PHOTO DYE IS WARRANTED

There is no U.S. commercial production of the light absorbing photo dye on which suspension of duty is being sought.

In 1997 the U.S. Government (Office of the U.S. Trade Representative and Department of Commerce) compiled a list (so-called "zero list") of chemical products whose U.S. tariffs it tried unsuccessfully to use the November 1997 Asia-Pacific Economic Cooperation (APEC) Forum ministerial meeting to eliminate in exchange for concessions from trading partners. AlliedSignal submitted the product subject to H.R. 2208 for inclusion on that list. In a chemical industry-wide formal review of the proposed "zero list," undertaken at the behest of the U.S. government and carried out under the auspices of the U.S. Industry Sector Advisory Committee on Chemicals and Allied Products for Trade Policy Matters (a.k.a. ISAC–3), no one objected to this product's presence on that list, i.e., had no objections to its duty being eliminated.

Further, based on import projections for this product for the period covered by H.R. 2208, this legislation complies with the Committee's "no cost" requirement.

SUMMARY

To AlliedSignal's knowledge there is no U.S. commercial production of the exact product in question. When scrutinized thoroughly for possible inclusion on the U.S. government's APEC "zero list," this product's inclusion on said list did not engender any opposition from or controversy among U.S. industry. Regrettably, notwithstanding the good intentions and tireless efforts of U.S. trade negotiators, it is uncertain if and when the APEC, or for that matter the WTO, process will yield the desired tariff cut provided for in H.R. 2208.

This legislation also meets the Committee's "no cost" criterion.

For these reasons passage of H.R. 2208, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry. Granting a suspension of the duty on the product subject to this legislation is justified and appropriate.

H.R. 2209

To suspend temporarily the duty on filter blue green photo dye.

Statement of AlliedSignal Inc.

AlliedSignal Inc. appreciates the opportunity to comment on H.R. 2209, introduced by Representative J.D. Hayworth of Arizona. This measure provides for the temporary suspension of the U.S. import duty on filter blue green photo dye, classified under 2942.00.10 of the Harmonized Tariff Schedule of the United States (HTSUS).

Granting a suspension of the duty on the product subject to this legislation is justified and appropriate. To our knowledge there is no U.S. commercial production of the exact product in question. For this reason passage of H.R. 2209, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry.

DESCRIPTION OF ALLIEDSIGNAL INC.

AlliedSignal manufactures advanced technology products for the aerospace, automotive and other markets. Some of our main aerospace products are jet propulsion engines, commercial avionics such as the enhanced ground proximity warning collision-avoidance system, and aircraft landing and lighting systems. Our automotive product names include Fram® filters, Autolite® sparkplugs, Prestone® car care products, and Garrett® turbochargers for passenger cars, light trucks and heavy industrial equipment. We also are a leading producer of power generation and management systems, nylon and industrial fibers, specialty chemicals, and advanced materials for the electronics and electric power distribution sectors.

AlliedSignal employs some 70,400 people worldwide, approximately 50,000 of whom are in the United States. The company's principal U.S. manufacturing operations are located in Arizona, California, Missouri, Maryland, Ohio, Virginia, New Jersey, Kansas and South Carolina. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index. AlliedSignal was named the "best diversified company" by Forbes Global magazine; the "most admired" aerospace company by Fortune magazine, both globally and in the United States; and one of the "100 best companies to work for" by Fortune.

DESCRIPTION OF THE PRODUCT AND ITS USES

The photo dye addressed in this legislation is added to silver halide photographic film emulsions for the purpose of absorbing particular wavelengths of light.

Photographic dyes are specifically tailored to meet particular customer requirements. This photographic dye is imported for use in specific proprietary film emulsions.

SUSPENDING THE DUTY ON FILTER BLUE GREEN PHOTO DYE IS WARRANTED

There is no U.S. commercial production of the photo dye on which suspension of duty is being sought. Further, based on import projections for this product for the period covered by H.R. 2209, this legislation also complies with the Committee's "no cost" requirement.

SUMMARY

To AlliedSignal's knowledge there is no U.S. commercial production of the exact product in question. This legislation also meets the Committee's "no cost" criterion. For these reasons passage of H.R. 2209, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry. Granting a suspension of the duty on the product subject to this legislation is justified and appropriate.

H.R. 2210

To suspend temporarily the duty on certain light absorbing photo dyes.

Statement of AlliedSignal Inc.

AlliedSignal Inc. appreciates the opportunity to comment on H.R. 2210, introduced by Representative J.D. Hayworth of Arizona. This measure provides for the temporary suspension of the U.S. import duty on certain light absorbing photo dyes, classified under 2933.19.90 of the Harmonized Tariff Schedule of the United States (HTSUS).

Granting a suspension of the duty on the product subject to this legislation is justified and appropriate. To our knowledge there is no U.S. commercial production of the exact product in question. For this reason passage of H.R. 2210, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry.

DESCRIPTION OF ALLIEDSIGNAL INC.

AlliedSignal manufactures advanced technology products for the aerospace, automotive and other markets. Some of our main aerospace products are jet propulsion engines, commercial avionics such as the enhanced ground proximity warning collision-avoidance system, and aircraft landing and lighting systems. Our automotive product names include Fram® filters, Autolite® sparkplugs, Prestone® car care products, and Garrett® turbochargers for passenger cars, light trucks and heavy industrial equipment. We also are a leading producer of power generation and management systems, nylon and industrial fibers, specialty chemicals, and advanced materials for the electronics and electric power distribution sectors.

AlliedSignal employs some 70,400 people worldwide, approximately 50,000 of whom are in the United States. The company's principal U.S. manufacturing operations are located in Arizona, California, Missouri, Maryland, Ohio, Virginia, New Jersey, Kansas and South Carolina. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index. AlliedSignal was named the "best diversified company" by Forbes Global magazine; the "most admired" aerospace company by Fortune magazine, both globally and in the United States; and one of the "100 best companies to work for" by Fortune.

DESCRIPTION OF THE PRODUCTS AND THEIR USES

The particular dyes addressed in this legislation are added to silver halide photographic film emulsions for the purpose of absorbing particular wavelengths of light.

Photographic dyes are specifically tailored to meet particular customer requirements. The photographic dyes addressed in this legislation are imported for use in specific proprietary film emulsions.

SUSPENDING THE DUTY ON THE SUBJECT LIGHT ABSORBING PHOTO DYES IS WARRANTED

There is no U.S. commercial production of the light absorbing photo dyes on which suspension of duty is being sought.

In 1997 the U.S. Government (Office of the U.S. Trade Representative and Department of Commerce) compiled a list (so-called "zero list") of chemical products whose U.S. tariffs it tried unsuccessfully to use the November 1997 Asia-Pacific Economic Cooperation (APEC) Forum ministerial meeting to eliminate in exchange for concessions from trading partners. AlliedSignal submitted five of the six products subject to H.R. 2210 for inclusion on that list. In a chemical industry-wide formal review of the proposed "zero list," undertaken at the behest of the U.S. government and carried out under the auspices of the U.S. Industry Sector Advisory Committee on Chemicals and Allied Products for Trade Policy Matters (a.k.a. ISAC–3), no one objected to these products' presence on that list, i.e., had no objections to their duties being eliminated.

Further, based on import projections for these products for the period covered by H.R. 2210, this legislation complies with the Committee's "no cost" requirement.

SUMMARY

To AlliedSignal's knowledge there is no U.S. commercial production of the exact products in question. When five out of six of these products were scrutinized thoroughly for possible inclusion on the U.S. government's APEC "zero list," their inclusion on said list did not engender any opposition from or controversy among U.S. industry. Regrettably, notwithstanding the good intentions and tireless efforts of U.S. trade negotiators, it is uncertain if and when the APEC, or for that matter the WTO, process will yield the desired tariff cuts provided for in H.R. 2210.

This legislation also meets the Committee's "no cost" criterion.

For these reasons passage of H.R. 2210, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry. Granting a suspension of the duty on the products subject to this legislation is justified and appropriate.

H.R. 2211

To suspend temporarily the duty on 4,4′-Difluorobenzophenone.

Statement of AlliedSignal Inc.

AlliedSignal Inc. appreciates the opportunity to comment on H.R. 2211, introduced by Representative J.D. Hayworth of Arizona. This measure provides for the temporary suspension of the U.S. import duty on 4,4′-Difluorobenzophenone, classified under 2914.70.90 of the Harmonized Tariff Schedule of the United States (HTSUS).

Granting a suspension of the duty on the product subject to this legislation is justified and appropriate. To our knowledge there is no U.S. commercial production of the exact product in question. For this reason passage of H.R. 2211, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry.

Description of AlliedSignal Inc.

AlliedSignal manufactures advanced technology products for the aerospace, automotive and other markets. Some of our main aerospace products are jet propulsion engines, commercial avionics such as the enhanced ground proximity warning collision-avoidance system, and aircraft landing and lighting systems. Our automotive product names include Fram® filters, Autolite® sparkplugs, Prestone® car care products, and Garrett® turbochargers for passenger cars, light trucks and heavy industrial equipment. We also are a leading producer of power generation and management systems, nylon and industrial fibers, specialty chemicals, and advanced materials for the electronics and electric power distribution sectors.

AlliedSignal employs some 70,400 people worldwide, approximately 50,000 of whom are in the United States. The company's principal U.S. manufacturing operations are located in Arizona, California, Missouri, Maryland, Ohio, Virginia, New Jersey, Kansas and South Carolina. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index. AlliedSignal was named the "best diversified company" by Forbes Global magazine; the "most admired" aerospace company by Fortune magazine, both globally and in the United States; and one of the "100 best companies to work for" by Fortune.

Description of the Product and Its Uses

The compound addressed in this legislation is used as a monomer in the production of high performance polymers.

Suspending the Duty on 4,4′-Difluorobenzophenone is Warranted

There is no U.S. commercial production of the 4,4′-Difluorobenzophenone on which suspension of duty is being sought.

In 1997 the U.S. Government (Office of the U.S. Trade Representative and Department of Commerce) compiled a list (so-called "zero list") of chemical products whose U.S. tariffs it tried unsuccessfully to use the November 1997 Asia-Pacific Economic Cooperation (APEC) Forum ministerial meeting to eliminate in exchange for concessions from trading partners. AlliedSignal submitted the product subject to H.R. 2211 for inclusion on that list. In a chemical industry-wide formal review of the proposed "zero list," undertaken at the behest of the U.S. government and carried out under the auspices of the U.S. Industry Sector Advisory Committee on Chemicals and Allied Products for Trade Policy Matters (a.k.a. ISAC–3), no one objected to this product's presence on that list, i.e., had no objections to its duty being eliminated.

Further, based on import projections for this product for the period covered by H.R. 2211, this legislation complies with the Committee's "no cost" requirement.

Summary

To AlliedSignal's knowledge there is no U.S. commercial production of the exact product in question. When scrutinized thoroughly for possible inclusion on the U.S. government's APEC "zero list," this product's inclusion on said list did not engender any opposition from or controversy among U.S. industry. Regrettably, notwithstanding the good intentions and tireless efforts of U.S. trade negotiators, it is uncertain if and when the APEC, or for that matter the WTO, process will yield the desired tariff cut provided for in H.R. 2211.

This legislation also complies with the Committee's "no cost" criterion.

For these reasons passage of H.R. 2211, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry. Granting a suspension of the duty on the product subject to this legislation is justified and appropriate.

H.R. 2212

To suspend temporarily the duty on a certain fluorinated compound.

Statement of AlliedSignal Inc.

AlliedSignal Inc. appreciates the opportunity to comment on H.R. 2212, introduced by Representative J.D. Hayworth of Arizona. This measure provides for the temporary suspension of the U.S. import duty on a certain fluorinated compound, classified under 2914.70.90 of the Harmonized Tariff Schedule of the United States (HTSUS).

Granting a suspension of the duty on the product subject to this legislation is justified and appropriate. To our knowledge there is no U.S. commercial production of the exact product in question. For this reason passage of H.R. 2212, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry.

DESCRIPTION OF ALLIEDSIGNAL INC.

AlliedSignal manufactures advanced technology products for the aerospace, automotive and other markets. Some of our main aerospace products are jet propulsion engines, commercial avionics such as the enhanced ground proximity warning collision-avoidance system, and aircraft landing and lighting systems. Our automotive product names include Fram® filters, Autolite® sparkplugs, Prestone® car care products, and Garrett® turbochargers for passenger cars, light trucks and heavy industrial equipment. We also are a leading producer of power generation and management systems, nylon and industrial fibers, specialty chemicals, and advanced materials for the electronics and electric power distribution sectors.

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DESCRIPTION OF THE PRODUCT AND ITS USES

The compound addressed in this legislation is used in the preparation of a proprietary polymer.

SUSPENDING THE DUTY ON THE SUBJECT FLUORINATED COMPOUND IS WARRANTED

There is no U.S. commercial production of the fluorinated compound on which suspension of duty is being sought. Further, based on import projections for this product for the period covered by H.R. 2212, this legislation also complies with the Committee's "no cost" requirement.

SUMMARY

To AlliedSignal's knowledge there is no U.S. commercial production of the exact product in question. This legislation also meets the Committee's "no cost" criterion. For these reasons passage of H.R. 2212, while having a positive impact on the competitiveness of AlliedSignal and its U.S. customers, would not have a detrimental effect on a U.S. industry. Granting a suspension of the duty on the product subject to this legislation is justified and appropriate.

H.R. 2213

To allow an exception from making formal entry for a vessel required to anchor at Belle Isle Anchorage, Port of Detroit, Michigan, while awaiting the availability of cargo or for the purpose of taking on a pilot or awaiting pilot services, prior to proceeding to the Port of Toledo, Ohio.

NO COMMENTS SUBMITTED.

H.R. 2214

To suspend temporarily the duty on the chemical DiTMP.

PERSTORP POLYOLS, INC.
TOLEDO, OHIO
September 22, 1999

A.L. Singleton, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Comments on Duty Suspension Bill H.R. 2214-DiTrimethylolpropane Made Pursuant to Ways & Means Committee Advisory No. TR–15

Dear Mr. Singleton:

This statement is made on behalf of Perstorp Polyols, Inc. ("Perstorp") in support of H.R. 2214 which would amend subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States ("HTSUS") to provide for the duty suspension for di-trimethylolpropane ("DiTMP") provided for in subheading 2905.49.10, HTSUS.

The duty suspension for DiTMP will result in a de minimis reduction of revenue of less than $60,000, as estimated for 1999. DiTMP is imported from Sweden by Perstorp, Toledo, Ohio, which has approximately 90 employees. The product is not sold by Perstorp for export. DiTMP is sold to customers in the United States to be used primarily to make acrylate monomers, which are used in turn to make ultraviolet-light-cured inks and coatings. DiTMP is an important product to the manufacturing operations of these customers in the United States. There are no known domestic manufacturers of DiTMP which would provide a product that could be directly or readily substituted for DiTMP. Thus, these customers in the United States rely upon a consistent supply of DiTMP from Perstorp to furnish the necessary raw materials for their manufacturing operations.

We would be glad to provide any further information that the Subcommittee would require for its analysis. Thank you.

Sincerely,

EVELYN M. SUAREZ

EMS/llp
CC: Aim Jonnard, USITC
Robert Randall, USITC
Michael Kelly, Department of Commerce

H.R. 2215

To suspend temporarily the duty on the chemical EBP.

