

April 28, 1998

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

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

Bill no., sponsor, and sponsor's state: S. 1101 (105th Congress), Senator Jeffords (VT) and Senator Leahy (VT).

Companion bill: None.²

Title as introduced: To amend the Harmonized Tariff Schedule of the United States to provide rates of duty for certain ski footwear with textile uppers.

Summary of bill:³

The bill would amend the Harmonized Tariff Schedule of the United States (HTS) to create a new subheading 6404.11.10, covering ski-boots, cross-country ski footwear, and snowboard boots, all of them having uppers of textile materials. The current 1998 general rate of duty for such footwear would be reduced from 20 percent to 2 percent ad valorem, the same rate now applied to ski footwear with leather uppers, provided for in subheading 6403.12.60. In addition, the bill would provide to the new subheading the same staged duty reductions previously proclaimed by the President for the leather-upper ski footwear.

Effective date: The 15th day after enactment.

Retroactive effect: Upon importer request within 90 days of enactment, applicable to entries from July 1, 1997, until the effective date.

Statement of purpose:

The sponsor made no statement concerning this bill for the *Congressional Record*. Staff in the sponsor's office stated that the bill was introduced on behalf of Burton Snowboards, Burlington, VT, an importer of the subject snowboard boots and manufacturer of snowboards.⁴ According to Burton, there is no domestic production of snowboard boots with textile uppers. Burton indicated that domestic shoe manufacturers are

¹ Industry analyst assigned was Sundar A. Shetty (205-3486); attorney assigned was Jan Summers (205-2605).

² S. 1288 (105th Congress), introduced by Senator Torricelli (NJ) and Senator Lautenberg (NJ), calls for duty-free treatment for all sports footwear classified in HTS subheading 6404.11.90, including ski-boots, cross-country footwear, and snowboard boots.

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

⁴ Mr. Jeff Fox, legislative aide, telephone interview with USITC staff, February 13, 1998.

reluctant to produce such boots because of prohibitive capital costs involved in setting up a production line and because of intensive competition from imports.⁵ In addition, Burton expressed concern about the difference in tariff treatment between snowboard boots with textile uppers and those with leather and plastics uppers. The 1998 duty rates on ski footwear with uppers of leather or plastics range from free to 2 percent ad valorem, with all such footwear free of duty starting in 1999, while similar footwear with textile uppers is dutiable at 20 percent ad valorem.

Product description and uses:

Ski/cross-country/
snowboard boots:

Boots designed for these sports applications are usually made up of two separate boots, one inside the other. The inner boot, referred to as a sock liner, liner, or bladder, can be removed from the outer boot. The inner boot is thickly padded and usually has a form of closure independent from that of the outer boot. While cross-country boots are generally of shorter design given the movements used in the sport, snowboard and ski boots are constructed with a forward lean in the extended upper to place the wearer in the correct stance. The upper of a ski or snowboard boot, reaching about mid-calf, is higher in the back and lower in the front. The tongues in the liners of the boots are angled slightly to the inside of the shin area to follow the exact movement of the shin during skiing and snowboarding. Leather and vinyl materials are employed to make these boots durable and lightweight, as well as capable of withstanding the pressures caused by turns and jumps while supporting the wearer's feet. Because the boots are stiff and heavy, they are uncomfortable to wear while walking. Moreover, although snowboard boots with textile uppers are in use, it is believed that no ski/cross-country boots with textile uppers are sold in commerce.

Tariff treatment:⁶

<u>Product</u>	<u>HTS subheading</u>	<u>Col. 1-general rate of duty</u>
Ski/cross-country/ snowboard boots, textile uppers.....	6404.11.90	20% ad valorem

Structure of domestic industry (including competing products):

Ski/cross-country/

⁵ Ms. Tammy F. Hetrick, trade specialist, Burton Snowboards, telephone interview with USITC staff, February 13, 1998.

⁶ See appendix B for column 1-special and column 2 duty rates.

snowboard boots: According to trade sources, there is no known U.S. production of any of these types of boots having textile uppers.⁷ This type of footwear, if it were produced domestically, would be classified in industry SIC 3021 (Rubber and Plastics Footwear) with approximately 40 to 50 establishments employing about 6,800 people. Most of the products manufactured by this industry are casual, jogging or athletic-type shoes and are used primarily for athletic events or leisure activities.

