98th Congress
1st Session

COMMITTEE PRINT

WMCP: 98-8

SUBCOMMITTEE ON TRADE

OF THE

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

REPORT

ON

MISCELLANEOUS TARIFF AND TRADE BILLS

JUNE 17, 1983

Prepared for use by the Committee on Ways and Means by its staff

U.S. GOVERNMENT PRINTING OFFICE
21-795 O WASHINGTON : 1983

COMMITTEE ON WAYS AND MEANS

DAN ROSTENKOWSKI, Illinois, *Chairman*

SAM M. GIBBONS, Florida
J. J. PICKLE, Texas
CHARLES B. RANGEL, New York
FORTNEY H. (PETE) STARK, California
JAMES R. JONES, Oklahoma
ANDY JACOBS, JR., Indiana
HAROLD FORD, Tennessee
ED JENKINS, Georgia
RICHARD A. GEPHARDT, Missouri
THOMAS J. DOWNEY, New York
CECIL (CEC) HEFTEL, Hawaii
WYCHE FOWLER, JR., Georgia
FRANK J. GUARINI, New Jersey
JAMES M. SHANNON, Massachusetts
MARTY RUSSO, Illinois
DON J. PEASE, Ohio
KENT HANCE, Texas
ROBERT T. MATSUI, California
BERYL ANTHONY, JR., Arkansas
RONNIE G. FLIPPO, Alabama
BYRON L. DORGAN, North Dakota
BARBARA B. KENNELLY, Connecticut

BARBER B. CONABLE, JR., New York
JOHN J. DUNCAN, Tennessee
BILL ARCHER, Texas
GUY VANDER JAGT, Michigan
PHILIP M. CRANE, Illinois
BILL FRENZEL, Minnesota
JAMES G. MARTIN, North Carolina
RICHARD T. SCHULZE, Pennsylvania
BILL GRADISON, Ohio
W. HENSON MOORE, Louisiana
CARROLL A. CAMPBELL, JR., South Carolina
WILLIAM M. THOMAS, California

JOHN J. SALMON, *Chief Counsel*
JOSEPH K. DOWLEY, *Assistant Chief Counsel*
ROBERT J. LEONARD, *Chief Tax Counsel*
A. L. SINGLETON, *Minority Chief of Staff*

SUBCOMMITTEE ON TRADE

SAM M. GIBBONS, Florida, *Chairman*

DAN ROSTENKOWSKI, Illinois
JAMES R. JONES, Oklahoma
ED JENKINS, Georgia
THOMAS J. DOWNEY, New York
DON J. PEASE, Ohio
KENT HANCE, Texas
CECIL (CEC) HEFTEL, Hawaii
MARTY RUSSO, Illinois

GUY VANDER JAGT, Michigan
BILL ARCHER, Texas
BILL FRENZEL, Minnesota
RICHARD T. SCHULZE, Pennsylvania
PHILIP M. CRANE, Illinois

DAVID B. ROHR, *Professional Staff*
MARY JANE WIGNOT, *Professional Staff*
RUFUS YERXA, *Professional Staff*
ANN FLAIG DULANEY, *Professional Staff*
FRANKLIN C. PHIFER, Jr., *Professional Staff*

LETTER OF TRANSMITTAL

SAM M. GIBBONS, FLA., CHAIRMAN
SUBCOMMITTEE ON TRADE

DAN ROSTENKOWSKI, ILL.
JAMES R. JONES, OKLA.
ED JENKINS, GA.
THOMAS J. DOWNEY, N.Y.
DON J. PEASE, OHIO
KENT HANCE, TEX.
CECIL (CEC) HEFTEL, HAWAII
MARTY RUSSO, ILL.

GUY VANDER JAGT, MICH.
BILL ARCHER, TEX.
BILL FRENZEL, MINN.
RICHARD T. SCHULZE, PA.
PHILIP M. CRANE, ILL.

EX OFFICIO:
BARBER B. CONABLE, JR., N.Y.

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

SUBCOMMITTEE ON TRADE

DAN ROSTENKOWSKI, ILL., CHAIRMAN
COMMITTEE ON WAYS AND MEANS

JOHN J. SALMON, CHIEF COUNSEL
A. L. SINGLETON, MINORITY CHIEF OF STAFF

DAVID B. ROHR, SUBCOMMITTEE STAFF DIRECTOR

June 15, 1983

COMMITTEE ON
RECEIVED
JUN 16 1983
WAYS AND MEANS

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
1102 Longworth House Office Bldg.
Washington, D.C. 20515

Dear Mr. Chairman

The Subcommittee on Trade met in markup session on June 7 1983, taking favorable action on 28 tariff and trade bills and one House joint resolution.

The Subcommittee ordered reported by voice vote each of the following bills, without amendment, for favorable consideration by the full Committee on Ways and Means:

H.R. 1423 — (Mr. Badham): To provide for duty-free entry of a pipe organ for the Crystal Cathedral of Garden Grove, CA.

H.R. 1933 — (Mr. Gephardt): To provide for duty-free entry for certain scientific equipment used in the Ellis Fischel State Cancer Hospital in Columbia, Missouri.

H.R. 717 — (Mr. Wright): To amend the Foreign Trade Zone Act to provide that certain property held in foreign trade zones shall be exempt from state and local ad valorem taxation.

H.R. 2502 — (Mr. Russo): To suspend the duty on canned corned beef for a period of three years beginning on October 30, 1983.

H.R. 2265 — (Mr. Downey, et al): To provide for a temporary duty reduction on caffeine beginning January 1, 1984, until the close of December 31, 1985.