PERSTORP POLYOLS, INC.
TOLEDO, OHIO
September 22, 1999

A.L. Singleton, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Comments on Duty Suspension Bill H.R. 2215–2-Ethyl–2-Butyl–1,3-Propanediol Made Pursuant to Ways & Means Committee Advisory No. TR–15

Dear Mr. Singleton:

This statement is made on behalf of Perstorp Polyols, Inc. ("Perstorp") in support of H.R. 2215 which would amend subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States ("HTSUS") to provide for the duty suspension for 2-ethyl–2-butyl–1,3-propanediol ("EBP") provided for in subheading 2905.39.90, HTSUS.

The duty suspension for EBP will result in a de minimis reduction of revenue of less than $8,000, as estimated for 1999. EBP is imported from Sweden by Perstorp, Toledo, Ohio, which has approximately 90 employees. The product is not sold by Perstorp for export. EBP is sold to customers in the United States to be used primarily as a component of architectural and industrial coatings (paints). EBP is an important product to the manufacturing operations of these customers in the United States. There are no known domestic manufacturers of EBP which would provide a product that could be directly or readily substituted for EBP. Thus, these customers in the United States rely upon a consistent supply of EBP from Perstorp to furnish the necessary raw materials for their manufacturing operations.

We would be glad to provide any further information that the Subcommittee would require for its analysis. Thank you.

Sincerely,

EVELYN M. SUAREZ

EMS/llp
CC: Aim Jonnard, USITC
Robert Randall, USITC
Michael Kelly, Department of Commerce

H.R. 2216

To suspend temporarily the duty on the chemical HPA.

PERSTORP POLYOLS, INC.
TOLEDO, OHIO
September 22, 1999

A.L. Singleton, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Comments on Duty Suspension Bill H.R. 2216—Hydroxypivalic Acid Made Pursuant to Ways & Means Committee Advisory No. TR–15

Dear Mr. Singleton:

This statement is made on behalf of Perstorp Polyols, Inc. ("Perstorp") in support of H.R. 2216 which would amend subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States ("HTSUS") to provide for the duty suspension for hydroxypivalic acid ("HPA") provided for in subheading 2918.19.90, HTSUS.

The duty suspension for HPA will result in a de minimis reduction of revenue of less than $5,000, as estimated for 1999. HPA is imported from Sweden by Perstorp, Toledo, Ohio, which has approximately 90 employees. The product is not sold by Perstorp for export. HPA is sold to customers in the United States to be used primarily in high-performance automotive coatings. HPA is an important product to the manufacturing operations of these customers in the United States. There are no known domestic manufacturers of HPA which would provide a product that could be directly or readily substituted for HPA. Thus, these customers in the United States rely upon a consistent supply of HPA from Perstorp to furnish the necessary raw materials for their manufacturing operations.

We would be glad to provide any further information that the Subcommittee would require for its analysis. Thank you.

Sincerely,

EVELYN M. SUAREZ

EMS/llp
CC: Aim Jonnard, USITC
Robert Randall, USITC
Michael Kelly, Department of Commerce

H.R. 2217

To suspend temporarily the duty on the chemical APE.

PERSTORP POLYOLS, INC.
TOLEDO, OHIO
September 22, 1999

A.L. Singleton, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Comments on Duty Suspension Bill H.R. 2217—Allyl Pentaerythritol Made Pursuant to Ways & Means Committee Advisory No. TR–15

Dear Mr. Singleton:

This statement is made on behalf of Perstorp Polyols, Inc. ("Perstorp") in support of H.R. 2217 which would amend subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States ("HTSUS") to provide for the duty suspension for allyl pentaerythritol ("APE") provided for in subheading 2909.49.60, HTSUS.

The duty suspension for APE will result in a de minimis reduction of revenue of less than $60,000, as estimated for 1999. APE is imported from Sweden by Perstorp, Toledo, Ohio, which has approximately 90 employees. The product is not sold by Perstorp for export. APE is sold to customers in the United States to be used primarily as a component in adhesives, sealants, toothpastes and pharmaceuticals. APE is an important product to the manufacturing operations of these customers in the United States. There are no known domestic manufacturers of APE which would provide a product that could be directly or readily substituted for APE. Thus, these customers in the United States rely upon a consistent supply of APE from Perstorp to furnish the necessary raw materials for their manufacturing operations.

We would be glad to provide any further information that the Subcommittee would require for its analysis. Thank you.

Sincerely,

EVELYN M. SUAREZ

EMS/llp
CC: Aim Jonnard, USITC
Robert Randall, USITC
Michael Kelly, Department of Commerce

H.R. 2218

To suspend temporarily the duty on the chemical TMPDE.

PERSTORP POLYOLS, INC.
TOLEDO, OHIO
September 22, 1999

A.L. Singleton, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Comments on Duty Suspension Bill H.R. 2218—Trimethylolpropane Diallyl Ether Made Pursuant to Ways & Means Committee Advisory No. TR–15

Dear Mr. Singleton:

This statement is made on behalf of Perstorp Polyols, Inc. ("Perstorp") in support of H.R. 2218 which would amend subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States ("HTSUS") to provide for the duty suspension for trimethylolpropane diallyl ether ("TMPDE") provided for in subheading 2909.49.60, HTSUS.

The duty suspension for TMPDE will result in a de minimis reduction of revenue of less than $60,000, as estimated for 1999. TMPDE is imported from Sweden by Perstorp, Toledo, Ohio, which has approximately 90 employees. The product is not sold by Perstorp for export. TMPDE is sold to customers in the United States to be used primarily in molded polyesters and polyester coatings. TMPDE is an important product to the manufacturing operations of these customers in the United States. There are no known domestic manufacturers of TMPDE which would provide a product that could be directly or readily substituted for TMPDE. Thus, these customers in the United States rely upon a consistent supply of TMPDE from Perstorp to furnish the necessary raw materials for their manufacturing operations.

We would be glad to provide any further information that the Subcommittee would require for its analysis. Thank you.

Sincerely,

EVELYN M. SUAREZ

EMS/llp
CC: Aim Jonnard, USITC
Robert Randall, USITC
Michael Kelly, Department of Commerce

H.R. 2219

To suspend temporarily the duty on the chemical TMPME.

PERSTORP POLYOLS, INC.
TOLEDO, OHIO
September 22, 1999

A.L. Singleton, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Comments on Duty Suspension Bill H.R. 2219—Trimethylolpropane Monoallyl Ether Made Pursuant to Ways & Means Committee Advisory No. TR–15

Dear Mr. Singleton:

This statement is made on behalf of Perstorp Polyols, Inc. ("Perstorp") in support of H.R. 2219 which would amend subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States ("HTSUS") to provide for the duty suspension for trimethylolpropane monoallyl ether ("TMPME") provided for in subheading 2909.49.60, HTSUS.

The duty suspension for TMPME will result in a de minimis reduction of revenue of less than $5,000, as estimated for 1999. TMPME is imported from Sweden by Perstorp, Toledo, Ohio, which has approximately 90 employees. The product is not sold by Perstorp for export. TMPME is sold to customers in the United States to be used primarily in molded polyesters and polyester coatings. TMPME is an important product to the manufacturing operations of these customers in the United States. There are no known domestic manufacturers of TMPME which would provide a product that could be directly or readily substituted for TMPME. Thus, these customers in the United States rely upon a consistent supply of TMPME from Perstorp to furnish the necessary raw materials for their manufacturing operations.

We would be glad to provide any further information that the Subcommittee would require for its analysis. Thank you.

Sincerely,

EVELYN M. SUAREZ

EMS/llp
CC: Aim Jonnard, USITC
Robert Randall, USITC
Michael Kelly, Department of Commerce

H.R. 2220

To suspend temporarily the duty on tungsten concentrates.

U.S. HOUSE OF REPRESENTATIVES
September 14, 1999

Chairman Philip Crane
Subcommittee on Trade
Committee on Ways and Means
1104 Longworth HOB
Washington, D.C. 20515

Re: H.R. 2220

Dear Chairman Crane:

I write today to request that you consider legislation known as H.R. 2220 that I introduced on June 15, 1999, to temporarily suspend the duty on tungsten concentrates, for the second round of Miscellaneous Trade and Tariff Measures in the 106th Congress.

As you know, Mr. Chairman, I represent California's 40th Congressional District. In my District, in a town called Pine Creek, near Bishop, there is a tungsten milling operation owned by Avocet. The mill was built in conjunction with a mine in the 1930's and commenced tungsten production during the First World War. Since 1990, however, the mine has been limited to "care and maintenance" and has not actually produced tungsten. In 1995, Avocet purchased the mill and a 50% interest in the mine from Strategic Minerals Corporation. With tungsten ore and concentrate disposals from the Defense National Stockpile limiting any price increase, tungsten mining in California is unlikely to start up again in the foreseeable future

In addition to its California mill and mine, Avocet operates a tungsten mine in Portugal and owns interests in mines in Peru and Russia. Like the Pine Creek mine, the Peruvian mine is on care and maintenance and will not commercially operate until the market improves. Concentrates from Portugal that are processed in Bishop are subject to the current tungsten duty. If H.R. 2220 is enacted, Avocet could use additional Portuguese material, which it could blend with material purchased from other sources, such as the Defense National Stockpile, or with ores from the Pine Creek mine. Suspension of the current duty is critical to the continued operation of the Pine Creek mill.

Mr. Chairman, it is my understanding that the duties received over the last five years under this tariff on tungsten did not in any single year exceed $500,000.00. The United States International Trade Commission reports total duties received in 1998, the last year with complete figures, totaled $17,337.40. As a result, this request should score as "uncontroversial" by the standards of the Ways and Means Subcommittee on Trade.

Furthermore, concentrates imported by Avocet's U.S. competitors from the former Soviet Union and Bolivia are allowed into the United States with zero duty. Concentrates sold from the Defense National Stockpile are also not subject to an import duty. I believe that a duty suspension will improve the economies of the Pine Creek mill operation mostly from the increased utilization of high-grade concentrates from Avocet's Portuguese mine. Improved economies of tungsten processing will support the existing jobs at the Pine Creek mill and could lead to new hiring as market prices stabilize.

Mr. Chairman, thank you both for considering H.R. 2220 and giving me the opportunity to submit my comments for the record. Please feel free to contact me with any questions.

Sincerely,

JERRY LEWIS
Member of Congress

JL:ah

OSRAM SYLVANIA INC.
TOWANDA, PA 18848
September 23, 1999

A.L. Singleton
Chief of Staff, Committee on Ways & Means
US House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Singleton:

As the largest U.S. consumer of tungsten ore concentrates, OSRAM SYLVANIA INC. is in full support of H.R. 2220, the bill to temporarily suspend the import duty on tungsten ore concentrates (HTS code 2611.00.60) and requests the bill's inclusion as part of any Miscellaneous Trade and Tariff Measures introduced to the 106th Congress. The current ad valorem import duty ($0.37 cents/kilogram) unfairly penalizes tungsten concentrates from non-GSP countries and makes it more costly for OSRAM SYLVANIA INC. to source critical tungsten raw materials. Given the limited active mining of tungsten outside of China, it is imperative that U.S. manufacturers have access to all tungsten ore concentrates on a duty free basis in order to compete with foreign manufacturers.

OSRAM SYLVANIA INC. employs over 12,000 employees in 29 states. Our Chemical & Metallurgical Products facility at Towanda, Pennsylvania produces tungsten chemicals, powders, wire and fabricated parts primarily for the lighting, machine tool, automotive and mining industries.

Again, OSRAM SYLVANIA INC. fully supports the legislative proposal H.R. 2220 for the suspension of tungsten ore concentrates duties. Please feel free to contact me with any questions regarding this matter.

Sincerely,

ROBERT J. FILLNOW
Vice President and General Manager

H.R. 2234

To provide for the reliquidation of certain entries of printing cartridges.

NO COMMENTS SUBMITTED.

H.R. 2256

To designate the San Antonio International Airport in San Antonio, Texas, as an airport at which certain private aircraft arriving in the United States from a foreign area may land for processing by the Customs Service.

NO COMMENTS SUBMITTED.

H.R. 2276

To provide for the liquidation or reliquidation of certain entries of antifriction bearings.

NO COMMENTS SUBMITTED.

H.R. 2290

To suspend temporarily the duty on the chemical 2 Chloro Amino Toluene.

NO COMMENTS SUBMITTED.

H.R. 2297

To suspend temporarily the duty on ferroniobium.

REFERENCE METALS COMPANY, INC.
BRIDGEVILLE, PA 15017
September 20, 1999

Mr. A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Singleton:

In response to the House Subcommittee on Trade's request for written comments from interested parties with regard to H.R. 2297, this statement is filed by Dr. Harry Stuart on behalf of Reference Metals Company, Inc., 1000 Old Pond Road, Bridgeville, Pennsylvania, 15017–0217 (hereinafter "RMCI").

RMCI is and has been for years involved in the importation and sale of standard grade ferroniobium (ferrocolumbium) which is produced in Brazil. Standard grade ferrocolumbium is used by steel companies to add toughness and other special qualities to the steel they produce. RMCI sells this product to steel companies throughout the United States, including Bethlehem Steel and Allegheny Teledyne, both of which are headquartered in Pennsylvania.

As an importer of ferrocolumbium, RMCI strongly endorses the passage of H.R. 2297, which would temporarily suspend the 5% tariff on ferrocolumbium. Passage of this bill will have a significant positive impact upon RMCI and United States domestic steel manufacturers who use ferrocolumbium.

Unfortunately, during the 105th Congress, the International Trade Administration ("ITA") opposed passage of identical legislation known as H.R. 3859 and S. 1958. Because we anticipate the ITA and other opponents of H.R. 2297 will make similar arguments this year, we would like to list the arguments previously posed by ITA and offer our response.

Argument # 1: A duty suspension on ferrocolumbium would be controversial.

The ITA asserts that the proposed duty suspension is controversial because two domestic ferrovanadium producers, and two domestic producers of vanadium pentoxide, a feed stock for ferrovanadium production, are opposed to the adoption of such legislation.

First, it should be noted that no opposition appears to have been voiced by any producers, sellers or users of ferrocolumbium, which is the product in question. The opposition has instead been raised by companies who deal in ferrovanadium, which is an entirely separate and distinct product. And although the Memorandum indicates opposition by four entities, only two of them are ferrovanadium producers. The other two produce a feed stock for ferrovanadium. And of the four opposers, the number is only two in reality, since two of the entities are related as parent and subsidiary, and the other two have entered into a partnership, pursuant to which one manufactures and supplies all of its ferrovanadium to the other, which acts as a reseller.

Looking at these entities with a critical eye, and considering their corporate affiliations and arrangements, the only opposition to this bill appears to be from two companies manufacturing a distinct and different product in an entirely separate industry. As more fully discussed below, their product is not "directly competitive" with ferrocolumbium.

Any rational decision with respect to whether legislation is "controversial" must involve a balancing test. Thus, the mere fact that someone complains does not make the matter "controversial."

To RMCI's knowledge there has been no opposition filed to this trade bill by any ferrocolumbium producer, seller or user. The legislation has been enthusiastically supported by the United States steel industry, which would be its primary beneficiary. As the American Iron and Steel Institute noted in its letter of April 3, 1998 addressed to Senator William V. Roth, "On behalf of the 38 U.S. member companies of the American Iron and Steel Institute, who together account for roughly two-thirds of the raw steel produced annually in the United States, I write in support of ...the miscellaneous tariff bill sponsored by Senator Rick Santorum (R–PA), which would provide temporary suspension of U.S. duty on Ferroniobium (commonly referred to as Ferrocolumbium in North America)."..."Facing an increasingly competitive global steel market environment—especially in the wake of the Asian economic crisis—U.S. steel producers need a level playing field now more than ever. The removal of the current U.S. cost disadvantage that results from dutiable Ferroniobium should be entirely non-controversial. It will harm no one, while improving the competitiveness of U.S. steel companies and their workers."

