

# JOINT INDUSTRY GROUP

1620 I Street, NW  
Suite 615

Washington, DC 20006

☎ (202) 466-5490 📠 (202) 463-8498 ✉ jig@moinc.com

*Chairman*  
Ronald Schoof  
Caterpillar Inc.

*Treasurer*  
William Outman, II  
Baker & McKenzie

*Secretariat*  
James B. Clawson  
JBC International

April 24, 2002

The Honorable Bill Thomas  
Chairman  
House Ways and Means Committee  
2208 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Thomas:

The Joint Industry Group (JIG) is sending this letter to you and your colleagues on the Ways and Means Committee regarding the importance of pending legislation to modify current drawback procedures. On behalf of our members, JIG strongly supports the inclusion of the two below referenced bills in this year's miscellaneous tariff and trade package. Drawback allows companies to receive a refund for duties, taxes or fees paid on re-exported goods or on materials that are included in the production of a final product to be exported.

There are two principle bipartisan drawback bills pending in this Congress of particular interest to JIG. They are H.R. 1756, proposed by Representative Sam Johnson (R-TX) and H.R. 1838, proposed by Representative Kevin Brady (R-TX), and both co-sponsored by Representative William Jefferson (D-LA). We support the inclusion of both bills in this year's non-controversial miscellaneous tariff and trade act because these positive technical corrections to the drawback laws will provide significant benefits to U.S. industry and exporters. For example, the provisions in these two bills will ease the regulatory and administrative burdens imposed by the current drawback program and will clarify ambiguities in implementing the program. The changes will help the U.S. Customs Service administer a complicated program by making drawback procedures consistent with continuing congressional changes to our trade laws. In addition, the results will make U.S. companies more competitive in the global marketplace when competing against foreign exports of similar or like products.

JIG is a member-driven coalition comprised of Fortune 500 companies, manufacturers, customs brokers, importers, exporters, trade associations, law firms, and accounting firms actively involved in international trade. JIG frequently engages the Congress and the Administration on a variety of international trade-related issues. We work particularly close with the U.S. Customs Service and Congress to promote trade policy that effectively supports Customs' dual mission of border enforcement and trade facilitation.

# JOINT INDUSTRY GROUP

1620 I Street, NW  
Suite 615  
Washington, DC 20006  
☎ (202) 466-5490 📠 (202) 463-8498 ✉ jig@moinc.com

*Chairman*  
Ronald Schoof  
Caterpillar Inc.

*Secretariat*  
James B. Clawson  
JBC International

*Treasurer*  
William Outman, II  
Baker & McKenzie

The bill H.R. 1756, introduced by Representative Sam Johnson, reinstates the original congressional intent that drawback can be claimed for all federal duties, taxes and fees paid on imported products that are later exported. However, a recent ruling by the Court of Appeals for the Federal Circuit improperly held that certain federal duties, taxes and fees are not eligible for drawback. This action establishes a very bad precedent. It is contrary to congressional intent in establishing the drawback program, namely to place U.S. industry on a equal footing when competing against foreign exporters by allowing U.S. industry to claim drawback on any federal duties, taxes and fees paid on imports, as set forth by federal law.

The seven provisions in H.R. 1838, introduced by Representative Kevin Brady, simplify the drawback process by making the interpretation, administration and implementation of the program less cumbersome for both the U.S. Customs Service and for industry. These provisions, in summary, establish a statutory time frame for the liquidation of drawback claims; allow for drawback on products destroyed under U.S. Customs Service supervision; eliminate unnecessary paperwork drawback claims for substitution products; allow return of defective merchandise; clarify when to claim drawback on packaging materials; establish a statute of limitations on penalties for false drawback claims; and allow for re-liquidation of re-designated entries. The finality of drawback established in these seven provisions is also highly beneficial to Customs by simplifying auditing procedures and quickly processing liquidated goods through their records.

Drawback payments have decreased by \$160 million over the past ten years because of U.S. participation in the North American Free Trade Agreement (NAFTA) and declining tariff rates. However, drawback still remains vital for many US companies who export goods to non-NAFTA countries. Therefore, we urge you to understand the needs of importers, exporters and manufacturers by supporting your colleague's drawback reform legislation.

Sincerely,



Ronald Schoof  
Chairman  
Joint Industry Group

cc: Ways and Means Committee Members