H.J. Res. 290 — (Mr. Rostenkowski): To provide for duty-free entry of the personal effects, equipment, and related articles of accredited members of delegations involved in the XXIII Olympiad to be held in the United States in 1984.

The Subcommittee ordered reported by voice vote each of the following bills, with amendments, for favorable consideration by the full Committee on Ways and Means:

H.R. 1583 (Mr. Schulze): To provide for permanent duty-free entry of warp knitting machines.

The Subcommittee amended the bill as introduced to provide for the removal of the LDDC rates from the TSUS for item 670.21 when they expire. Additionally, the amendment provides for a suspension of liquidation on entries and withdrawals from warehouses on July 1, 1983, and thereafter, pending enactment of this legislation.

H.R. 1898 (Mr. Latta): To extend the suspension of duty on water chestnuts and bamboo shoots for a period of three years until the close of June 30, 1986.

The Subcommittee amended the bill as introduced to provide for a three year temporary extension, until June 30, 1986, in lieu of a permanent suspension provided for in the original bill. Additionally, the bill is amended to provide for a suspension of liquidation of duty on entries and withdrawals from warehouse on July 1, 1983, and thereafter, pending enactment of this legislation.

H.R. 1226 (Mr. Whitten, et al): To reduce temporarily the duty on certain disposable surgical drapes and sterile gowns.

The Subcommittee amended the bill as introduced to provide for the effective date of the duty reduction to be on the 15th day after the date of enactment, in lieu of after the date of enactment.

H.R. 1967 (Mr. Frenzel): To provide for a five year extension of the duty reduction on certain unwrought lead.

The Subcommittee amended the bill as introduced to provide for the suspension of liquidation of duty on entries and withdrawals from warehouse on July 1, 1983, and thereafter, pending enactment of this legislation.

H.R. 908 (Mr. Vander Jagt): To provide for a three year suspension of the duty on B-naphthol until the close of June 30, 1986.

The Subcommittee amended the bill as introduced to provide a date certain of June 30, 1986, for termination of the proposed suspension. In addition, a minor technical error was corrected.

H.R. 1086 (Mr. Hartnett): To suspend the duty on certain menthol feedstocks until July 1, 1986.

The Subcommittee amended the bill as introduced to provide for the effective date of the duty suspension to be on the 15th day after the date of enactment, in lieu of after the date of enactment.

H.R. 1620 (Mr. Pease): To extend the suspension of duty on flat knitting machines for a period of five years until the close of June 30, 1988.

The Subcommittee amended the bill as introduced to include as a part of the bill the suspension of duty on parts for the flat knitting machines. Additionally, the bill is amended to provide for the suspension of duty on entries and withdrawals from warehouse on July 1, 1983, and thereafter, pending enactment of this legislation.

H.R. 1667 (Mr. Russo, et al): To suspend the duty on MXDA (meta-Xylenediamine) and 1,3-BAC (1,3-Bis[aminomethyl]cyclohexane) until the close of June 30, 1986.

The Subcommittee amended the bill as introduced by removing the language following the enactment clause and inserting new language in lieu thereof to provide separate item numbers for each of the two chemicals. This will provide ease in implementation of the suspension. The chemical names of the articles were also corrected. Additionally, the effective date of the provision would be on the 15th day after the date of enactment, in lieu of after the date of enactment.

H.R. 1888 (Mr. Jenkins): To extend the suspension of duty on crude feathers and down for a period of three years.

The Subcommittee amended the bill as introduced to provide for a three year suspension of the duty, in lieu of a five year suspension as provided for in the original bill. The duty would be suspended until the close of June 30, 1987. The Administration was opposed to the five year suspension originally proposed. Also, several minor technical amendments were made.

H.R. 1951 (Mr. Ratchford): To suspend the duty on 4,4-Bis(a,a-dimethylbenzyl) diphenylamine until the close of June 30, 1986.

The Subcommittee amended the bill as introduced to provide for the effective date of the duty suspension to be on the 15th day after the date of enactment, in lieu of after the date of enactment.

H.R. 1995 (Mr. Frenzel): To provide for the suspension of duty on flecainide acetate for a period of two years.

The Subcommittee amended the bill as introduced to provide a date certain of June 30, 1986, for termination of the proposed suspension. Also, the bill was amended to provide for the effective date of the suspension to be on the 15th day after the date of enactment of the Act, in lieu of on the date of enactment as provided in the bill. The description was also simplified and minor technical corrections were made.

H.R. 2206 (Mr. Ireland): To extend the suspension for a three year period of duty on unwrought alloys of cobalt, until the close of June 30, 1986.

The Subcommittee amended the bill as introduced to provide for the suspension of liquidation of duties on entries and withdrawals from warehouse on July 1, 1983, and thereafter, pending enactment of this legislation.

H.R. 2221 (Mr. Shelby): To suspend for a three year period the duty on 2-methyl,4-chlorophenol until the close of June 30, 1986.

The Subcommittee amended the bill as introduced to provide a date certain of June 30, 1986, for the termination of the suspension of this duty. Additionally, the amendment will provide for the effective date of the duty suspension to be on the 15th day after the date of enactment, in lieu of after the date of enactment.

H.R. 2316 (Mr. Conable, et al): To temporarily reduce the duty on fancy and odd-shaped watch crystals for a period of three years until the close of June 30, 1986.