This bill is not controversial.

Argument # 2: A duty suspension would materially harm the U.S. vanadium industry, because ferrocolumbium is a ready substitute for ferrovanadium.

It is true that ferrocolumbium can be substituted for ferrovanadium in some instances. Those instances are, however, limited. It is absolutely clear that ferrocolumbium is not an across the board substitute for ferrovanadium. It is not "directly competitive."

This becomes apparent when the actual uses of ferrocolumbium are reviewed.

Most ferrocolumbium is used for the production of high-strength, low-alloy (HSLA) steels. Approximately 72% of all ferrocolumbium goes into HSLA steels. The balance is used to make stainless steels, 13%, interstitial-free steels, 8%, and other steels, 7%.

HSLA Steels

HSLA steels are further divided between line-pipe, 35%, structural applications, 33%, and automotive applications, 32%, notes Roskill, *The Economics of Niobium*, 1998 (8th Ed.). In the case of HSLA steels, competition between ferrocolumbium and ferrovanadium is very limited because in most cases both products are used together. "HSLA steels usually contain manganese, *vanadium and niobium*, with additions of copper, aluminum, chromium, molybdenum and nickel." Roskill at p. 118. (Emphasis added).

Line Pipe

For example, in large diameter pipes, ferrocolumbium and ferrovanadium are used together in API X65 and API X70, and ferrovanadium may be added in some API X80, as well. In some line pipe, however, vanadium may not be used. But the reason is technical, not merely the substitution of columbium for vanadium. Low carbon steel is always sought for toughness and weldability purposes, and low carbon levels limit the usefulness of vanadium as an additive. Where the pipe is used in Arctic conditions, vanadium poses problems because "vanadium steels in particular are prone to brittle cracking at low temperatures." Roskill at p. 122.

Automotive Steels

Another principal subset of HSLA steel is automotive steels, which account for approximately 30% of the columbium usage. In hot rolled sheets for automotive use, columbium is traditionally present. Vanadium, with columbium, is used when very high yield strength levels are required, and also in thicker gauge products. For example, in ASTM A 715–75 steels, vanadium is always used, sometimes in conjunction with columbium. On the other hand, vanadium predominates in the so called dual phase steels used for wheels.

But again, the decision as to which element to use is technologically driven.

Structural Applications

Structural applications include high strength steels used for general structures, such as bridges and highrise buildings. "Niobium (columbium) steels tend to be used for sections up to 12.5 mm thick, while vanadium-nitrogen steels are employed for thicker sections." Roskill at p. 126. Technology controls which element is used.

High Strength Steel Castings

HSLA steels are gaining importance as casting materials. But again, ferrocolumbium and ferrovanadium do not really compete. They co-exist. Such steels have "typical compositions of 0.1% *vanadium and niobium*...." Roskill at p. 127. (Emphasis added).

Reinforcing Bars

There is competition, at least to some extent, between ferrocolumbium and ferrovanadium in the production of rebar. A recent trend toward stronger, larger diameter, ductile and weldable steel has led rebar producers to look more closely at HSLA steels. Either ferrocolumbium or ferrovanadium could be used, but practically speaking, twice as much vanadium must be used to achieve the same effect. Traditionally, vanadium has cost more than columbium. Thus, the use of ferrocolumbium generally will result in significant savings to the steel manufacturer, when compared to the vanadium alternative. Where such a price difference exists, the higher cost product is simply not a substitute for the lower.

This market, however, continues to change, and accelerated cooling technology available at some mills has effectively eliminated the need for either vanadium or columbium.

STAINLESS STEELS

Stainless steels are those containing more than approximately 12% of chromium, which provides resistance to corrosion. In oxidizing environments, chromium forms an impervious layer on the surface of the steel, which prevents further oxidation, or rusting.

In stainless steels, ferrocolumbium and ferrovanadium do not really compete. Most standard ASTM grades using ferrocolumbium do not include ferrovanadium. In the few instances where ferrovanadium is used, it is used in conjunction with ferrocolumbium.

INTERSTITIAL-FREE STEELS

Interstitial-free (IF) steels are cold rolled thin steel sheets with minimum carbon and nitrogen levels to improve processability. In these steels, columbium is used in conjunction with titanium to fix the residual carbon and nitrogen. Vanadium has never been and is not an important additive in these materials.

OTHER ALLOY STEELS

Other alloy steels include full alloy steels, rail steels and tool steels. "Niobium additions are uncommon in full alloy steels.... "Niobium is used in only a few...rail steels." Roskill at p. 159.

Similarly, "Niobium is not widely used in tool steels." And while there may be the possibility for some substitution of columbium for vanadium in tool steels, essentially these are proprietary formulations and change is slow to come, if ever.

As Michael Korchnsky, a former employee of and consultant to U.S. Vanadium Corporation, sums it up in his paper, "Raw Materials Choices," columbium and vanadium "are very different and not interchangeable."

As he states: "It may sound surprising that although Cb (columbium) and V (vanadium) are the two key elements in micro-alloyed steels, their mutual substitution is not practical. As a result of extensive research, each of these two...elements has its own sphere of applicability. There are products where Cb is the best addition, and there are other products which benefit most from micro-alloying by vanadium. Between these two extremes, there is some overlap, where simultaneous addition of both elements (Cb and V) fulfill a useful role....

"The chemistry and processing history of all steel products is a combined result of intensive R&D efforts, verified in steel plants by millions of tons of production. Fitness of these products to meet the demanding service conditions has been tested by the steel users in endless applications. Any substitution of one element by another will most likely lead to deterioration of some properties. This may lead to customers' dissatisfaction and possible claims. Furthermore, a substitution may require changes in processing practices, which may be time consuming and costly. The cost reduction by substitution may be illusory. Because of the above considerations, any decision regarding substitution should be based both on commercial and technical analysis. To prevent risk, avoidance of substitution might be the right policy."

In addition to technical considerations which make it clear that the two products are not interchangeable, pricing must be considered in any analysis of whether products are effective substitutes.

As noted by Mr. Korchnsky: "The desire to substitute one element for another becomes particularly strong when there is a price spike. In the belief that these elements are interchangeable, it is only natural to replace the costly alloy with the cheaper one." But as Mr. Korchnsky cautions, "Since the elements are not interchangeable, this substitution may prove to be costly."

The ferrovanadium market has been characterized by frequent and unpredictable price changes. For example, as noted by MetalPrices.com Ferroniobium Price Chart dated June 10, 1999, from September, 1997 to February, 1998 the price of ferrovanadium in the U.S. went from an average of $8.89 to $14.50 per pound of vanadium contained. These high prices continued through most of 1998. As of March 1999, they had fallen to $5.81.

When the price begins to rise, ferrovanadium producers who utilize petroleum residues as feed stock begin production. This production significantly increases supply. The price then tends to fall.

At the higher levels of ferrovanadium pricing, some steel producers may be willing to consider the possible switch to ferrocolumbium for certain limited applications. That switch, however, is based not only on the price differential, but, equally important, the unpredictability of ferrovanadium prices. . Purchasing agents buy other products not always because they want to, but because they can't depend on producers to supply at a predictable price. Their decisions are not based upon the products being freely interchangeable substitutes. There are always tradeoffs.

As a general matter, ferrovanadium is often significantly more expensive than ferrocolumbium, which during the period from 1989 to 1999 sold in the range of $6.50 to $7.00 per pound of columbium contained. In fact, ferrovanadium was sometimes twice as costly.

Pricing plays a significant role in how much domestic ferrovanadium is used. As appears from the January 1999 Mineral Commodity Summaries of the U.S. Geological Survey, significant quantities of ferrovanadium are imported into the United States. "While domestic resources are adequate to supply current domestic needs, a substantial part of U.S. demand is currently being met by foreign material because of price advantages." Thus, the competition for ferrovanadium is not really ferrocolumbium, but *imported ferrovanadium*, the majority of which comes from Canada, duty free as a result of NAFTA. For example, 1998 U.S. consumption of ferrovanadium was estimated at 3,710,000 kg of contained vanadium. 1997 imports of the same product were 1,840,000 kg, or *approximately one-half of total U.S. consumption*.

The U.S. ferrovanadium industry does not need protection from ferrocolumbium. Vanitech, a vanadium producer association, reported in August, 1998 that the average amount of vanadium per ton of steel had increased dramatically, from 0.35 kg in 1993 to 0.5 kg now. Overall consumption of vanadium in the United States is not falling. It is increasing. It has risen from 4,280 metric tons of vanadium contained in 1994 to an estimated 4,700 tons in 1998. The April 1999 U.S. Geological Survey, in fact, noted that the total reported consumption of vanadium in January, 1999 increased more than 11% from the revised data for December, 1998.

Ferrovanadium in March, 1998 was selling for $5.81 a pound. Recently it has fallen even lower. The vanadium industry should not now be heard to complain that at $5.81 or less a pound it needs to impose a 5% duty on $7.00 a pound ferrocolumbium to survive. This is especially true in light of the fact that the 5% duty on ferrovanadium imported from South Africa has just recently been eliminated.

In summary, the ferrovanadium industry in the United States is a growing industry, whose real competition is not ferrocolumbium, but imported ferrovanadium. Imports of ferrovanadium into the United States are substantial, ranging from 1,910 metric tons of vanadium contained in 1994 to 1,700 tons estimated for 1998. If the domestic ferrovanadium industry is able to compete and increase its production even competing against imported and cheaper ferrovanadium, the majority of which comes into the United States from Canada (and now South Africa) duty free, how is it logical to assume that it will be significantly harmed by the importation of duty free ferrocolumbium, which is utilized as a substitute only in very specific and limited circumstances?

Argument # 3: The granting of duty free status would circumvent the GSP.

The opposition expressed by the ITA is also founded in part on the claim that the proposed duty suspension would undermine or circumvent the operation of the United States' GSP program. This claim fundamentally misconstrues that nature of the proposed duty suspension. Had RMCI desired to obtain GSP treatment for ferrocolumbium imported from Brazil, RMCI could have and would have sought inclusion of the product during one of the periodic GSP product reviews initiated by the Office of the United States Trade Representative ("USTR"). Certainly, in the context of such a review, questions relating to the operation of the United States' GSP program would be appropriate.

The legislation at issue here, and the duty suspension it provides for, are completely independent of the United States GSP program. The duty suspension, if enacted, will apply to ferrocolumbium imported from any country, not just Brazil. Thus, unlike duty preferences granted under the GSP program, if the proposed duty suspension is enacted, there will be no derogation from Most Favored Nation principles.

The ITA recognizes that "the United States lacks economic ferrocolumbium resources." As explained above, ferrocolumbium is not a substitute for and is not directly competitive with ferrovanadium. Thus, the proposed duty suspension for ferrocolumbium is sensible trade policy for the United States because it will *benefit the United States,* specifically United States consumers of ferrocolumbium, without harming a United States industry. In contrast, the United States GSP program has as its goal the promotion of economic development of our less developed trading partners. This goal, to aid development abroad, is completely separate and distinct from the purposes that warrant adoption of the proposed duty suspension for ferrocolumbium, to assist U.S. consumers and the U.S. economy.

Certainly, the Brazilian economy has suffered dramatically during the past two years, in part as a result of the fallout from the Asian financial and economic crisis. In this regard, it is doubtless in the United States' national interest to continue to support the development of a healthy and vibrant Brazilian economy. This is doubly true when that support can be offered in a way that also benefits the United States economy. RMCI submits that the proposed duty suspension provides precisely such a "win-win" opportunity.

The ITA has noted that during the last five years, Brazil's share of imported ferrocolumbium has averaged 87% and claims that granting the proposed duty suspension would somehow enable Brazil to "circumvent" the GSP program's competitive need limit waiver process. There are several responses to this objection. First, as explained above, there is no domestic ferrocolumbium industry. Thus, even if the proposed duty suspension were being sought in the context of the United States' GSP program, a statutory and regulatory basis would exist for granting a waiver. 19 U.S.C. § 2463(d). Second, and most fundamentally, the proposed duty suspension here is completely independent of the GSP program. Clearly, Brazilian producers of ferrocolumbium are competitive in the United States and world marketplace. However, the object here is less to assist the Brazilian producers (as would be the case in the context of GSP) than it is to assist United States consumers, and by extension, the United States economy.

In short, RMCI respectfully submits that considerations that are built into the structure of the United States GSP program have little or no place in determining ITC support for the proposed duty suspension for ferrocolumbium. Solid reasons of trade policy warrant and justify the proposed duty suspension. We believe that the ITC should support the proposed duty suspension accordingly.

Argument # 4: The ITA asserts that suspension of the tariff would undermine NAFTA.

The ITA's final objection to the proposed duty suspension is premised upon the claim that, if enacted, the duty suspension would undermine the intent of NAFTA. Apparently, the thought is that the United States, Canada and Mexico negotiated NAFTA so as to create a three-country duty-free zone and that, by extension, any action by the United States to lower or eliminate duties on products will reduce the NAFTA benefits enjoyed by Canada and Mexico. Again, we submit that this analysis is flawed on several grounds.

First, although the primary source of ferrocolumbium other than Canada is Brazil, the proposed duty suspension is not limited to Brazil. Thus, the proposed duty suspension is not a trade benefit extended to Brazil per se. Rather, if enacted, the proposed duty suspension will apply to ferrocolumbium originating in any "Column 1" country.

The claim that such a duty suspension might disrupt the NAFTA really proves too much. The same argument could be made for any and every suspension of duty on products imported into the United States. Yet Congress recently passed, and the President recently signed, the Miscellaneous Trade and Technical Corrections Act of 1999, Pub. Law 106–36 (June 25, 1999), which suspends duties on a variety of different products. Certainly, at least some of these products are manufactured in, and imported into the United States from, countries in Central and South America. Yet the possible impact upon our NAFTA partners did not create an insuperable barrier to passage of suspension of these duties.

Carried to its logical extreme, the position expressed by the ITA would preclude any ITC support for legislation that would suspend United States duties. In addition to the United States GSP program and the NAFTA, the United States has created, or participates in, a variety of preferential trade and tariff regimes. These include the U.S. Israel Free Trade Agreement, the Caribbean Basin Initiative and the Andean Initiative, as well as duty preferences provided under the Compact of Free Association Act, General Note 3(a)(iv) (for Insular Possessions of the United States) and others. Clearly, any unilateral revision by the United States of its tariff schedules is going to impact one or another of the beneficiaries under these various preferential regimes. Yet the Administration has supported, and Congress has periodically enacted, duty suspensions for various products. Thus, rather than expecting that United States will "freeze" existing duty rates in deference to existing duty preference regimes, it is more likely that our trading partners understand that the United States will continue to make incremental changes to its duty rates as and when justified by sound reasons of public policy. It therefore seems a weak objection indeed to claim that Canada would object were the existing tariff to be suspended upon imports of ferrocolumbium.

This is especially true insofar as the effects on trade that will result if the proposed duty suspension is enacted will likely be small. Duties are presently assessed at the rate of 5% ad valorem. Total revenue to the United States resulting from the imposition of this duty amounts to only approximately $4 million per year. Certainly, the United States steel industry (and, by extension, U.S. consumers of steel) will benefit from lower costs if the duty suspension is enacted. The likelihood that it would seriously impact existing trade flows seems small, however.