Competing products: Ski/cross-country/snowboard boots with leather or vinyl uppers are produced by establishments classified in SIC 314 (Footwear, Except Rubber). Production of these boots in the United States has been very small and is believed to have almost disappeared with the decline of the U.S. nonrubber footwear industry. According to industry sources, almost all such boots with uppers of leather and vinyl materials are now imported. These boots may enter under any of the following four HTS subheadings that specifically cover these sports boots, shown with their 1998 general duty rates:

6401.92.30	Outer soles and uppers of rubber or plastics, waterproof	1.2% ad val
6402.12.00	Outer soles and uppers of rubber or plastics, not waterproof	1.2% ad val
6403.12.30	Uppers of leather and of welt construction	Free
6403.12.60	Uppers of leather, other than of welt construction	2% ad val

Private-sector views:

Written comments in support of the bill were received from Burton Snowboards, Burlington, VT, the only firm known to import the subject snowboard boots (appendix C).

⁷ Richard Foley, National Import Specialist-Footwear, U.S. Customs Service, New York, telephone interview with USITC staff, March 11, 1998.

U.S. consumption:

	<u>1995</u>	<u>1996</u>	<u>1997</u>
	----- (1,000 dollars)-----		
U.S. production.....	1	1	1
U.S. imports.....	2	2	750
U.S. exports.....	1	1	1
Apparent U.S. consumption.....	2	2	2

¹ Not available, but believed to be negligible.

² Not available; believed to be limited to Burton Snowboard's imports reported to USITC staff.

Effect on customs revenue:⁸

Future (1998-2000) effect:

Burton Snowboards is the only firm known to import any of the footwear covered by the bill, and its imports are limited to snowboard boots. According to Burton, the firm is likely to switch to boots with leather or vinyl uppers, if the duty relief under the bill is not granted to snowboard boots with textile uppers.⁹ In anticipation of obtaining tariff relief under the bill, a company official stated that the firm plans to import about \$575,000 worth of the footwear with textile uppers in 1998, compared with about \$750,000 in 1997. Assuming that the company's imports of snowboard boots with textile uppers total approximately \$500,000 per year during 1999 and 2000, the aggregate revenue loss under the bill would be \$304,000 for 1998-2000, as shown below. If the bill is enacted, it is possible that Burton Snowboards could increase their imports of snowboards with textile uppers. In addition, other firms would likely import such footwear articles, but there is no way to estimate the quantities that may be imported.

	<u>1998</u>	<u>1999</u>	<u>2000</u>
	----- (1,000 dollars)-----		
Estimated imports.....	575	500	500
Duty of 20% ad val.....	115	100	100
Duty under the bill.....	11	0	0
Revenue gain/(loss)	(104)	(100)	(100)

Retroactive effect:

A total revenue loss of \$119,000 is predicted, based on an estimated \$750,000 in imported snowboard boots with textile uppers entered from July 1, 1997, until the bill's effective date.

⁸ The revenue loss/gain estimation presented in this section does not account for the effect that reduction of duty rates resulting from the proposed legislation might have on the volume of sales and prices of goods covered.

⁹ Ms. Tammy Hetrick, trade specialist, Burton Snowboards, telephone interview with USITC staff, March 17, 1998.

Technical comments:

First, we note that the rates of duty in the proposed subheading are the rates that applied to the boots with leather uppers in 1997. Thus, we suggest amending the subheading--despite the staging language--to use the 1998 rates that are intended to apply to the boots with textile uppers. The general rate should therefore appear as "2%" (the "ad val." need not appear). Because Canadian goods eligible for NAFTA tariff preferences became free of duty as of January 1, 1998, the special subcolumn in the proposed new provision should include "CA," within the parenthetical after the "Free" duty rate and before "IL," and the "1% (CA)" should be deleted.

Second, because it is believed that no ski or cross-country boots with textile uppers are commercially traded or imported, it may be advisable to have the article description of the new provision cover only "Snowboard boots with uppers of textile materials"--the goods known to be imported by Burton Snowboards.