The Subcommittee amended the bill as introduced to provide for equivalent treatment of the round and fancy shaped watch crystals, as the round watch crystals receive duty reduction under the staged reductions granted under the Tokyo round of the MTN. Secondly, the amendment would establish a date certain of June 30, 1986, for termination of the suspension. Further, the amendment would provide for the effective date of the provision to be on the 15th day after the date of enactment of the Act.

H.R. 2320 (Mr. Edgar): To extend the suspension of duty on certain textile fabrics used in the manufacture of hovercraft skirts.

The Subcommittee amended the bill as introduced to provide for the suspension of liquidation of duties on entries and withdrawals from warehouse on July 1, 1983, and thereafter, pending enactment of this legislation.

H.R. 1910 (Mr. Shannon, et al): To clarify the classification of textile fabrics, articles and materials, coated, filled, or laminated with rubber or plastics.

The Subcommittee amended the bill as introduced to provide for the effective date of the duty suspension to be on the 15th day after the date of enactment, in lieu of after the date of enactment.

H.R. 1938 (Mr. Campbell): To clarify for duty purposes the classification of certain gloves.

The Subcommittee amended the bill as introduced to effectively narrow the focus of the bill such that the bill would not infringe on certain dress gloves which would have been adversely affected under the original bill. This amendment will make the bill acceptable to all concerned parties. Additionally, several minor technical corrections were made.

H.R. 2270 (Mr. Garcia): To provide for uniform tariff treatment of toys for pets.

The Subcommittee amended the bill as introduced to provide for the effective date of the provision to be on the 15th day after the date of enactment of the Act.

H.R. 1684 (Mr. de Lugo, et al): To amend the Tariff Act of 1930 to exempt certain vessels carrying passengers in the U.S. Virgin Islands from entry requirements of the customs laws.

The Subcommittee amended the bill as introduced by deleting everything after the enactment clause and introducing substitute language which does not change the substance of the bill, but rather makes the language of the bill conform to the Tariff Act of 1930. Additionally, the effective date of the bill is to be on the 15th day after the date of enactment of the legislation.

H.R. 1744 (Mr. Stark): To amend the Tariff Act of 1930 to prevent the exportation or importation of vehicles which have been stolen or whose identification number has been removed or tampered with.

The Subcommittee amended the bill as introduced by adding an additional paragraph which would authorize customs officers to cooperate and exchange information concerning certain stolen vehicles with such federal, state, local and foreign governmental authorities and such organizations as may be designated by the Secretary. The bill was further amended to provide for the effective date of the provision to be effective on the 15th day after enactment.

Report language was also provided to authorize the Secretary to promulgate procedures for customs officers to check vehicle identification numbers with records, of stolen and unlawfully converted vehicles, maintained by the federal government or other organizations.

H.R. 2588 (Mr. Pease, et al): To amend the Tariff Act of 1930 regarding the public disclosure of certain manifest information.

The Subcommittee amended the bill as introduced to provide for the effective date of the provision to be on the 15th day after the date of enactment of the Act.

H.R. 3157 (Mr. Frenzel): To amend the Tariff Act of 1930 regarding same condition drawbacks and same kind and quality drawbacks.

The Subcommittee amended the bill as introduced to provide for the effective date of the provision to be on the 15th day after the date of enactment of the Act.

H.R. 1953 (Mr. Stark): To amend the Tariff Schedules of the United States to provide a four year suspension of duty on certain semiconductors, with such suspension subject to proclamation by the President provided it is in the national economic interest.

The Subcommittee amended the bill as introduced by deleting everything after the enactment clause and introducing substitute language which would provide Presidential authority to proclaim a four year suspension on six items of semiconductors, provided such suspension was deemed to be in the economic national interest, and provided that the suspension is proclaimed prior to April 1, 1984, or 180 days after the date of enactment of the Act, whichever is later. Further, the Amendment was amended in Subcommittee to provide that the President must also produce an agreement which would be concluded as a result of the negotiating objectives of section 103 of the Trade Act of 1974. The President would also have the authority to terminate such suspension under the terms provided in the Trade Act of 1974. The amendment would also provide for the effective date of the provision to be on the 15th day after the date of enactment of the Act.

Transmitted herein, in accordance with the rules of the Committee, are copies of the 28 tariff and trade bills and one resolution together with a report on each bill containing a section-by-section analysis, background and justification of the bill as amended, and a comparison with present law.

In addition, each report contains a brief summary of the provision, an estimate of the effect on revenue, and a summary of testimony and agency reports as received by the Subcommittee on the original bills, and a copy of the marked bill.

I request that consideration of these bills by the Committee on Ways and Means be scheduled as soon as possible.

Sincerely,

Sam M. Gibbons
Chairman

SMG/DJn

CONTENTS

H.R. 1423

Introduced by: Mr. Badham (CA)
Date: February 10, 1983

To provide for the duty-free entry of a pipe organ for the Crystal Cathedral of Garden Grove, California.

Summary of the Provision

H.R. 1423, if enacted, would provide for the duty-free entry of a pipe organ that entered subject to a duty of about $18,900.34, entered in six separate shipments between April 30, 1981, and April 8, 1982. Appropriate refunds for duty paid would be made.

Section-by-Section Analysis

The single section of H.R. 1423 would provide for the duty-free entry of a pipe organ which would be permitted to be free of duty as of the date of such entry. All duties which had been liquidated on this entry would be reliquidated and the appropriate refund paid.