Finally, the likelihood of Canadian objection seems especially remote insofar as Canada allows the importation of Brazilian ferrocolumbium on a duty free basis under its own GSP program, even though there are Canadian producers. Indeed, that importation is increasing. Roskill reports that Canadian imports of ferrocolumbium from Brazil rose from 1,264 tons in 1996 to 1,660 in 1997, and to 903 for the first six months of 1998. Roskill at p. A9. If Canadian ferrocolumbium producers can compete against duty free imports, why is it that U.S. ferrovanadium producers can not?

Lack of duty on ferrocolumbium imported into Canada makes Canadian steel more competitive in the U.S. market. Similarly, there is no duty on Brazilian ferrocolumbium entering Europe or Japan (up to a limit), thus giving their steel an unfair advantage over U.S. steel producers. If this legislation is passed, RMCI will pass on a significant portion of this savings to the United States steel industry, which is the largest consumer of ferrocolumbium. Thus, it will help to level the playing field for U.S. steel producers.

SUMMARY

RMCI respectfully suggests that this legislation is not controversial. There are no U.S. domestic producers of ferrocolumbium. To RMCI's knowledge, no ferrocolumbium producers, sellers or users have objected to this legislation. To the contrary, it is broadly supported by the largest consumer, the United States domestic steel industry, as is evidenced by the letter to Senator Roth from the American Iron & Steel Institute.

The only opposers are listed as four, but are in reality two. Only two of them are manufacturers of ferrovanadium, the product which they allege to be substitutable with ferrocolumbium for certain steel applications. But as appears from the writings of one of their own consultants, these products are not readily interchangeable. They are not really directly competitive. When substitution occurs, it is generally technologically driven and permanent. In some other cases, it is because of significant price spikes which occur in the ferrovanadium industry, which significantly increase the cost to United States domestic steel producers.

To the extent such price substitution in the steel industry takes place, it can be largely attributed to the historical lack of a stable, low cost price for ferrovanadium.

This legislation in no way offends the GSP or NAFTA. Brazil contributes a large percentage of ferrocolumbium exports to the United States because its holds an equally large percentage of the world's resources of columbium. Canada and the other producing countries do not have the capacity to fill the United States domestic need for ferrocolumbium. That need can only be filled by Brazil. Brazil has not abused its position in any way. Prices for ferrocolumbium have stayed extremely competitive over the years, averaging about $7.00 per pound of columbium contained. By contrast, prices for ferrovanadium have spiked and fallen. When prices spike, some steel producers will consider a switch to ferrocolumbium, but those switches are limited in number, and to the period of the price increases. This limited switching is thus clearly attributable to the price of ferrovanadium, and not to actions of the ferrocolumbium sellers.

The proposed legislation in no way undermines NAFTA or any other United States policy. NAFTA was enacted to eliminate tariffs between borders to make transactions between the United States, Mexico and Canada easier and thereby promote trade among them. It was not passed for the purpose of providing an unwarranted advantage to Canadian producers who cannot even come close to filing the United States demand for ferrocolumbium. Those Canadian sellers do not pass on to the U.S. steel industry the savings which they incur due to their duty free status. They simply make a larger profit, shielded by the duty imposed on Brazilian producers. The Canadian steel industry, which can buy duty free Brazilian product, also profits.

The present duty impacts adversely only on the United States steel industry and the other foreign producers of ferrocolumbium, notably Brazil.

Passage of this legislation will provide a significant advantage to the United States domestic steel industry, which is struggling in a desperate effort to maintain its viability in a increasingly competitive worldwide market. For the above reasons, RMCI respectfully requests that H.R. 2297 be promptly passed into law.

Sincerely,

DR. HARRY STUART
Executive Vice President

September 22, 1999

The Honorable Philip M. Crane, Chairman
House Subcommittee on Trade
1104 Longworth House Office Building
Washington, D.C. 20515–1308

Dear Chairman Crane:

We are writing to offer our strong support for H.R. 2297 and to ask for its inclusion in the forthcoming miscellaneous tariff bill. The bill, introduced by Rep. Phil English, would provide temporary suspension of U.S. duty on, ferroniobium (commonly referred to as ferrocolumbium in North America).

Standard grade ferroniobium. is an alloy of iron and columbium used primarily by the basic steel industry. The alloy is added to steel in very small quantities during the smelting process and makes the steel stronger and tougher. Products that benefit from the strengthening effect of ferroniobium include automobiles, oil and gas pipelines, bridges, ships, etc. Stainless steel automobile exhaust systems also contain ferroniobium.

There are currently no domestic producers of standard grade ferroniobium. There is, therefore. no valid reason to continue the tariff. Because the alloy is not produced in the United States, U.S. steel producers are totally dependent on imported ferroniobium, either duty-free from Canada or at a 5 percent duty from Brazil. The cost of this duty, estimated at $4 million per year, is then passed on to the U.S. steel industry. This places U.S. steel producers at a competitive disadvantage since most major steel-producing countries already allow duty-free imports of Brazilian ferroniobium.

The American Iron and Steel Institute has endorsed suspending the tariff on ferroniobium, which should be non-controversial. The bill will harm no one, while improving the competitiveness of the U.S. manufacturing base. We thank you for your consideration of this important matter.

Sincerely,

RALPH REGULA,
M.C., Ohio
JOHN P. MURTHA,
M.C., Pennsylvania
PETER J. VISCLOSKY,
M.C., Indiana
ROBERT W. NEY,
M.C., Ohio
JOHN E. PETERSON,
M.C., Pennsylvania
JACK QUINN,
M.C., New York

H.R. 2310

To suspend temporarily the duty on certain ion-exchange resin.

NO COMMENTS SUBMITTED.

H.R. 2311

To suspend temporarily the duty on certain ion-exchange resin.

NO COMMENTS SUBMITTED.

H.R. 2312

To suspend temporarily the duty on certain ion-exchange resin.

NO COMMENTS SUBMITTED.

R. 2428

To suspend temporarily the duty on 11-Aminoundecanoic acid.

ELF ATOCHEM NORTH AMERICA, INC.
ARLINGTON, VIRGINIA 22209
September 15, 1999

Honorable Philip M. Crane
Chairman
Subcommittee on Trade
Committee on Ways and Means
1104 Longworth HOB
Washington, DC 20515

Dear Mr. Chairman:

In response to the Subcommittee's Trade Advisory No. TR–15, I am submitting comments in support of H.R. 2428, which would amend chapter 99, subchapter II of the HTSUS by inserting a new heading, 9902.32.49 for chemical 11-Aminoundecanoic acid (provided for in subheading 2922.49.40), as temporarily duty free.

Monomer 11 (11-Aminoundecanoic Acid) and Monomer 12 (12-Aminododecanoic Acid lactam) are used as precursors in the production of polymers Nylon 11 and Nylon 12 respectively. Nylon 11 and Nylon 12 are sold to fabricators of molded and extruded parts. Nylon 11 and Nylon 12 compete against one another on price as a raw material for certain products such as air brakes, fuel lines, roto molding, off-shore oil and gas pipes, auto parts, injection molding, hoses and tubing.

Both Monomer 11 and Monomer 12 are imported into the U.S. Monomer 12 is a duty free import under HTS 2933.79.40. However Monomer 11 is subject to a 4.2% duty under HTS 2922.49.50. Moreover, given the fact that Monomer 12 enjoys permanent duty free status, fairness would dictate that permanent duty free status likewise be granted to Monomer 11.

It is unfair to discriminate against Monomer 11. Monomer 11 and Monomer 12 are used in the same way to produce Nylon 11 and Nylon 12. Both monomers are heated in a pressurized vessel and agitated to produce their respective polymers. However, Monomer 11 and Monomer 12 are treated differently under the Harmonized Tariff Schedule. Monomer 12 is a duty free import, but Monomer 11 is subject to a 4.2% import duty. This results in an unfair competitive disadvantage for Nylon 11 vis-a-vis importers of both Monomer 12 and Nylon 12.

Importantly there is no domestic production of Monomer 11 or Monomer 12. Also, there would be minimal revenue loss under H.R. 2428. For example, in 1998, the total duty paid on Monomer 11 was $1,181,174.

Finally, it is environmentally advantageous to use Monomer 11. Monomer 11 is based on an amino acid that contains 11 carbon atoms in each monomer molecule. It is derived from Castor oil. Monomer 12 is based on a lactam that contains 12 carbon atoms in each monomer molecule. It is derived from petroleum. The environmental advantage of using Monomer 11 over Monomer 12 is that Monomer 11 is based on a renewable resource, Castor oil, which is a vegetable oil.

Thank you for this opportunity to offer our comments to the Committee.

Regards,

CHARLES A. KITCHEN
Director Government Relations

H.R. 2472

To suspend temporarily the duty on dimethoxy butanone (DMB).

NO COMMENTS SUBMITTED.

H.R. 2473

To suspend temporarily the duty on dichloro aniline (DCA).

NO COMMENTS SUBMITTED.

H.R. 2474

To suspend temporarily the duty on diphenyl sulfide.

NO COMMENTS SUBMITTED.

H.R. 2475

To suspend temporarily the duty on trifluralin.

Statement of Albaugh, Inc.

I. *INTRODUCTION*

This statement is submitted in response to the "Advisory from the Committee on Ways and Means" dated August 12, l999 (TR–5) entitled "Crane Announces Request for Written Comments on Miscellaneous Corrections to Trade Legislation and Miscellaneous Duty Suspension Bills."

This statement is submitted by Leslie Alan Glick, Esq. and E. Jay Finkel, Esq. at Porter, Wright, Morris & Arthur, as counsel on behalf of Albaugh, Inc. ("Albaugh") which is the importer of the subject product covered under H.R. 2475. Albaugh has its headquarters at 121 N.E. 18th Street in Ankeny, Iowa and has production facilities at 4900 Packers Avenue, St. Joseph, Missouri. Albaugh, Inc. is a small business with 36 employees.

II. *BACKGROUND AND NEED FOR PROPOSED DUTY SUSPENSION BILL*

H.R. 2475 would suspend the duty on the chemical Trifluralin, 2, 6-dinitro-N, N-dipropyl–4(triflormethyl) benzenamine; alpha, alpha, alpha-trifluoro–2–6-dinitro-p-toluidine (CAS No 1582–09–08) commonly known as technical grade Trifluralin. This product is imported under HTS 2921.43.15 by Albaugh in solid unformulated form. Albaugh then adds solvents and emulsifiers and sometimes stabilizers, when the final product is sold in colder climates, and then packages the product in liquid form in the United States and markets the product in the United States as commercial grade Trifluralin that is sold to farmers. The imported product, which is the subject of the duty suspension bill, is not produced in the United States. Therefore, no United States company would be harmed by this bill, and as explained herein, several would benefit.

Trifluralin is a very important agricultural chemical. It is a selective, pre-emergence herbicide for use on soybeans, cotton and other crops such as alfalfa. United States farmers need Trifluralin to protect their crops. Without the imported technical Trifluralin, Albaugh and other U.S. producers of the commercial grade Trifluralin would simply have no supply and could not meet the demands of the United States agricultural industry. Soybeans and to a lesser extent cotton are major export crops of the United States and important to the economy of many states as well as the country as a whole. Keeping the United States soybean and cotton crops healthy and free from disease are an important function accomplished by Trifluralin, a function that would be furthered by passage of H.R. 2475.

There are other more indirect benefits from this legislation facilitating greater and cheaper U.S. imports of technical grade Trifluralin that would be accomplished by H.R. 2475. For example, Albaugh's principal foreign supplier of technical grade Trifluralin actually purchases a substantial amount of chemicals from the U.S. that are used to manufacture this exported product. Occidental Chemical Company ("OxyChem") in Texas exports P-chlor-benzo-trifluoride ("PCBTF") in significant quantities to Albaugh's foreign supplier, that comprises an important component of the technical Trifluralin that is imported back to the United States. Removal of the duty should increase the supply and lower the cost of the technical Trifluralin needed by Albaugh, and at the same time increase U.S. exports of PCBTF that will benefit OxyChem and other U.S. companies.

In addition to Albaugh, Dow Agro Sciences—"one of the largest research-based agricultural companies in North America" (Dow Agro Sciences website, January 29, l998)—also imports technical grade Trifluralin to make the final commercial grade product here in the U.S. Dow Agro which we believe is the proponent of this bill will undoubtedly submit its own written statement. Dow Agro is the largest producer of commercial grade Trifluralin and has over 3,100 employees and will be a major beneficiary if H.R. 2475 is passed, along with Albaugh and the American farmers who will be assured a steady supply of Trifluralin without the added cost represented by the existing 10% duty, that protects no one, since there are no U.S. producers of the imported technical grade product. Griffin LLC in Valdosta, Georgia, and American Cyanamid in Wayne, New Jersey, and Hannibal, Missouri also import this technical grade Trifluralin to produce commercial grade Trifluralin in the United States and would also benefit from this legislation.

III. *CONCLUSION*

H.R. 2475 eliminates a needless duty that limits access and raises costs to U.S. soybean and cotton farmers of an important agricultural herbicide. The duty is needless since technical Trifluralin is not produced in the U.S. This legislation is clearly beneficial and has no adverse effect on any U.S. companies, but would, however, help small businesses like Albaugh be more efficient and have a steady source of supply.

H.R. 2476

To suspend temporarily the duty on diethyl imidazolidinnone (DMI).

NO COMMENTS SUBMITTED.

H.R. 2477

To suspend temporarily the duty on ethalfluralin.

NO COMMENTS SUBMITTED.

H.R. 2478

To suspend temporarily the duty on benefluralin.

NO COMMENTS SUBMITTED.

H.R. 2479

To suspend temporarily the duty on 3-amino-5-mercapto-1,2,4-triazole (AMT).

NO COMMENTS SUBMITTED.

H.R. 2480

To suspend temporarily the duty on diethyl phosphorochoridothiate (DEPCT).

NO COMMENTS SUBMITTED.

H.R. 2481

To suspend temporarily the duty on refined quinoline.

NO COMMENTS SUBMITTED.

H.R. 2482

To suspend temporarily the duty on 2,2′-dithiobis(8-fluoro-5-methoxy)[1,2,4] triazolo[1,5-c] pyrimidine (DMDS).

NO COMMENTS SUBMITTED.

H.R. 2516

To suspend temporarily the duty on atmosphere firing.

Statement of Leslie Alan Glick, Esq., Partner, Porter, Wright, Morris & Arthur, as counsel on behalf of Kemet Electronics Corporation, Greenville, South Carolina, and Vishay Intertechnology, Inc., Malvern, Pennsylvania

I. *INTRODUCTION*

This statement is submitted in response to the "Advisory from the Committee on Ways and Means" dated August 12, 1999 (TR–5) entitled "Crane Announces Request for Written Comments on Miscellaneous Corrections to Trade Legislation and Miscellaneous Duty Suspension Bills."

This statement is submitted by Leslie Alan Glick, Esq., partner, Porter, Wright, Morris & Arthur as counsel on behalf of Kemet Electronics Corporation ("Kemet") and Vishay Intertechnology, Inc. ("Vishay") which are importers of the products covered under H.R. 2516, H.R. 2517, H.R. 2518, H.R. 2519, H.R. 2521, H.R. 2522, H.R. 2523, H.R. 2524 and H.R. 2526. Together Kemet and Vishay are the largest producers of capacitors for use in electronic devices such as computers. Vishay also produces resistors that are used in electronic devices. Kemet is headquartered in Greenville, South Carolina and has principal facilities in the U.S. at Simpsonville, Mauldin, Fountain Inn and Greenwood, South Carolina as well as in Shelby, North Carolina and Brownsville, Texas as well as offices in Florida, Pennsylvania, Massachusetts, California, Michigan, New York, Illinois, Indiana, Washington, Arizona, Colorado, Minnesota, Oklahoma and Alabama. Over 3,300 people are employed in these various facilities.