APPENDIX A

TARIFF AND TRADE AGREEMENT TERMS

In the **Harmonized Tariff Schedule of the United States** (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the **Tariff Schedules of the United States** (TSUS) effective January 1, 1989.

Duty rates in the **general** subcolumn of HTS column 1 are most-favored-nation (MFN) rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those enumerated in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam), which are subject to the statutory rates set forth in **column 2**. Specified goods from designated MFN-eligible countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the **special** subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The **Generalized System of Preferences** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of June 30, 1998. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The **Caribbean Basin Economic Recovery Act** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the **United States-Israel Free Trade Area Implementation Act** of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the **Andean Trade Preference Act** (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential or free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the **North American Free Trade Agreement**, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular **products of insular possessions** (general note 3(a)(iv)), **products of the West Bank and Gaza Strip** (general note 3(a)(v)), goods covered by the **Automotive Products Trade Act** (APTA) (general note 5) and the **Agreement on Trade in Civil Aircraft** (ATCA) (general note 6), **articles imported from freely associated states** (general note 10), **pharmaceutical products** (general note 13), and **intermediate chemicals for dyes** (general note 14).

The **General Agreement on Tariffs and Trade 1994** (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX.

Pursuant to the **Agreement on Textiles and Clothing** (ATC) of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement** (MFA)). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

Rev. 8/12/97

APPENDIX B

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

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

APPENDIX C

OTHER ATTACHMENTS

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

105TH CONGRESS
1ST SESSION

S. 1101

To amend the Harmonized Tariff Schedule of the United States to provide rates of duty for certain ski footwear with textile uppers.

IN THE SENATE OF THE UNITED STATES

JULY 31, 1997

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

A BILL

To amend the Harmonized Tariff Schedule of the United States to provide rates of duty for certain ski footwear with textile uppers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. ESTABLISHMENT OF RATES OF DUTY FOR SKI**
4 **FOOTWEAR WITH TEXTILE UPPERS.**

5 (a) IN GENERAL.—Chapter 64 of the Harmonized
6 Tariff Schedule of the United States is amended by insert-
7 ing in numerical sequence the following new subheading
8 with the article description for subheading 6404.11.10
9 having the same degree of indentation as that of sub-
10 heading 6404.11.20:

“	6404.11.10	Ski-boots, cross-country ski footwear, and snowboard boots; all the foregoing with uppers of textile materials	4%	Free (IL, MX) 1% (CA)	20%	”.
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1 (b) STAGED RATE REDUCTION.—Any staged reduc-
2 tion of a rate of duty set forth in heading 6403.12.60 of
3 the Harmonized Tariff Schedule of the United States that
4 was proclaimed by the President before the date of enact-
5 ment of this Act and would otherwise take effect after
6 such date of enactment shall apply to the corresponding
7 rate of duty set forth in heading 6404.11.10 of the Har-
8 monized Tariff Schedule of the United States, as added
9 by subsection (a).

10 (c) EFFECTIVE DATE.—

11 (1) IN GENERAL.—The amendment made by
12 subsection (a) applies with respect to goods entered,
13 or withdrawn from warehouse for consumption, on
14 or after the 15th day after the date of enactment of
15 this Act.

16 (2) RETROACTIVE APPLICATION TO CERTAIN
17 ENTRIES.—Notwithstanding section 514 of the Tar-
18 iff Act of 1930 (19 U.S.C. 1514) or any other provi-
19 sion of law, upon proper request filed with the Cus-
20 toms Service before the 90th day after the date of
21 enactment of this Act, any entry, or withdrawal
22 from warehouse for consumption, of any goods de-

1 scribed in subheading 6404.11.10 of the Har-
2 monized Tariff Schedule of the United States (as
3 added by subsection (a))—

4 (A) that was made on or after July 1,
5 1997, and before the 15th day after the date of
6 enactment of this Act, and

7 (B) with respect to which there would have
8 been no duty (or a lower duty) if the amend-
9 ment made by subsection (a) applied to such
10 entry or withdrawal,

11 shall be liquidated or reliquidated as though such
12 amendment applied to such entry or withdrawal.

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