Background and Justification

The organ for the Crystal Cathedral of Garden Grove, California, was imported, in parts, in six separate shipments. At the time this import was made, and continuing to the present time, the tariff schedules provide for the duty-free entry of a complete organ. (Duty-free entry of pipe organs became effective on January 1, 1981.) Subsequent to this entry (January 12, 1983, PL 97-446), legislation was enacted to provide column 1, MFN, duty-free status to pipe organ parts - TSUS items 726.60 and 726.62. Therefore, under current law, if the organ would arrive in separate shipments and is entered into the United States, it would be classified by the U.S. Customs Service as "parts of pipe organs" and would enjoy a duty suspension. However, these shipments arrived before the duty suspension on parts. The shipments together constituted a complete organ and therefore would qualify as a complete organ.

Effect of Revenue

Enactment of H.R. 1423 would result in a revenue loss of $18,900.34.

<u>Subcommittee Action</u>

Agency Reports

The Subcommittee requested agency reports from Commerce and Treasury. Commerce has stated that they do not have any objection to enactment of H.R. 1423.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1423 be reported to the full Committee on Ways and Means.

<u>Senate Action</u>

A companion Senate bill, S-1406, was introduced by Senator Wilson of California.

SUMMARY OF TESTIMONY ON H.R. 1423

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment of this legislation as the organ was entered in six shipments and had it been entered in one shipment it would have been duty-free under the Tariff Schedules.

PUBLIC WITNESSES

No testimony received.

H.R. 1933

Introduced by: Mr. Gephardt (MO)
Date: March 3, 1983

To provide duty-free entry for certain scientific equipment for use in the Ellis Fischel State Cancer Hospital in Columbia, MO.

Summary of the Provision

H.R. 1933, if enacted, would provide to the Ellis Fischel State Cancer Hospital, Columbia, Missouri, a refund of duties in the amount of $20,328. These duties were paid by the hospital on entries of certain scientific equipment which both U.S. Customs and the Department of Commerce ruled could enter duty-free under the Florence Agreement. Failure by the Hospital to file the appropriate papers at the time of entry caused U.S. Customs to collect the duty. This legislation was introduced in the 97th Congress but arrived too late for handling.

Section-by-Section Analysis

The single section of H.R 1933 would provide for the reliquidation of duty made on certain entries of scientific equipment for use of the Ellis Fischel Cancer Hospital in Columbia, Missouri. It would be effective on the date of enactment.

Background and Justification

The Ellis Fischel State Cancer Hospital, Columbia, Missouri, purchased in November 1975, and January 1976, certain scientific equipment imported by CGR Medical Corporation. In 1975, the hospital filed an application for duty-free entry which was favorably ruled upon by U.S. Customs on November 5, 1975, and by the Department of Commerce on April 30, 1976. The articles were entered on November 7, 1975, and January 23, 1976.

U.S. Customs allows a period of 90 days following liquidation of an entry for action such as this duty-free application. The November 7 entry was liquidated on April 14, 1976, and the January 23 entry was liquidated on September 17, 1976. This would have required the filing of approved duty-free papers on July 14, 1976, and December 17, 1976, respectively. The papers were filed on August 29, 1976--past the deadline for the first entry but on time for the second entry. However, for the second entry, these papers did not adequately tie the articles being entered to the approval that had been granted. Thus, duties were collected on both entries.

U.S. Customs has stated that, following the 90-day grace period, they have no authority to grant relief such as this being requested. Efforts during the 96th Congress to arrange for a refund ended with the fact that legislation is required. This legislation would grant that reimbursement.

Effect on Revenue

Enactment of H.R. 1933 would result in a revenue loss of $20,328.

Subcommittee Action

Agency Reports

The Subcommittee requested agency reports from Commerce and Treasury. Commerce submitted their letter of non-objection on June 8, 1983.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1933 be reported to the full Committee on Ways and Means, without amendment.

Senate Action

A companion Senate bill was introduced by Senator Danforth.

SUMMARY OF TESTIMONY ON H.R. 1933

ADMINISTRATION

Department of the Treasury: By letter dated April 22, 1983, the Department of the Treasury expressed their favorable response to enactment of this legislation.

Department of Commerce: The Administration expressed that they had no objection to this legislation as, had the reports been filed on time by the hospital, the equipment would have entered duty-free initially.

PUBLIC WITNESSES

Statements For The Record

Supports

The Honorable Richard A. Gephardt, M.C. (MO): Supports enactment to rectify an error that was made some years ago when equipment was imported to the Ellis Fischel State Cancer Hospital.

H.R. 717

Introduced by: Mr. Jim Wright (TX)
Date: January 6, 1983

To provide that certain property held in foreign trade zones shall be exempt from State and local ad valorem taxation.

Summary of the Provision

H.R. 717, if enacted, would amend the Foreign Trade Zones Act of 1934 to provide that tangible personal property imported from outside the U.S. and held in a Foreign Trade Zone for any of several enumerated purposes and tangible personal property if produced in the U.S. and held in a zone for exportation would be exempt from State and local ad valorem taxation.

Section-by-Section Analysis

Section 1 of H.R. 717, if enacted, would amend section 15 of the Foreign Trade Zones Act of 1934, to exempt from State and local ad valorem taxation tangible personal property imported from outside the United States and tangible personal property produced in the United States and held in a zone for exportation.

Section 1b would make the provision retroactive to January 1, 1983.

Background and Justification

The goal of this legislation is to affirm the original purpose of FTZs (to expedite and encourage foreign commerce) and to confirm that Congress intended not to permit the imposition of such taxes. The new subsection is designed to insure that FTZs would be uniformly treated by non-Federal taxing authorities. In addition, the amendment would eliminate such tax concerns from among the factors to be considered by potential FTZ operators or users when deciding where an operation or FTZ is to be located.