Vishay is headquartered in Malvern, Pennsylvania, with facilities in the U.S. producing capacitors or resistors in Bridgeport, Connecticut (Vishay Vitramon); Roanoke, Virginia (Vishay Vitramon); Columbus and Norfolk, Nebraska (Vishay Dale); Sanford, Maine (Vishay Sprague); West Palm Beach, Florida (Vishay Sprague); Concord, New Hampshire (Vishay Sprague); Statesville, North Carolina (Vishay Ruederstein) Yankton, South Dakota (Vishay Dale); Tempe, Arizona (Vishay Dale); El Paso, Texas (Vishay Dale); Bradford Pennsylvania (Vishay Dale); Niagara Falls, New York (Vishay Ohmteck); and Hagerstown, Maryland (Vishay Angstrom). Over 5,300 people are employed at these locations.

II. *BACKGROUND AND NEED FOR PROPOSED DUTY SUSPENSION BILLS*

A. History of Past Tariff Actions that Adversely Affected Kemet and Vishay and Other U.S. Producers of Capacitors and Resistors

Kemet and Vishay are virtually the last surviving producers in the U.S. of tantalum and ceramic capacitors and certain types of resistors used in the electronics industry. Competition from imports has been rigorous and aggressive. This competitive situation was made much worse when the U.S. agreed, as part of the Information Technology Agreement ("ITA") to phase out the duties on imported capacitors and resistors in four stages. These duties are now zero. Imports from Japan have been particularly harmful to Kemet and Vishay. As noted by the U.S. International Trade Commission ("ITC") "Japan is the world's dominant producer of capacitors and resistors." U.S. International Trade Commission "Advice Concerning the Proposed Modification of Duties on Certain Information Technology Products and Distilled Spirits," Report to the President on Investigation No. 332–380, Pub. No. 3031 (Final), April 1997, at 5–38. Much of the Japanese capacitor and resistor production is exported. Id. Japanese producers are often much larger than their U.S. competitors. Id. These companies through their close relationship with Japanese manufacturers of consumer electronics goods gain certain advantages to the Japanese industry that the U.S. producers do not have. These included a guaranteed demand for their products and financial resources to sustain market downturns. Id.

Japanese exports of these products have been growing rapidly and the growth of exports, during the five year period studied by the ITC was 65% while production grew only 24%. Id. Thus, it is clear that the Japanese capacitor industry is bigger and has greater economic resources than its U.S. counterpart and that a large percentage of the industry is producing for export. Prior to the ITA, capacitors and resistors faced relatively high duties in the U.S. ranging from 6–9 percent ad valorem. Even with these high duties the Japanese kept increasing exports to the United States. The Japanese had no trouble competing even with these high duties because of some of their competitive advantages discussed above. The ITC report noted that "ITA duty elimination is likely to result in increased market access opportunities." Id., at 5–40. In regard to overall competition the report noted that "the U.S. capacitor and resistor industries face strong international competition," that these products are "extremely price sensitive" and that "in regard to price competition, the United States has relatively high labor rates and is therefore at a relative disadvantage in terms of producing costs." Id., at 5–36, 5–37. Despite these indications from the ITC, and the strong opposition of the U.S. capacitor and resistor industry (See Exhibit A), the U.S. government proceeded to negotiate, sign and implement the ITA and remove the duties on capacitors and resistors. This has resulted in imported capacitors, particularly from Japan, being imported in great quantities causing Vishay and Kemet to lose sales, profits and ultimately to have to lay off employees. This is illustrated by the table below which demonstrates the increase in Japanese and worldwide exports to the U.S. of tantalum and ceramic multilayered capacitors immediately after the implementation of ITA–I in July 1997. A comparison of imports in the first half of 1997 before ITA–I and the second half after ITA–I indicated a very sharp increase in Japanese exports. This increase continues through today. Although complete 1999 data are not yet available if the data for the first half of 1999 are annualized they indicate a total for 1999 of 17.12 billion capacitors compared to 13.02 billion in 1997, an increase of about one third just in this two year period.

Tantalum and Ceramic Fixed Capacitors

	Total U.S. Import (value)	Imports from Japan (value)	Total U.S. Imports (units)	Imports from Japan (units)
% Increase 1997 to 1999	22.13%	51.54%	27.32%	31.43%
1999*	873,001,766	282,113,650	41,474,436,060	17,121,858,806
Jan–June 1999	436,500,883	141,056,825	20,737,218,030	8,560,929,403
1998	775,808,511	233,879,388	37,829,965,174	15,496,906,815
1997	714,826,123	186,163,286	32,575,987,218	13,027,280,473
July–Dec 1997	387,556,700	106,629,140	18,344,668,081	7,332,645,626
Jan–June 1997	327,269,423	79,534,146	14,231,319,137	5,694,634,847

Source U.S. Department of Commerce, Bureau of Census
*1999 Data Annualized

While one might think that Kemet and Vishay might have benefited from lower duties in other countries to increase exports—the "benefits" were illusory. This is because Europe already had low tariffs on these products and the U.S. had already penetrated this market as far as possible and Japan had no duties on these products, but instead Japan had many non-tariff barriers that have made it virtually impossible for Kemet and Vishay to sell capacitors and resistors in Japan. Part of this was described in the ITC report concerning the close relationships and sometimes intertwining ownership between the Japanese electronics producers and capacitor and resistors producers. The Japanese electronics companies have preferred to buy from their own related capacitor and resistor producers in Japan. This is reflected in the fact that 1999 Japanese imports of *all* types of capacitors from all of North America are estimated at only $500,000. Source, Electronic Industry Association World Capacitor Trade Statistics. Thus, Kemet and Vishay really obtained no benefits from the ITA and experienced rather pronounced disadvantages as a result of the agreement.

B. Need for Proposed Duty Suspension Bills to Remedy Competitive Disadvantages to the U.S. Capacitor and Resistor Producers

After the completion of ITA–I, Kemet and Vishay had a number of meetings with the Office of the U.S. Trade Representative ("USTR") to discuss their competitive problems caused by ITA–I. Kemet and Vishay pointed out the inequity that existed in allowing Japanese finished capacitors and resistors to enter the U.S. duty free to compete with Kemet and Vishay, but at the same time requiring Kemet and Vishay and other U.S. producers to pay duties on parts and machinery they needed to import from Japan and other countries to produce the capacitors and resistors in the U.S., that made them less competitive with the Japanese prices on the finished products. This was in effect a double disadvantage the U.S. industry faced. There are no duties on the finished products exported by its competitors but there are duties on machinery and components that the U.S. industry needs to produce the finished products.

Because of the Japanese dominance in this industry, many of the machines needed to produce capacitors and resistors are made in Japan. Kemet and Vishay requested that the U.S. Trade Representative attempt to obtain lower duties on these machines and components as part of ITA–II which was the second round of tariff negotiations in this area. Vishay and Kemet made formal requests to the USTR to include these products in ITA–II and had numerous meetings with USTR personnel but were told that although the U.S. had included the products requested by Kemet and Vishay on their list, that the other countries were not interested in discussing tariff cuts on these products. The USTR recommended to Kemet and Vishay at a meeting that they pursue a duty suspension bill as a method of achieving the goal of reducing their costs for imported machinery and components. This is the reason that Kemet and Vishay are seeking passage of the above referenced bills.

III. *CONCLUSION*

Passage of the above referenced duty suspension bills are vital to the competitiveness of the few remaining U.S. producers of tantalum and ceramic capacitors and resistors for the electronics industry. The dominance of Japan is considerable. The removal of the duty on the finished products under ITA–I placed extreme competitive pressures on the U.S. producers since the Japanese were already effectively competing successfully in the U.S. market prior to the duty removal. The ITC has recognized that this is a "price sensitive product." The removal of the duty for Japanese products gave the Japanese a tremendous competitive edge in a market they were already penetrating with a high degree of success. The only remedy now for the U.S. producers is to lower their costs. This can be done in several ways. One is eliminating workers and jobs. This of course is undesirable but both Kemet and Vishay have had to eliminate jobs during the last year. A preferable approach is to lower costs on components and machinery. Duties on these products are an important element of the cost. Suspension of these duties under the above referenced bills would help to lower these costs and help at least in part, to even out some of the advantages the Japanese are now experiencing in the U.S. market.

BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE
FEBRUARY 26, 1997

EXHIBIT A

STATEMENT OF THE PASSIVE ELECTRONICS COALITION IN OPPOSITION TO THE INFORMATION TECHNOLOGY AGREEMENT (ITA) AS PRESENTLY CONSTITUTED AND IN FAVOR OF ELIMINATION OF CAPACITORS AND RESISTORS FROM THE SCOPE OF THE ITA

Mr. Chairman and members of the Subcommittee on Trade. My name is Don Poinsette, Vice President of Kemet Electronics located in Greenville, South Carolina with facilities also in North Carolina and Texas. We produce only two products, tantalum capacitors and multilayered dielectric ceramic capacitors. Also testifying today will be James Kaplan, Jr. of Cornell Dubilier a small producer of mostly aluminum capacitors with plants in Liberty, South Carolina, Wayne, New Jersey, and New Bedford, Massachusetts. Also with me today but not at the witness table due to space restrictions is Jim Jerozal, Chief Financial Officer of Kemet, Joe Bstandig, Communications Manager of Vishay Intertechnology/Dale-located in Nebraska and South Dakota, Mike Ritter National Sales manager of Industrial Midwec Capacitor Corporation located in Rolling Meadows Illinois, in the 8th Congressional District; and our legal counsel, Mr. Les Glick of the law firm of Porter, Wright Morris and Arthur, Washington, D.C.

Our group, the Passive Electronics Coalition, includes numerous different companies that produce capacitors and resistors in 18 different states and 25 different congressional districts. We are all U.S. owned companies and all have a commonality of interest in preserving our U.S. jobs threatened by this Information Technology Agreement. A complete list of these companies is listed below:

Kemet Electronics Corporation, Greenville, South Carolina; Shelby, North Carolina; and Brownsville, Texas
Vishay Intertechnology, Inc. Malvern, Pennsylvania
Cornell Dubilier, Liberty, South Carolina; Wayne, New Jersey; New Bedford, Massachusetts
Magnetek Capacitors, Bridgeport, Connecticut
Industrial/Medwec Capacitor Corp., Rolling Meadows, Illinois (8th Congressional District)
Aerovox Corp., New Bedford, Massachusetts; Dartmouth, Massachusetts
Dale Electronics, Columbus, Nebraska; Norfolk, Nebraska; Tempe, Arizona; Yantron, South Dakota
Sprague Companies, Sanford, Maine; West Palm Beach, Florida; Concord, N.H.
Vitramon, Inc., Bridgeport, Connecticut; Roanoke, Virginia
Vishay Measurements Group, Inc., Raliegh, North Carolina
Techno, Inc., Van Nuys, California
Roederstein Electronics, Statesville, North Carolina
Angstrom Precision, Inc., Hagerstown, Maryland
York Capacitors, Winooski, Vermont
Barker Microfarad, Inc., Hillsville, Virginia
Ohmteck, Inc., Niagara Falls, New York
Ultronix, Junction, Colorado
Commonwealth Sprague Capacitors, North Adams, Massachusetts

Mr. Chairman our group is called the Passive Electronics Coalition because we produce passive electronics products--capacitors and resistors. These are products that do not store or transmit information. They are passive in the sense that they are used to reduce the flow of electrical current (in the case of resistors) or to store and release electrical energy in the case of capacitors. In the first place. Unlike chips or microprocessors, they have no memory or information storing functions. I point this out for two reasons. First so that you do not think that the use of the word passive in our name means that our coalition is in anyway passive or complacent about the ITA agreement. In fact, Mr. Chairman, we are a very angry and extremely motivated group due to what we consider a very grave injustice that has been done to us by the Acting U.S. Trade Representative in Negotiating the ITA agreement. Second, we strongly believe that our products, capacitors and resistors, generically have no place in any Information Technology Agreement. Unlike the many other included products, from word processing machines to calculators to machines for producing semiconductors, our products are not information products at all and have no place in this agreement. Some capacitors are as large as a tin can (show sample) and are used in refrigeration systems and having nothing whatsoever even to do with electronics. They couldn't even fit into a laptop computer or cellular phone. Others do go into computers and electronics devices but their functions do not relate to "information technology." Indeed the technology in capacitors and resistors is really very low. In short, we believe that generically these products have no place in this agreement.

What is interesting, but also the cause of our anger and frustration, is that apparently the Acting U.S. Trade Representative also agreed that capacitors did not belong in the ITA. They were not part of the U.S. offer or part of any draft of the agreement ever shown to the capacitor industry. In fact we were told , and we and our attorneys had many calls to USTR that capacitors were not part of the agreement. If we had been told otherwise, Mr. Chairman, we would have been here speaking to you a year ago in addition to today. But either purposely or inadvertently we were misinformed by the Acting U.S. Trade Representative concerning inclusion of capacitors in the ITA. We are particularly concerned because Acting Trade Representative Barshefsky is now telling members of Congress that she did not know of all the concerns and issues about capacitors. First this is not true, since as early as May 16, 1996 Senator Strom Thurmond, Chairman of the Armed Services Committee and Senator from the state where Kemet has its main plant, sent her a letter which stated in part about the ITA,"... It is my understanding that these negotiations are attempting to reduce the duties on various electronic products and that capacitors have been suggested as one item to be targeted. This could result in considerable injury to Kemet, particularly since any tariff removal or reduction given to the Europeans would also be extended to the Japanese. Furthermore, none of the companies which initiated these negotiations produce capacitors nor has Kemet had the opportunity to have formal input into this process." This letter was sent in May 1996. Ms Barshefsky never responded to Senator Thurmond so he wrote her again in on December 12, 1996, before the ITA was announced. Again, Acting Trade Representative Barshefsky did not respond to the letter. In fact, Senator Thurmond, had to make a personal call to our Acting Trade Representative before he could get an answer on this issue and was then told that there was not much she could do.

This Mr. Chairman is the issue that concerns us. Why our government and our acting trade representative have chosen to ignore the concerns of a major industry in the U.S., those companies that produce capacitors and resistors and in fact sacrifice us on the alter of expediency so it could announce with fanfare and glory this new ITA agreement as if it were some great accomplishment for all U.S. industries. This simply is not the case. The ITA may benefit some U.S. companies that produce consumer products like computers and cellular phones, but it will not benefit capacitor and resistor makers at all and in fact will severely injure us. These are the reasons why.