Further, the bill was introduced due to a unique problem in the State of Texas in which the local taxing jurisdiction does not have the authority to exempt tangible personal property in a FTZ from taxation due to the State constitution. The State of Texas' constitution specifically provides for certain articles to be exempt from taxation. No other items can be exempted without a change in the Constitution. It is expected that Federal law would preempt State law in this case.

It is the intention of this legislation that the exemption would only apply to tangible personal property held in the Foreign Trade Zone for bona fide customs reasons. Additionally, the exemption would be for tangible personal property, not including capital machinery and equipment, moved into the Foreign Trade Zone for use in the trade zone.

Legal Points

The following legal points regarding this legislation were raised in analysis by the ITC:

The Foreign Trade Zones Board was established to grant to corporations the privilege of operating FTZs, with at least one zone to be available to each port of entry. Both foreign and U.S.-produced articles may be taken into a zone for any of the activities enumerated by section 3 of the Act and then may be exported, destroyed, or entered into the customs territory of the United States, whether or not the merchandise is in its original packaging. If articles are entered from a FTZ into the customs territory, duties and taxes may be payable on any foreign goods or components in their condition and quantity and at their weight at the time of entry. Domestic articles, and previously imported articles on which appropriate duties and taxes, if any, have been paid, may be entered free of duty, taxes, or quota restrictions. Such operations are subject to regulations prescribed by the Secretary of the Treasury. It should be noted that noncompliance with requirements, the loss of identity of goods (as through manufacture), or the entry into the customs territory of goods manufactured in a FTZ and exported to another country (except identifiable U.S. goods returned) requires treatment of the merchandise being entered as imported articles, as if made in a foreign country.

An important fact as to the status of a FTZ, particularly with regard to the proposed legislation, is its exclusion from the customs territory of the United States, despite its presence in the geographical territory. While at least two sections of the Act so state, without focusing on this point, the status of a FTZ was reaffirmed by the U.S. Customs Court (now the U.S. Court of International Trade) in Hawaiian Independent Refiner v. United States, at 460 F. Supp. 1249, 1253-1254 (1978). According to the court, it is irrelevant for customs purposes that goods brought into a FTZ are consumed there or used for a purpose not enumerated in section 3 of the Act. No duties or taxes assessed upon foreign goods on entry can thus be imposed upon goods while in the zone or goods used or destroyed therein.

This status had been noted in an earlier decision, Armco Steel Corp. v. Stans et al., 431 F.2d 779 (C.A.2, 1970). In examining the limitations on FTZ use, the Court of Appeals summarized the underlying purpose of such zones (at 782):

> The creation of a foreign or free trade zone for the purpose of permitting products manufactured in the zone to be subsequently imported into the United States allows an enterprise operating within the zone to take advantage of favorable differentials in the tariff schedules between the rates of duty for foreign materials used in the manufacturing process and the duty rates for finished articles.

Thus, the FTZs were intended by Congress to be special instrumentalities which would stimulate and facilitate foreign commerce and which would not be considered as part of the United States for customs purposes. The zones are unique and limited federally-created entities; while the States provide services to the zones, State taxing authority should be viewed in the context of Federal statutes and regulations and of the Constitution, as well as the overall framework of State-Federal relations.

It would appear that the principal type of tax which would be proscribed by the legislation is a personal property tax, one levied on goods held by the potential taxpayer on a given date, especially articles used in commerce or inventoried for future sale. Absent this legislation, such a tax could be arguably assessed on merchandise or materials located or being stored in a FTZ, even if the materials or articles were intended for export to countries other than the United States. This form of tax is generally aimed at raising revenue for the taxing authority, rather than at controlling the use of the property; however, the cost of paying a property tax might be passed along to consumers, raising the price of the merchandise. Thus, the tax might have the effect of a duty when imposed on FTZ property, which might be imported into this country, and impinge upon the Congress' exercise of its Article I authority. While not every State tax will be found on review to be a prohibited impost or duty, and while a State may not be discriminating in assessing the tax on all articles in its geographical territory regardless of origin, such a tax may constitute a burden on foreign and interstate commerce, in light of the subject of the tax.

Comparison with Present Law

Discussion above.

Effect on revenue

No direct effect.

Subcommittee Action

Agency Reports

The Trade Subcommittee requested agency reports from ITC, Treasury and Commerce. Formal reports have not been received, although informal comments have been submitted.

Hearings

The Subcommittee held hearings on this legislation on April 27 and May 10, 1983. The Administration had no comment on the bill on April 27. On May 10, The Honorable Jim Wright testified in support of the bill. Also testifying in support of the bill were the Dallas/Fort Worth Regional Airport Board and the National Association of Foreign Trade Zones.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 717 be reported to the full Committee on Ways and Means without amendment.

Senate Action

A companion Senate bill, S-1411, was introduced in the Senate by Mr. Byrd.

SUMMARY OF TESTIMONY ON H.R. 717

ADMINISTRATION

International Trade Commission: Informal informative report submitted.

PUBLIC WITNESSES

Oral Testimony

Supports

The Honorable Jim Wright, M.C. (TX): Supports the bill, as it will alleviate a problem the state of Texas has in their constitution which prevents the exemption from ad valorem taxation on the merchandise in foreign trade zones. Enactment would encourage development in the foreign trade zones, and remove the fears of ad valorem taxation on prospective businesses.

Dallas/Fort Worth Regional Airport Board, Earnest E. Dean, Executive Director: Supports enactment because the Texas legislature, due to a provision in the state constitution, is not able to enact legislation that specifically recognizes the currently existing federal preemption of state and local ad valorem taxation of inventory located in a foreign trade zone.

Dallas/Fort Worth Regional Airport Board, William M. Methenitis, Attorney: Supports enactment because the bill will remedy the existing problem with the Texas constitution, and will encourage the development of foreign trade zones.

National Association of Foreign Trade Zones, Stephen Creskoff, Co-Chairman, Government Relations Committee, on behalf of Joseph F. O'Connor, Vice President: Supports enactment to rectify the problem regarding ad valorem property taxes which threaten to be imposed by the state of Texas on merchandise in foreign trade zones.

Statements For The Record

Supports

Darrell J. Sekin & Company, Inc., Darrell J. Sekin, Chairman: Supports enactment to permit the orderly development of Texas foreign trade zones and the fulfillment of Congressional intent in creating such zones.

Brownsville Navigation District, Al Cisneros, General Manager and Port Director: Supports enactment, as the bill will help attract additional business to the foreign trade zone, stimulating commerce and employment opportunities.

Opposes

<u>National Association of Tax Administraters, Leon Rothenberg, Executive Secretary</u>: Opposes enactment and questions the appropriateness of federal legislation which deals with a purely local situation. Secondly, the bill would constitute an unjustified interference with state and local taxing powers. Thirdly, the language of H.R. 717 could be construed to permit the exemption of personal property beyond the apparent intent of the bill. A federal law providing a tax shelter for such property could create an inequitable exemption, and would deprive state and local governments of needed revenue.

<u>International Association of Assessing Officers, Ian W. McClung, President</u>: Opposes enactment and cites the rising tide of property tax exemptions in an economy that can ill afford the loss in revenue. Secondly, in his opinion, there are serious problems with draftsmenship, leaving it unclear as to what types of tangible items are covered by the bill.

H.R. 2502

Introduced by: Mr. Russo (IL)
Date: April 12, 1983

To suspend the duty on canned corned beef for a three-year period beginning October 30, 1983.

Summary of the Provision

H.R. 2502, if enacted, would suspend the duty on canned corned beef for a period of three years beginning October 30, 1983.

Section-by-Section Analysis

Section 1 of H.R. 2502, if enacted, would amend the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the temporary suspension of duty for a period of three years on canned corned beef (provided for in item 107.48), part 2B, schedule 1) beginning on October 30, 1983, and extending through October 29, 1986, by inserting in numerical sequence a new TSUS item, item 903.15.

Section 2 would make the provision effective on or after October 30, 1983.

Background and Justification

Imports of canned corned beef come primarily from either Argentina or Brazil. Due to a trade agreement following the Tokyo round of trade negotiations involving hides and corned beef, the duty on imports had been set at 3% ad valorem. As Argentina has elected not to keep its part in the agreement, a notice of termination was given and the agreement cancelled at the end of October 1982 (with a one year extension granted until October 29, 1983, due to a section 301 determination) resulting, among other things, in an increase in the duty on canned corned beef to 7 1/2% ad valorem. As Argentina will continue to receive duty-free treatment on this item under the GSP, as their exports of this product did not exceed the 50% competitive need limitation in 1982, the disparity between the duty paid by Brazil (7 1/2%) and Argentina (0%) will give a greater advantage to Argentina from October 30, 1983, to March 31, 1984. Brazil will continue at 7 1/2%. It could be assumed that Argentina will exceed the 50% competitive need limitation in 1983 and will not be eligible for duty-free treatment under GSP from April 1, 1984, to March 31, 1985.

This item is for canned corned beef which is not produced in the U.S., whereas, fresh corned beef is produced in the U.S., but the two do not compete in the same market.

Imported canned corned beef (TSUS item 107.48) is prepared by dicing beef into 1-inch cubes, cooking it in water, curing and seasoning it in a sodium nitrite brine solution and then canning and sterilizing it.

About 80 percent of the imported canned corned beef is in containers each holding 6 3/4, 8, or 10 pounds and most is used by food processors to make corned beef hash; some is used by institutions for slicing and making sandwiches.

About 20 percent of the imports consist of 8- and 12-ounce cans commonly found in grocery stores; these imports are used for making sandwiches, salads, and casseroles.

The great bulk of U.S. production of pasteurized canned corned beef is marketed in containers each holding 12 3/4 pounds. Most of this beef is sold to institutions for slicing and making sandwiches. This product is not sterilized and does not require refrigeration. A small quantity of sterilized canned corned beef is reported to be produced in the United States at least periodically. This product is in retail-sized (12-ounce) containers and mostly used for the same purposes as the imported beef.

Structure of the domestic industry

The domestic industries that might be affected by enactment of H.R. 2502 include those that use imported canned corned beef in the manufacture of other food products (corned beef hash) as well as those that produce small amounts of canned corned beef.

Domestic canned corned beef, in 12 3/4 pound containers, is made by the Wilson Foods Corporation, Cedar Rapids, Iowa, and the domestic retail-sized canned corned beef, in 12-ounce containers, is made by the Old Ranchers Canning Company, Upland, California.

The principal U.S. food processing companies using imported canned corned beef in making corned beef hash are: Geo. A. Hormel and Co., Beloit, Wisconsin, and Stockton, California; Trenton Foods, Trenton, Missouri; Libby McNeil & Libby, Chicago, Illinois; Armour & Co., Fort Madison, Iowa, and Phoenix, Arizona; Vince Maid Co., Inc., Vineland, New Jersey; and Castelberry's Foods, Augusta, Georgia.