Reduction in the tariff on capacitors (currently 9.6%) and resistors (currently 6%) would devastate the U.S. producers and workers. This is already a very competitive business. These tariffs have intentionally been left high, much higher than the weighted average U.S. tariff, due to recognition that these are import sensitive industries and ones that are important to the national defense. The profit margins on these products are small. Japan is already very successful in the U.S. market even with these high duties in place. Removing them would be like turning over one of the last surviving U.S. electronics industries to the Japanese that already dominate or control most others. We don't have any more U.S. made televisions or radios. Do we want to have a situation where there are no more U.S. made capacitors. Attached to this statement is a bar graph illustrating the Japanese shipments of various capacitors to the U.S. It shows a tremendous growth. Particularly in Tantalum capacitors that are one of the mainstays of Kemet. Japan more than doubled their exports of these capacitors to the U.S. from 1993 to 1996. They also more than doubled their exports of aluminum capacitors during this period. The bottom line is that the Japanese do not need any more help in trying to take over the U.S. capacitor industry. Certainly not from the U.S. government. Why does our government want to make it easier for them by removing these duties? We ask the Committee this because it is a question we cannot answer. It is not the Europeans that really want this duty off but the Japanese. There are few independent European capacitor producers. This deal was struck because the Japanese who are part of the ITA quad group that was behind the negotiations wanted this U.S. industry and the Europeans went along and our Acting Trade Representative politely complied by handing it over on a silver platter. At stake are thousands of U.S. jobs many in small towns without many other industries. The 9.6% tariff on capacitors is what is preserving these U.S. jobs against the cheaper costs of producing these products abroad. After years of negotiations in the Uruguay Round of the GATT, the prior trade negotiators left this tariff. Now the current ones in one clandestine action in Singapore have destroyed the protection so carefully crafted by their predecessors who were concerned about this industry.

American capacitor makers get little in return for surrendering our market to the Japanese capacitor invasion. In Japan , Kemet has not been able to even sell one capacitor. This is not only to Japanese companies in Japan but even Japanese companies located in other countries. We were told by some U.S./Japanese joint ventures where we already supply the same capacitor to the U.S. partner and they know our product; and that they were interested in our products but when we tried to make a sale we were given insurmountable bureaucratic obstacles. The game the Japanese play is called "specsmanship" or the "art of delay." They tell us that we cannot meet their spec even though Kemet and Vishay are the U.S. leaders in technology. Our products are good enough for Hewlett Packard and Compaq and for the Patriot Missile but the Japanese say we don't meet their specs. They tell us the specs are in Japanese and they don't have time to translate it. If we offer to translate it our self they say these translations are not acceptable or must be submitted to them for refinement. When we approach these companies were are told "they buy from Oki" or some other Japanese company. In short, their is a close knit club in Japan that the Japanese suppliers and customers have no interest or desire to break. In short, Japan has an institutionalized non tariff barrier that is keeping out U.S. capacitors and resistors. Vishay has had the same experience.

THUS ITA RESULTS IN THE FOLLOWING SITUATION FOR OUR INDUSTRY.

1. The Japanese have complete duty free access to our market that is an open and competitive one.

2. We have no market access to the Japanese market although the duties are not an issue, non-tariff barriers make sales impossible. Duty wise we are receiving nothing since the Japanese duty is already zero. They can afford to keep it at zero due to their complex system of non-tariff barriers that makes sales impossible, not only in Japan but even to Japanese companies based in the U.S. and third countries.

3. The ITA does not address non tariff barriers in Japan which makes it a flawed and incomplete agreement.

4. The supposed opening of the European market is a meaningless gesture since the duties there are already very low, around 2.6% so that we gain very little by the trade off. We were already competing very well in Europe and did not ask for nor do we need the alleged benefits of this agreement.

5. Concerning reduction of duties in other countries, other than Japan this means very little. In a meeting we had the representatives of the USTR thought we should be happy that we would face lower duties in places like Australia. This is very nice but the amount of capacitors and resistors that are bought there are insignificant. The agreement has opened no markets for us that we were not already able to sell in.

In short, our Acting Trade Representative made a very bad negotiation for capacitors and resistors. We gave up high duties that have been helping the industry meet the already voracious Japanese appetite for our market. In return we got no access to Japan due to the fact that the agreement did not cover non tariff barriers. We got about a 3% reduction in the European tariff that means little competitively and more substantial reductions in tariffs from other countries where there is little demand for capacitors and resistors. If the U.S. Trade Representative is proud of such a negotiation , this pride was earned at the expense of our industry and thousands of potential jobs. Simply put, it was a bad deal for the U.S. capacitor and resistor industry.

What makes this situation even more outrageous is that we were never consulted. Although the trade act talks about a consultive process and the use of advisory committees there were none at least for capacitors. There was an advocacy group called the International Technology Agreement Coalition (ITAC) that consisted mostly of computer and electronics equipment manufacturers that wanted the agreement. No capacitor maker was a member. We tried to participate and were told we could not. We were told that our rights were represented through the Electronics Industries Association (EIA) that was a member even though the EIA's members included the very same computer and equipment makers who were pushing the agreement and whose interests were different and adverse to ours. The U.S. Trade Representatives office regularly met and consulted with this ITAC group even though it was a one sided advocacy group that included many European and Japanese owned companies which we feel is improper. USTR did not once call a meeting to discuss any issues with any capacitor or resistor manufactures. We had to call them and what we got were assurances that at least for capacitors, "they were not in the agreement ".

There is a very clear legislative history and intent of the Trade Act of 1974 as well as the Trade Reform Acts of 1973 and 1974 which was its predecessor to have a private sector advisory committee consultation process before any major trade negotiations. In this regard I might quote from the Committee Report of the Senate Finance Committee on the Trade Reform Act of 1974, HR 10710 which ultimately was enacted as the Trade Act 1974 that stated

ADVICE FROM THE PRIVATE SECTOR

(Section 135)

> . . . the need for the Government to seek information and advice from the private sector is more important than ever before. The purposes of this section are to establish the institutional framework to assure that the representative elements form the private sector have the opportunity to make known their views to U.S. negotiators and to provide the latter a formal mechanism through which to seek information and advice from the private sector with respect to U.S. negotiating objectives and bargaining positions before and during . . . the multilateral trade negotiations.
>
> This section would provide for the creation of three general types of advisory committees and in addition would require the President to provide opportunity for the submission of information and recommendations on an information basis by other private organizations or groups. . . the requirement that the president also establish advisory committees for particular product sectors to be representative, so far as practicable, of all industry, labor or agricultural interests in such sector reflects the Committee's concern that in the past trade negotiations there have not been adequate input from U.S. producers who are in the best position to assess the effects of removing U.S. and foreign trade barriers. (Emphasis added).

(See Senate Report No 93-129S) at 101

Clearly Congress was aware how important input was from the actual producers of a product which the USTR may be negotiating about, but incredibly the USTR has chosen to ignore this. Their meetings have been with the ITAC advocacy group, many of whose members are foreign owned and dominated companies such as Ericcson. Why weren't they setting up meetings with capacitor and resistor producers. The fact is that USTR has tried to do an end run around our industry. They belatedly (I believe in November) informally asked the ITC to check with capacitor producers about how they felt within the industry and some calls were made on a very informal unscientific way. The ITC apparently reported to USTR that the industry was divided, having spoken to many of the Japanese and European owned or controlled capacitor producers in the U.S. such as Phillips, which we all know is a huge European owned company and AVX (which is owned by one of the largest Japanese Capacitors producers). Beletedly now, that the criticism has been made the USTR has been apparently asking the ITC to do more of an investigation, apparently to cover its tracks. However, we have received reports that this is not in good faith and is only a gesture to go through the motions. For example, in an article in the February 17, 1995 issue of the Electronics Buyers News, it was reported as follows:

> A capacitor industry analysis firm the Paumanok Group Apex, N.C. was asked by the United States Trade Representative and the International Trade Commission to supply capacitor data for the subcommittee hearings but declined said the firms president, Dennis Zogbi. He said that the requests were politically motivated". At page 116.

What the USTR should have done, many months ago was to set up an advisory committee of capacitor and resistor makers and talk to us. If they wanted advice from the International Trade Commission, which may have been appropriate, it should not have been a last minute hurry up job to support what they already did but a comprehensive Section 332 investigation where all the facts could have been developed.

Instead Mr. Chairman, Our acting trade representative, ignored our concerns, and 10,000 miles away, in Singapore, out of the sight and scrutiny of the U.S. taxpayers, capacitors were added the last minute to the agreement without any advance knowledge or consultation with our industry. In fact we had to read about this in the New York Times, a rather sad turn of events. It appears that our negotiators seemed more concerned with what Sir Leon Brittan, head EU negotiator felt than the U.S. industries back home. In the December 11, 1997 issue of the New York Times, we read a quote from Augusto Fantuzzi the trade minister of Italy where he was quoted as saying that "the draft accord included tariff cuts on capacitors, fiber optic cables and digital photocopiers -- all products that Washington had wanted excluded from an accord But he noted that graphic display tubes and optic fibers would be excluded as hoped for by the United States." Thus apparently the U.S. fought to save some of these other products while sacrificing capacitors. There was a picture in the article of acting USTR Barshefsky toasting Sir Leon Brittan of the EU with both of them smiling. Mr. Chairman, I can't tell you how sick that photo made me and members of my industry. Our own trade representative celebrating after the betrayal of our industry.

Mr. Chairman, I do not use the word "betrayal" lightly. The word "betrayal" is defined as a "break of faith," or to "lead astray" (Webster's New World Dictionary, Second College Edition). This is what happened to the U.S. capacitor industry in Singapore. Now when we try to talk to the U.S. Trade Representative, they are spending their time trying to cover their tracks and find ways to attack or discredit our industry instead of trying to help us. We have had several meetings at the level of the Assistant USTR (the acting trade representative herself has not been willing to meet with us) and we are told, "we are sorry there is nothing we can do". We are told that we should be happy that we have a four year phase out of the duty when the Europeans would like to accelerate our phase out. This does not make us feel any better. What we want, is the duties removed, or at the minimum a phase out of maybe 8 or 9 years at 1 percent a year so we can have the maximum time needed to adjust.

Mr. Chairman, there is one other very important reason for this duty to remain and that is for the national defense and to protect the mobilization base. The Defense Production Act requires the maintenance of a mobilization base. Tantalum and multilayer dielectric ceramic capacitors have many uses in military applications.

There are only two surviving U.S. owned and based producers of these products. Kemet and Vishay. These products are used in the Patriot missile, the , the Trident and Peacekeeper missiles the TOW anti tank weapon system, HARM anti radar systems and the MILSTAR communications systems to name a few. I would like to quote from a Decision Brief prepared by the Center for Security Policy directed by a former Deputy Secretary of Defense from the February 7, 1997 issue. (Attached) The article was entitled "Hold Everything Barshefsky's New Infotech Trade Deal Promotes Trade at Expense of U.S. Security Interests" and is attached in full to our Statement. The article notes that "Should the United States lose the one or two American companies still available to supply capacitors and resistors required for such system, military readiness could be materially degraded."

The newsletter goes on to say that "this is no abstract proposition. In Operation Desert Shield/Storm, the U.S. officials were alarmed to discover that dependency on foreign suppliers for spare parts or replacement components of vital weapon systems could translate into unacceptable shortfalls in defense capacities and or serious strains in relations with allied nations. For example, Washington had to ask the Japanese government for its help in assuring supplies of display screens for U.S. weapon systems that were not available from U.S. manufactures." Mr. Chairman, we have raised these concerns with the Armed Services committees in both houses and hopefully you and Acting Trade Representative Barshefsky will be hearing from them soon. We ask you, if it came to national emergency and we were relying on our Patriot missiles for defense against enemy attack and spare capacitors were needed as replacement parts, if you would want our country to have to go to Japan to ask them for these, perhaps to be told that this was a lower priority than their computer or cellular phone makers. This could happen if capacitors and resistors are not removed from the ITA. Our industry will go the way of the television and radio manufacturers, U.S. names but no U.S. production. One of the largest

Japanese capacitor makers has already bought AVX, formerly one of the largest U.S. owned capacitor producers. Kemet and Vishay are all that stands between a totally Japanese owned U.S. production base for tantalum and multilayered dielectric ceramic capacitors.

Mr Chairman, I would now like to turn the microphone over to Jim Kaplan, Jr. of Cornell Dubilier.

Thank you Mr. Chairman, my name is Jim Kaplan, Jr. and I am a Vice President of Cornell Dubilier. We employ 270 people in making electrolytic capacitors in Liberty South Carolina and also have distribution and corporate facilities in New Bedford, Massachusetts and Wayne, New Jersey that together employ another 80 people. Compared to Kemet and Vishay we are a small company. One of our main products that is over half our sales is aluminum electrolytic capacitors. We are competing with Japan and Europe for a total domestic market of about 250 million. We have about 10% of this market. We do not understand why aluminum capacitors are even in this Information Technology Agreement. None of our capacitors are used in computers or information devices and they don't belong at all in this ITA agreement. Moreover, we are completely clueless as to why we want to give any breaks to the Japanese manufacturers who will not buy any of our capacitors. They will only buy from Japan. Even the Japanese companies in the U.S. won't answer our phone calls. For example Toshiba buys all its aluminum capacitors for Hitachi in Japan and pay 20% over what they can buy them for here. We have been in business for 11 years and only started making money last year. Another company that produces aluminum capacitors is Aerovox, part of our coalition and they lost 3 million last year. The other company in this aluminum capacitor business is Phillips a European owned company that we understand is also testifying. Phillips' facility has been on the market for several years and we believe their strategy is to become an importer instead of a producer thus eliminating many U.S. production jobs. We hope the Committee will remember that even though Phillips may be a member of groups like the Electronic Industries Association they are not an American owned or controlled company and they produce almost nothing in the U.S. They sold their tantalum capacitor production facility to Vishay and their resistor facility went out of business and Vishay purchased the machinery. Essentially they are importers from Europe and the Far East with minor U.S. production of a few specialty products. Yet they are allowed to testify here as a U.S. industry--which they are not. We are attaching to this statement a position paper on this issue from Aerovox that indicates that their capacitors are also not utilized in PC's monitors or electronic equipment but in household appliances such as washers and room air conditioners. They are also puzzled by what "information technology" is furthered by including their product. In another letter we received from coalition member Commonwealth Sprague Capacitor in Greenwich, Connecticut they state, "none of our capacitors have applications in computer or telecommunication products" are tariffs on air conditioners being eliminated. If not why eliminate the tariffs on a component only used in a air conditioners". I think this is a very good questions

H.R. 2517

To suspend temporarily the duty on ceramic coater.

see Kemet Electronics Corporation under H.R. 2516.

H.R. 2518

To suspend temporarily the duty on capacitance tester and reeler.

see Kemet Electronics Corporation under H.R. 2516.

H.R. 2519

To suspend temporarily the duty on vision inspection systems.

see Kemet Electronics Corporation under H.R. 2516.

H.R. 2521

To suspend temporarily the duty on anode presses.

see Kemet Electronics Corporation under H.R. 2516.

H.R. 2522

To suspend temporarily the duty on rackers.

see Kemet Electronics Corporation under H.R. 2516.

H.R. 2523

To suspend temporarily the duty on epoxide resins.

see also Kemet Electronics Corporation under H.R. 2516.

ELF ATOCHEM NORTH AMERICA, INC.
BLOOMINGTON, MN 55425
September 16, 1999

The Honorable Philip M. Crane
Chariman, Subcommittee on Trade
House Ways & Means Committee
1104 Longworth HOB
Washington, D.C. 20515

Re: Trade Advisory No. TR–15 concerning H.R. 2523—Epoxide Resins Duty Suspension

Dear Mr. Chairman:

In response to the subcommittee's Trade Advisory No. TR–15, I am submitting comments in opposition to the passage of H.R. 2523—a bill that would suspend the current import duty on epoxide resins by amending HTSUS 3907.30.00 and inserting a new heading −9902.39.00.