Normally, plants that produce corned beef hash also produce other food items.

Domestic production

Data on U.S. production of canned corned beef, as reported by the U.S. Department of Agriculture, are shown in the following tabulation:

Year	Quantity* (1,000 pounds)
1978	1,895
1979	1,676
1980	877
1981	904
1982	843

*These data include canned corned beef that is pasteurized but, unlike the imported product, not sterilized.

U.S. imports, exports, and apparent consumption

U.S. imports of canned corned beef have declined irregularly from 83 million pounds in 1978 to 69 million pounds in 1982. In 1978 Brazil had 34 percent of the import market and Argentina had 56 percent. By 1982, Brazil had 52 percent of the import market and Argentina had 43 percent. The value of imports declined from a peak of $113 million in 1980 to $74 million in 1982. Imports accounted for nearly all of U.S. consumption during 1978-82.

In 1982, imports from Brazil amounted to 36 million pounds and accounted for 52 percent of total imports, while imports from Argentina amounted to 30 million pounds, or 43 percent of the total. There were no imports from countries receiving the column 2 rate of duty.

Comparison with Present Law

The current rates of duty applicable to U.S. imports of canned corned beef covered under TSUS item 107.48 column 1 (MFN) is 3 percent. Those countries covered under column 2 would be 30 percent. The item is currently designated as eligible for duty-free treatment under the U.S. Generalized System of Preference (GSP) with certain designated countries ineligible (Brazil currently in the latter category).

As a result of the United States-Argentine Agreement Concerning Hide Exports and Other Trade Matters (TIAS 9976) the United States, among other things, lowered the post-Kennedy round column 1 rate of duty for canned corned beef from 7.5 percent ad valorem to 4.5 percent ad valorem on October 1, 1979, and to 3.0 percent ad valorem on October 1, 1980 (Pres. Proc. 4694 of September 29, 1979).

Because Argentina took action inconsistent with its obligation under the Agreement, the President terminated the Agreement (Pres. Proc. 4993 of October 30, 1982) and, among other things, the column 1 rate of duty applicable to TSUS item 107.48 will, unless some earlier action is taken with regard thereto, remain in effect until October 30, 1983, at which time it will revert to 7.5 percent ad valorem.

Effect on Revenue

Assuming a continuing level of imports consistent with 1982 levels on canned corned beef (TSUS item 107.48), the annual loss of duty revenue would be $1.2 million.

Subcommittee Action

The Subcommittee on Trade requested agency reports on this legislation from: ITC, USTR, State, Commerce, Treasury and Agriculture. The ITC submitted an informative report on June 6, 1983.

Hearings

The Subcommittee on Trade held hearings on this issue on April 27 and May 5, 1983. On April 27, the Administration testified expressing their opposition with the form of the legislation, preferring to have a bill granting Presidential negotiating authority. On May 5, the bill was supported by testimony from both the Canned and Cooked Meat Importers Association and the National Meat Canners Association.

This legislation is supported by the canned and cooked meat importers comprised of a number of small importing companies and related companies. Also, this is supported by steamship lines, port businesses, and transporters. Opposition has been raised from the Cattlemen's Association, who are, in principle, against legislation which would support meat imports.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 2502 be reported to the full Committee on Ways and Means, without amendment.

Senate Action

A companion Senate bill was introduced by Senator Mathias.

SUMMARY OF TESTIMONY ON H.R. 2502

ADMINISTRATION

U.S. Trade Representative: The Honorable William E. Brock, U.S. Trade Representative, by letter dated May 26, 1983, advised that the Administration opposes enactment as originally drafted because the U.S. has specific objectives in negotiations with the government of Brazil in which a retention or reduction of the U.S. tariff on canned corned beef could help us attain. (Subsequent, informal advice by the USTR indicates that such agreements have been reached with Brazil and that the Administration would have no objection with enactment of the legislation.)

International Trade Commission: An informative report was submitted on June 6, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

Canned & Cooked Meat Importers' Association, Jack Neaylon, SAMPCO, Inc.: Supports enactment to prevent severe market disruption in their trading relations with the principal suppliers of canned corned beef, Brazil and Argentina.

National Meat Canners' Association, Dewey Bond, Executive Secretary: Supports enactment, as there is not a need for a protected duty of this nature as there is no U.S. commercial production of canned corned beef.

Statements For The Record

Supports

Libby, McNeill & Libby, Inc., Gordon D. James, Vice President: Supports enactment because the consumer, Libby and the Canned Meat Industry in the U.S. would all benefit by the suspension of the current tariff.

Opposes

National Cattlemen's Association, William J. Waldrip, President: Opposes enactment because the tariff is modest and by removing it we would be rewarding Argentina, a country which did not live up to an agreement regarding corned beef in 1979.

H.R. 2265

Introduced by: Mr. Downey (NY), Mr. Frenzel (MN)
Date: March 23, 1983

To reduce for a two year period the duty on caffeine.

Summary of the Provision

H.R. 2265, if enacted, would temporarily extend the reduction of duty on caffeine for an additional two year period until December 31, 1985.

Section-by-Section Analysis

Section 1 of H.R. 2265, if enacted, would amend item 907.22 of the Appendix to the TSUS (19 U.S.C. 1202) by replacing the expiration date of 12/31/83 with the new date of 12/31/85. Additionally, the column 1, MFN, duty rate would be reduced from the current level of 6% ad valorem to 4.1% ad valorem.