Elf Atochem North America, Inc. is a major domestic producer of a broad line of epoxide resins that includes: Alpha Olefin epoxides; vegetable oil epoxides & esters, as well as a complete line of Specialty epoxides. These products are produced at our Blooming Prairie, Minnesota facility and all raw material used in the production of our epoxide resins is sourced domestically. As a domestic producer employing U.S. workers, we believe that this imported material likely will compete unfairly with us in the U.S. market.

Importantly, we would need to learn the name of the entity seeking tariff suspension and, a profile of the epoxide resin materials to be covered in the newly proposed HTSUS category. If possible, could you advise if such information is currently available in the public record.

Should you require additional information on our product line, please contact me. Thank you for this opportunity to offer our comments to the Committee and for your response to this submission.

Sincerely,

R. M. LOULA
Business Manager, Epoxidized Oils Division

cc: C. Kitchen (Wash DC Office)
W. Schumacher, (Corp HQs)

H.R. 2524

To suspend temporarily the duty on trim and form.

see Kemet Electronics Corporation under H.R. 2516.

H.R. 2526

To suspend temporarily the duty on certain assembly machines.

see Kemet Electronics Corporation under H.R. 2516.

H.R. 2609

To promote product development and testing in the United States, and for other purposes.

ASSOCIATION OF INTERNATIONAL AUTOMOBILE MANUFACTURERS, INC.
ARLINGTON, VA 22209
September 22, 1999

Mr. A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: H.R. 2609—"Product Testing and Development Act of 1999"

Dear Mr. Singleton:

The Association of International Automobile Manufacturers, Inc. (AIAM), hereby expresses its support of H.R. 2609, subject to technical corrections. This bill would promote the development and testing of products in the United States by eliminating the duties on imported prototypes.

AIAM is the trade association representing U.S. subsidiaries of international automobile companies doing business in the United States. Member companies distribute passenger cars, light trucks, and multipurpose passenger vehicles in this country and export them outside the United States. Nearly two-thirds of the vehicles they distribute here are manufactured in the new American plants established by AIAM companies in the past decade. AIAM also represents manufacturers of tires and other original equipment with production facilities in the United States and abroad.

AIAM supports H.R. 2609 principally for the following four reasons as they relate to the manufacture of motor vehicles in this country.

First, the use of temporary importations under bond and duty drawback to avoid the duties on prototypes is often impractical and ineffective. This is due to the fact that both require that the prototype be exported and require that this happen within a stipulated timetable. It is often the case that the prototypes are to be used solely in the United States or are to be used for more than the time allowed before exportation is required. The elimination of duties on prototypes will avoid the need to resort to cumbersome and unsatisfactory ways of avoiding duties.

Second, H.R. 2609 will be of substantial value to motor vehicle manufacturers in this country. They rely significantly upon prototypes imported from abroad, as well as those made here. Their reliance on imported prototypes is likely to increase as U.S. manufacturers expand their ties with foreign manufacturers and turn to them for more prototypes.

Third, in the motor vehicle industry, H.R. 2609 should not have any injurious economic consequences. Virtually all of the production of U.S. prototypes normally takes place within the facilities of the motor vehicle manufacturers. There is no separate industry in this country that manufactures prototypes of motor vehicles and that might be affected by the elimination of duties.

Fourth, H.R. 2609 is thoroughly consistent with the growing and salutary trend towards the elimination of duties—both U.S. and foreign—in the motor vehicle sector. That trend promotes the globalization of the motor vehicle industry. In turn, such globalization yields the manufacture of motor vehicles of lower cost and higher quality.

Our technical corrections relate to the manner in which H.R. 2609 would amend the Harmonized Tariff Schedule of the United States. We have two problems with the amendment. First, the language of the proposed new heading 9817.85.01 and U.S. Note 6 suggests that there are prototypes other than those to be used for the four stated purposes. In fact, however, the prototypes in question are the very articles that are to be used exclusively for those purposes. Second, in the language of the proposed new U.S. Note 6(a), it is not clear why clause (ii) is needed or what it adds. It therefore obfuscates the definition of "prototypes" in clause (I).

We therefore suggest the following two corrections. First, revise the text in the second column of the new heading 9817.85.01 to read "Prototype, as defined in U.S. Note 6." Second, revise the text of U.S. Note 6(a) to read:

> "(a)(i) The term 'prototype' means the original or model of an article that is either in the pre-production, production, or post-production stage and that is to be used exclusively for the development, testing, evaluation, or quality control of a product."

and designate the provision concerning automobile racing as clause (ii).

Sincerely yours,

PHILIP A. HUTCHINSON, JR.
President and CEO

AIAM

The World's Leading Automakers®

AIAM is the trade association representing the U.S. subsidiaries of international automobile companies doing business in the United States. Member companies distribute passenger cars, light trucks, and multipurpose passenger vehicles in the U.S.. Nearly half of these vehicles are manufactured in the New American Plants established by AIAM companies in the past decade.

International automakers are responsible for nearly 1.3 million jobs, resulting in nearly $50 billion in wages, salaries and benefits, according to a University of Michigan study. AIAM also represents manufacturers of tires and other original equipment with production facilities in the U.S. and abroad.

MEMBERS

American Honda Motor Co., Inc.
Acura Division
American Suzuki Motor Corporation
BMW of North America, Inc.
Land Rover North America, Inc.
Hyundai Motor America
Isuzu America, Inc.
Kia Motors America, Inc.
Mitsubishi Motor Sales of America, Inc.
Nissan North America, Inc.
Infiniti Division
Porsche Cars North America, Inc.
Subaru of America, Inc.
Toyota Motor Sales, U.S.A., Inc.
Lexus Division
Volkswagen of America, Inc.
Audi of America, Inc.
Bentley Motors, Inc.
Rolls-Royce Motor Cars, Inc.
Volvo Cars of North America, Inc.

ASSOCIATE MEMBERS

Robert Bosch Corporation
Bridgestone/Firestone, Inc.
Daewoo Motor America
Denso International America, Inc.
Japan Automobile Manufacturers Association, Inc.
Peugeot Motors of America, Inc.
Recreation Vehicle Industry Association
Saab Cars USA, Inc.
Societe Anonyme des Usines Renault
Yokohama Tire Company
Yamaha Motor Corporation, U.S.A.

updated 8/2/99

BMW of North America
Greer, SC 29651
September 20, 1999

Mr. A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Re: Technical Corrections to Trade Legislation and Miscellaneous Duty Suspension Proposals, Specifically H.R. 2609

Dear Mr. Singleton:

BMW Manufacturing Corp and BMW of North America support the passage of H.R. 2609 that would amend Chapter 98, Subchapter XVII. The proposed new heading, 9817.85.01, to allow duty-free treatment of prototype vehicles imported exclusively for development, testing, product evaluation or quality control purposes would serve as an incentive for research and development for automobiles to occur in the United States rather than abroad. It would foster the creation of industrial activity that would require highly skilled U.S. workers.

Although BMW Manufacturing Corp is an U.S. company and manufactures vehicles in the United States, it also imports finished vehicles, as does BMW of North America. On numerous occasions these vehicles are brought into the United States for quality control, weather, and development testing as well as product evaluation. To have a tariff number that specifically addresses the testing of vehicles imported for these purposes encourages this type of activity to occur in the United States. The current practice requires that duty be paid twice—once on the prototype when it enters the U.S. for testing and a second time in value added to the price paid or payable on the imported vehicles.

Again, BMW supports the passage of H.R. 2609.

Sincerely,

Donnie B. Turbeville, LCB
Assistant Secretary—Customs, BMW of North America
Customs Coordinator—BMW Manufacturing Corp

cc The Honorable Strom Thurmond
The Honorable Fritz Hollings
The Honorable Jim DeMint
The Honorable Arthur Ravenel
The Honorable Floyd Spence

G.D. Searle & Co.
Skokie, Illinois
September 21, 1999

VIA MESSENGER

A. L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Written Statement of G. D. Searle & Co. In Support of H.R. 2609; Product Development and Testing Act of 1999

Dear Mr. Singleton:

On behalf of our client, G. D. Searle & Co. ("Searle"), we hereby respectfully submit the following written comments in support of H.R. 2609, the Product Development and Testing Act of 1999, introduced by Representatives Camp and Levin. Searle's written comments in support of H.R. 2609 are submitted pursuant to the August 12, 1999 announcement by Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, inviting the submission of comments to proposed trade legislation, including, inter alia, H.R. 2609.

Proposed H.R. 2609 is legislation stated to promote product development and testing in the United States, and would amend Chapter 98 of the Harmonized Tariff Schedule of the United States ("HTSUS") by inserting a new HTSUS subheading 9817.85.01, providing for the duty-free treatment of prototypes imported exclusively for development, testing, product evaluation or quality control purposes. Through the submission of these written comments, Searle respectfully sets forth its strong support for H.R. 2609, and its recommendation for amendment thereto in order to insure that H.R. 2609 fairly and universally applies to all U.S. industries, including the pharmaceutical industry.

I. *INTRODUCTION: DESCRIPTION OF G. D. SEARLE & CO.*

Searle, a wholly-owned subsidiary of Monsanto Co., whose world headquarters are located in Skokie, Illinois, is a research-based pharmaceutical company that develops, manufactures, and markets prescription pharmaceuticals and other healthcare products worldwide. Its mission is to bring to the consumer market innovative, value-added healthcare products that satisfy unmet medical needs. In its pursuit, Searle has traditionally focused its development of revolutionary pharmaceutical products in the areas of immunoinflammatory conditions (e.g., arthritis), cardiovascular diseases, cancer, insomnia, and women's reproductive health, and is widely recognized for its pioneering developments and success.

Searle's roots trace back to 1888, when Gideon Daniel Searle started the company in Omaha, Nebraska, and subsequently, in 1908, formally incorporated the company in Illinois as G. D. Searle & Co. Currently, Searle operates administrative offices in 36 countries and employs approximately 9,400 individuals. Last year, Searle generated approximately $2.9 billion in total revenue. Examples of Searle's successes include the origination and commercialization of the first modern bulk laxative, the first motion-sickness drug, the first oral contraceptive, the first modern antiarrhythmic, the first specific oral anti-diarrheal, and several other innovative products such as the discovery and commercial production of aspartame (NutraSweet®). Most recently, with the development and production of Celebrex™, an analgesic/anti-inflammatory drug, Searle was the first pharmaceutical company to produce a drug proven to prevent gastric ulcers typically associated with other nonsteroidal anti-inflammatory drugs taken daily by millions of people worldwide suffering from arthritis and similar debilitating diseases. From its roots in the Midwest over a century ago, to its global presence today, Searle is a pioneer and leader in the pharmaceutical industry.

II. *BRIEF STATEMENT OF POSITION*

In order to further promote product development and testing in the United States, to remove impediments to domestic research and development of new products, and to remedy an apparent inequity in the Customs valuation laws, Searle supports the Product Development and Testing Act of 1999 (H.R. 2609), and the inclusion of a new HTSUS subheading 9817.85.01 providing for the duty-free treatment of prototypes imported exclusively for research, development, testing, product evaluation, or quality control purposes. Through the submission of these written comments, Searle wishes to ensure that such a new prototype breakout within the tariff which is designed and intended to encourage the domestic research, development, evaluation, and testing of new products will apply equally for all U.S. industries, including the pharmaceutical industry. In order to achieve this goal, Searle respectfully recommends certain limited changes to the language of the proposed tariff amendment. These recommended changes to H.R. 2609 are set forth in Section V below.

III. *CURRENT STATUTORY SCHEME INEQUITABLY ASSESSES A DOUBLE DUTY ON IMPORTED PROTOTYPES*

As discussed below, and recognized by the proposed legislation, under the applicable Customs laws, merchandise imported as "prototypes" which are used for product research, development, testing, or product evaluation purposes are subject to duty upon importation into the United States at the rate applicable for such products, unless they otherwise qualify for duty-free treatment under a special trade program or are entered under a temporary importation bond. Furthermore, pursuant to Customs valuation statute, the appraised value (i.e., typically the price actually paid or payable) of imported merchandise must include, among other things, all payments made by the buyer to the seller for tooling, research and development, testing, samples, and prototypes. As a result, U.S. importers are required to pay duties for prototypes twice: once upon the physical importation of the prototypes, and again upon importation of the subsequently imported merchandise (assuming the merchandise is the result of the same development efforts of the previously imported prototypes).

A. *Prototypes Are Subject to Duty Upon Entry into the United States*.

Pursuant to the relevant Customs laws, all merchandise imported into the customs territory of the United States which is provided for within the HTSUS is subject to duty unless otherwise specifically exempted therefrom. 19 U.S.C. § 1202, HTSUS General Note 1 (1999). Accordingly, unless imported prototypes otherwise qualify for duty-free treatment under a special preferential duty or trade program, or are entered under a temporary importation bond, they are subject to duty upon importation into the United States at the duty rate applicable for such products.

B. *The Declared Value of Imported Merchandise Includes Payments Made Relating to Prototypes*.

In addition to the assessment of duty upon the importation of prototypes, the value and development costs associated with such prototypes must often be included in the appraised value of subsequently imported merchandise developed therefrom. Pursuant to the applicable Customs valuation statute, the preferred method of appraising merchandise imported into the United States is transaction value. 19 U.S.C. § 1401a (1999). Transaction value of imported merchandise has been defined as the "price actually paid or payable for the merchandise when sold for exportation to the United States," plus certain enumerated statutory additions. 19 U.S.C. § 1401a(b)(1). The "price actually paid or payable" is further defined within the statute as the "total payment (whether direct or indirect, and exclusive of any costs, charges, or expenses incurred for transportation, insurance, and related services incident to the international shipment of the merchandise . . .) made, or to be made, for the imported merchandise by the buyer to, or for the benefit of, the seller." 19 U.S.C. § 1401a(b)((4)(A).

It has been the United States Customs Service's position that "all amounts paid to the seller by the importer are included in the price actually paid or payable for the imported merchandise." Customs Headquarters Ruling Letter ("HRL") 545907, dated October 11, 1996, citing, Generra Sportswear Co. v. United States, 905 F.2d 377 (Fed. Cir. 1990); HRL 544640, dated April 26, 1991. Pursuant, therefore, to Customs' broad interpretation, the agency has consistently ruled that "the price actually paid or payable for the imported merchandise includes payments by the buyer to the seller for tooling, research and development, testing, as well as payments for samples and prototypes," including payments relating to the development and production of such samples or prototypes. HRL 545907; HRL 545320; dated February 28, 1995; HRL 544381, dated November 25, 1991; HRL 544516, dated January 9, 1991.

IV. *PROPOSED H.R. 2609 WOULD REMEDY THE INEQUITABLE DOUBLE ASSESSMENT OF DUTIES ON PROTOTYPES AND SUPPORT U.S. BUSINESSES AND AMERICAN JOBS*

In light of the above, under the current statutory scheme for assessing customs duties, all imported prototypes are most likely to be subject to duty twice: once upon importation of the prototypes, and again upon importation of the subsequently imported merchandise (assuming the merchandise is the result of the same design and development efforts of the previously imported prototypes). H.R. 2609 is expressly intended to remedy this unfair application of the Customs laws. As the proposed legislation recognizes, by assessing duty on prototypes twice, Customs is effectively penalizing and discouraging the development and testing of new products in the United States, while simultaneously encouraging the development and testing of prototypes to occur overseas. Moreover, such application of a double duty on prototypes unnecessarily inflates the cost to U.S. businesses, reduces their competitiveness, and ultimately sends valuable, high-technology research, development, and engineering jobs overseas. As provided for in the preamble to H.R. 2609:

> (2) The development and testing that occurs in the United States incident to the introduction and manufacture of new products, and with respect to

products which have already been introduced to commerce, represents a significant industrial activity employing highly-skilled workers in the United States.

H.R. 2609 is a direct attempt to remedy this apparent inequity in the Customs laws by proposing a new HTSUS Chapter 98 provision which would allow the duty-free entry of "prototypes to be used exclusively for development, testing, product evaluation or quality control purposes," and, with certain recommended amendments, Searle supports such a new provision.

V. *H.R. 2609 MUST BE EQUITABLY APPLIED TO ALL U.S. INDUSTRIES*.

While H.R. 2609 would undoubtedly benefit U.S. importers of prototypes, and support U.S. industry and American jobs, Searle believes that the currently drafted provision is ambiguous as to its intended application. The benefits and advantages for U.S. businesses inherent in H.R. 2609 must be equally applied to all U.S. industries. The policy reasons for implementing such legislation are universally applied to all U.S. industries, and all U.S. companies should be able to benefit and avoid the inequitable assessment of a double-duty on imported prototypes, and the negative effects such a double-duty has on U.S. production costs and American jobs.

A. *Current Proposed Language of H.R. 2609*

Currently, proposed H.R. 2609 recommends the following amendment to the legal notes to HTSUS Chapter 98 in further explanation of proposed HTSUS subheading 9817.85.01:

(6) The following provisions apply to heading 9817.85.01:

(a) The term "prototype" means originals or models of articles that—

(i) are either in the preproduction, production, or postproduction stage and are to be used exclusively for development, testing, evaluation, or quality control purposes; and

(ii) in the case of originals or models of articles that are either in the production or postproduction stage, are associated with a design change from current productions (including a refinement, advancement, improvement, development, or quality control in either the product itself or the means for producing the product).

For purposes of clause (i), automobile racing shall not be considered to be "development, testing, product evaluation, or quality control,

(b) (i) Prototypes (as defined in paragraph (a)) may only be imported in limited noncommercial quantities in accordance with industry practice.

(ii) Prototypes (as defined in paragraph(a)), or parts of prototypes, may not be sold (including sale for scrap purposes) after importation into the United States.

(c) Articles subject to quantitative restrictions, antidumping orders, or countervailing duty orders, may not be classified as prototypes under this note. Articles subject to licensing requirements, or which must comply with the laws, rules, or regulations administered by agencies other than the United States Customs Service before being imported, may be classified as prototypes, provided that they comply with all applicable provisions of law and otherwise meet the definition of "prototypes" under paragraph (a).

B. *Recommended Amendments to the Proposed Language of H.R. 2609*

In order to insure that the benefits and advantages for U.S. businesses inherent in H.R. 2609 are equally applied to all U.S. industries, Searle respectfully recommends that following amendments (included in bold typeface and underlined below) to proposed Note 6, to HTSUS Chapter 98:

(a) The term "prototype" means originals, models, *or trials of articles that—*

(i) are either in the preproduction, production, or postproduction stage and are to be used exclusively for *research*, development, testing, evaluation, *preclinical and clinical trials, or quality control purposes; and*

(ii) in the case of originals, models, *or trials* of articles that are either in the production or postproduction stage, are associated with a design change from current productions (including a refinement, advancement, improvement, development, or quality control in either the product itself or the means for producing the product).

Further, Searle would also recommend the following amendment to proposed HTSUS subheading 9817.85.01 (included in bold typeface and underlined below):

9817.85.01: Prototypes to be used exclusively for *research,* development, testing, product evaluation or quality control purposes.

Searle believes that the above proposed amendments to the tariff language and HTSUS Chapter Note currently drafted within H.R. 2609 would unambiguously establish that the proposed prototype duty-relief legislation is intended to be applied to all U.S. industries, including the pharmaceutical industry, without prejudice or distinction. Searle believes that the above proposed amended language would ensure that the goals of the Product Development and Testing Act of 1999 in protecting U.S. industries, leveling the playing field with foreign competitors, reducing the cost of product development of U.S. businesses which are inevitably passed on to the American consumer, and protecting valuable highly-skilled employees in the United States are universally applied to all U.S. industries, and do not inequitably benefit a protected segment of U.S. importers.

VI. *CONCLUSION*

Searle reiterates its support for the Product Development and Testing Act of 1999 (H.R. 2609), and respectfully submits the above recommended amendments thereto. Searle welcomes any further participation in the development of H.R. 2609 should the Committee so request.

Respectfully submitted,

JAMES L. SAWYER

Of Counsel: Kathleen M. Murphy

bcc: Kathryn T. Harmening

Statement of Nissan North America, Inc.

Nissan North America, Inc. is one of the top ten U.S. importers by value. Through our research, design and manufacturing subsidiaries in Michigan, California and Tennessee, Nissan conducts development, evaluation and testing of prototype products, and directly employs 12,000 U.S. workers. Nissan strongly supports H.R. 2609 and urges that the committee adopt this measure for the following reasons.

HR 2609 should become law because:

Use of temporary importations under bond (TIB's) and duty drawback to reduce duties on prototypes is often impractical or inapplicable. The elimination of duties on prototypes will avoid the need to resort to cumbersome and unsatisfactory ways of reducing duties, which often places as much burden on the resources of Customs as it does the importer. It will also reduce the costs of developing and bringing to the U.S. consumer improved technology.

H.R. 2609 will be of substantial value to companies producing motor vehicles and other products in the United States. U.S. producers—both domestic and internationally-owned—rely significantly upon prototypes imported from abroad, as well as those made in the United States. Reliance on imported prototypes has helped create a common industry interest in eliminating the duties on these products. Facilitation of imported prototypes could also help strengthen the design and development activities of international automakers in the U.S. At present, Nissan employs approximately 500 Americans at its U.S. design and research facilities, who regularly rely upon the import of prototype vehicles to conduct their business in the United States.

H.R. 2609 should not have any injurious economic consequences in the U.S. motor vehicle or related industries. Virtually all of the production of prototypes for the U.S. market is conducted within the facilities of domestic and international motor vehicle manufacturers. There is no separate industry that manufactures prototypes of motor vehicles and that might be adversely affected by the elimination of duties on these products.

H.R. 2609 is consistent with the growing trend towards the elimination of both U.S. and foreign duties. This is especially true in, but not restricted to, the automotive sector. This trend promotes the globalization of production, creates jobs and balances trade. In turn, such globalization generates competition by making production more efficient and encouraging investment in advanced technology and higher quality products.

Duty on the value of prototypes which result in production vehicles imported into the U.S. is already collected through assessment of duty on those products at time of entry. This is due to the fact that the WTO Customs Valuation Code adopted by the U.S. and its trading partners requires that the cost of R&D be included in (i.e., allocated over) the price for export to the United States, or otherwise be added to that price, for duty assessment purposes. Under HR 2609, the full value of prototype entered duty free must still be declared at the time of entry. As a result, trade statistics would not be distorted, and indeed be improved by separating imports which generate U.S. jobs, promote global development and improved production process from imports of goods which are consumed in the U.S. market.

H.R. 2648

To amend the Tariff Act of 1930 to clarify the rules for treatment of international travel merchandise and bonded warehouses and staging areas.

WORLD DUTY FREE AMERICAS, INC.
BAYVILLE, NY 11709
August 19, 1999

A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Sir:

Please include the following comments in your consideration of H.R. 2648. We submit these pursuant to your request for comments, dated August 12.

Our operating unit, located near JFK International Airport, will realize great value from the passage of this legislation. It will recognize in statue what the industry has found to be most efficient.

When carts leave an aircraft, bearing some quantity of international travel merchandise but needing replenishment for use on a subsequent flight, they are brought to a bonded warehouse for loading and/or unloading operations. This function is conducted in an adjacent area—outside the bonded warehouse; otherwise, were it to be conducted inside, ITM would be required to be "entered" and then "withdrawn"—a time—consuming and unnecessary step. The government simply wants to ensure its revenue is protected and this bill accomplishes that.

The bill fixes liability and clarifies the responsibilities of the warehouse proprietor. At the same time, it permits us to run our business more efficiently.

Please give H.R. 2648 favorable consideration. We would greatly appreciate its inclusion in the next miscellaneous trade package.

Sincerely,

LAWRENCE CAPUTO
VP General Counsel

cc: Rep. Amo Houghton
Rep. Mike McNulty
Rep. Charles Rangel

WORLD DUTY FREE AMERICAS, INC.
NORTH POTOMAC, MD 20878
August 19, 1999

A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Sir:

Pursuant to your Advisory No. TR–15 requesting Written Comments on Miscellaneous Corrections to Trade Legislation and Miscellaneous Duty Suspension Bills, please consider the following to be our formal comment.

World Duty Free Americas, Inc., strongly supports H.R. 2648 relating to bonded warehouse storage of international travel merchandise (ITM). The provision accomplishes the intent of an earlier such bill, H.R. 435, recently enacted by the Congress. That bill provided for the storage of international travel merchandise in a new class of bonded warehouse. This legislation specifies in more detail the loading and unloading of carts at the warehouse location and provides for greater protection to the government of its revenues. The bill simply codifies cart procedures that have been established for several years through mutual agreement between U.S. Customs and the trade. It establishes, with greater certainty, who has liability as the cart leaves the air carrier and is delivered to the bonded warehouse proprietor.

The legislation, introduced by Rep. Clay Shaw, also represents the result of a "good faith" negotiation between the U.S. Customs Service and the private sector. Both sides fully support this legislation.

We recommend the Committee report this provision favorably as part of its next miscellaneous trade provisions legislation.

Sincerely,

JOHN P. LUKSIC
Director of Regulatory Compliance

WORLD DUTY FREE INFLIGHT, INC.
HOFFMAN ESTATES, IL 60194–1970
August 18, 1999

A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Sir:

Please consider the following as our submission to your request for comments on H.R. 2648, introduced by Rep. Clay Shaw (R–FL).

Our operating unit at Chicago O'Hare supports passage of the legislation because it clarifies and codifies procedures that we have developed over several years with the U.S. Customs Service. It is necessary to amend the law to allow the unique circumstances of the in-flight duty free business to be conducted within the context of bonded warehouse procedures. One practice in particular, in the area adjacent to the bonded warehouse, is the handling of the cart containing international travel merchandise (ITM). The bill clarifies who is liable and who must maintain the bond guaranteeing the government's revenues. At the same time, it permits the warehouse proprietor to conduct these operations without the time-consuming, costly and unnecessary step of "entering" all ITM to the warehouse only to immediately "withdraw" the same merchandise a short time later.

This legislation allows us to continue to run our business efficiently while allowing the government to be confident that revenue is protected.

We would greatly appreciate your support for this legislation.

Sincerely,

CELESTE MORAN
Station Manager

cc: Rep. Phillip Crane

WORLD DUTY FREE INFLIGHT, INC.
NOVI, MI 48375
August 18, 1999

A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Sir:

The following represents our views on H.R. 2648 in response to your request for comments in Committee Advisory No. 15, dated August 12.

This legislation is critical to the well-being of the in-flight duty free business. To operate efficiently, we cannot afford the burden of unnecessary regulations. H.R. 2648 permits us to load and unload carts destined for international flights, without having to undergo the wasteful and time-consuming process of "entry" and "withdrawal." Nonetheless, it fixes liability and responsibility so that the bottom line—protection of the government's revenue—is fully met. It clarifies who must maintain the bond and provides for Customs to establish such recordkeeping requirements as are necessary for Customs' auditors to verify the security of our procedures. This represents a carefully crafted compromise between Customs and the private sector.

Our company will greatly benefit from this legislation and we encourage the Committee to report the bill favorably.

Sincerely,

ROBERT PAPELIAN
Director of Regulatory Compliance

cc: Rep. Dave Camp
Rep. Sander Levin

H.R. 2653

To exempt certain entries of titanium disks from anti-dumping duties retroactively applied by the United States Customs Service.

NO COMMENTS SUBMITTED.

H.R. 2714

To amend the Harmonized Tariff Schedule of the United States to change the rate of duty for United States travelers bringing back to the United States goods purchased abroad.

INTERNATIONAL ASSOCIATION OF AIRPORT DUTY FREE STORES
WASHINGTON, DC 20036
August 23, 1999

A. L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: H.R. 2714

Dear Sir:

The International Association of Airport Duty Free Stores (IAADFS) is pleased to respond to your request for comments on H.R. 2714, introduced by Reps. Crane and Dunn.

H. R. 2714 makes a small, but important change in the duty rates for personal use items accompanying travelers entering the U.S.

Currently, when U.S. residents travel outside the country, they are entitled upon their return to a $400 duty-free allowance for personal use merchandise purchased on their trip. Often however, in today's world, a U.S. traveler's purchases exceed the $400 limit. When this happens, Customs applies a flat 10% duty on the value of up to $1000 worth of additional merchandise. This is viewed as a simple formula to expedite the processing of travelers and establish an approximation of the duties if they had been calculated on an item-by-item basis. Now, however, as duties in the U.S. and throughout the world tumble, the current rate of 10% is excessive, amounting to more than three times the average duty rate for commercial products.

H.R. 2714 would, on a staged basis, reduce the duty on these personal items to 3% by January 1, 2002. It also proceeds to adjust the amount for persons arriving from American Samoa, Guam, or the Virgin Islands from the current 5% to a rate of 1.5% by that same date.

The International Association of Airport Duty Free Stores (IAADFS) endorses H.R. 2714 and recommends that it be reported favorably by the Committee.

In fact, we encourage the Committee to go one step further and take this opportunity to increase the $400 duty free allowance outright. After all, the practical result of H.R. 2714 is to expand the value of the allowance—that is, a returning U.S. resident can bring back $400 worth of merchandise free of duty and an additional $1000 worth of purchases for a negligible duty rate of 3%. The allowance creates a positive environment for tourism; at the same time, it also facilitates the processing of passengers, eliminating the delays that returning Americans would encounter in reporting small amounts of duty owed, filling out the requisite paperwork and paying sums that do not justify the administrative costs of collection.

This rationale needs to be extended to H.R. 2714. As collections are reduced, the cost effectiveness of collection disappears. It makes sense then to simply expand the duty free allowance by an appropriate amount, rather than to take the time and sustain the costs of collecting 3% of a small amount. Further, by increasing the allowance, you will have the corresponding effect of improving the environment for duty free around the world to the benefit of US businesses.

To elaborate, the value of the increased duty free sales prompted by H.R. 2714, or by an increase in the overall allowance, is most immediately enjoyed by foreign retail entities where American tourists shop. Less immediate, but of great importance to US companies, is the promotion of duty free goals whereby governments recognize the value of tourism and engage in an international comity with respect to duty free allowances and passenger processing. Just last month, Canada increased its duty free allowance for its residents who have been absent from Canada for over 48 hours. The allowance moved to $750 from $500, an increase of 50%. They know that not only will their traveling citizens benefit, but also that it will promote the sense of reciprocity that accompanies such a gesture. [They also increased their allowance for wine, which will have significant value to US producers.]

The US allowance has not been increased since 1983 [Public Law 97–446]. Inflation has significantly eroded the value of the present limit, requiring the US to establish a more realistic level in today's economy. H.R. 2714 produces results that are an important step in the right direction. IAADFS supports this legislation. We ask also that the subcommittee consider also increasing the duty free allowance, now or at the next available opportunity.

Sincerely,

DAVID H. BERNSTEIN

H.R. 2715

To amend the Harmonized Tariff Schedule of the United States to provide for duty-free treatment of personal effects of participants entering the United States to participate in international athletic events, and items used in connection with such events.

NO COMMENTS SUBMITTED.