The provision would be enacted when the current one year suspension is completed, which is December 31, 1983.

Background and Justification

In the last session of Congress as a part of H.R. 4566, section 138, the duty on caffeine was temporarily reduced from a level of 8% to its present level of 6%, such reduction to expire on December 31, 1983. The bill which had been introduced had requested a five year phase-down. The domestic industry and Commerce objected to the five year phase-down without a matching reduction from the EC, and therefore a one year trial reduction was agreed to. Subsequently, the EC has matched the reduction. STR are currently pursuing negotiations for a further mutual reduction with the EC, however it is not anticipated that negotiations will be complete by the time the current reduction expires. This two year reduction is considered as a signal to the EC of our positive intentions to pursue reduction.

During the Tokyo round of Multilateral Trade Negotiations (MTN), the United States negotiated tariff reductions on some items including caffeine, based on a staged reduction of the ad valorem equivalent determined by the Commission.

Pure caffeine is a white, odorless, crystalline powder with a bitter taste. It is one of the xanthine alkaloids and occurs naturally in coffee beans, tea leaves, and kola nuts. Caffeine is a central nervous system stimulant. Most caffeine is produced by chemical synthesis or as a by-product of the production of decaffeinated coffee.

The principal end-use for caffeine is in cola soft-drinks. As a drug, caffeine is frequently added to analgesic and cold and allergy preparations to counteract drowsiness caused by other drugs in the preparation.

In 1981, caffeine was produced domestically by Pfizer, Inc., General Foods Corp., and Certified Processing Corp. Estimated 1981 domestic production was less than 4.9 million pounds.

U.S. Imports

Virtually all caffeine is imported in bulk under TSUS item 437.02 of the TSUS. Imports of caffeine under TSUS item 438.02 are believed to be nil. Imports in 1982 totalled 3 million pounds with a value of 12 million dollars.

West Germany supplied 91 percent of the quantity of caffeine imported in the United States in 1982 and was the dominant foreign supplier during 1978-1982.

Export data for caffeine are not available, but U.S. exports of caffeine are believed to be negligible.

Comparison with Present Law

Caffeine is classifiable under TSUS item 437.02 when imported in bulk form, which is the way in which most caffeine is imported. The column 1 duty rate for item 437.02 is 8 percent ad valorem, the least developed developing country (LDDC) rate of duty is 6 percent ad valorem, and the column 2 rate of duty is 59 percent ad valorem.

Caffeine imported in dosage forms (pills, ampoules, etc.) rather than in bulk is classifiable under TSUS item 438.02, covering drugs, provided for in part 3B of schedule 4. Such caffeine would not be affected by this legislation.

Imports from all designated beneficiary developing countries under TSUS items 437.02 and 438.02 are eligible for duty-free entry under the Generalized System of Preferences.

Effect on Revenue

Based on the value of 1982 imports, the loss of customs revenue which would result from the enactment of this legislation is approximately $110,000 in 1983, $400,000 in 1984, and $350,000 in 1985.

Subcommittee Action

Agency Reports

The Subcommittee requested agency reports from ITC, State, Treasury, Commerce, USTR and Agriculture on April 6, 1983. The Subcommittee has received an informative report from the ITC. Commerce has indicated that they have no objection to enactment of H.R. 2265.

Hearings

Hearings were held regarding this legislation on April 27, 1983. The Administration expressed that they had no objection to the legislation. Testifying in support of the bill was Knoll Fine Chemicals, a consumer of caffeine. A written letter of objection was received from Pfizer Inc., the major domestic producer of caffeine. Pfizer has no objection to maintaining the current decreased level for a two year period.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 2265 be reported to the full Committee on Ways and Means, without amendment.

Senate Action

A companion Senate bill was introduced by Senator Grassley.

SUMMARY OF TESTIMONY ON H.R. 2265

ADMINISTRATION

Department of Commerce: The Administration has reported by letter dated June 8, 1983, that they have no objection to enactment of H.R. 2265. Enactment of this legislation would be indicative of the U.S. interest in further reductions of tariffs on this commodity and will hopefully initiate a reciprocal act on the part of the EC as they did last year on this item.

International Trade Commission: An informative report was submitted on May 19, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

Knoll Fine Chemicals, Donald C. Alexander, Counsel: Supports enactment because this legislation will not harm the domestic producer and offers an opportunity for the domestic producer to expand its market if it so desires.

21-795 0 - 83 - 3

H. J. Res. 290

Introduced by: Mr. Rostenkowski (IL)
Date: June 6, 1983

To permit free entry into the United States of the personal effects, equipment, and other related articles of accredited members of delegations involved in the games of the XXIII Olympiad to be held in the United States in 1984.

Section-by-Section Analysis

This bill would provide for the duty-free entry into the United States of the personal effects, equipment to be used in connection with the XXIII Olympiad, and other appropriate articles which may be prescribed by the Secretary of Treasury. This duty-free entry privilege would be extended to foreign participants, officials and other accredited members of delegations involved in the games of the XXIII Olympiad and members of the immediate families and servants of such participants, officials and accredited members.

Background and Justification

The Treasury Department is recommending this legislation be enacted to expedite the entry of certain articles and to permit the Customs Service to concentrate its resources on security matters relating to the Olympics. This joint resolution would permit the Secretary of the Treasury to issue regulations to simplify entry requirements and thus facilitate the entry of participants in the Olympics.

Regulations, developed under this Act and issued by the Secretary of the Treasury would contain provisions advising participating countries that articles accorded free entry under this provision may not be sold in the United States, and that all such articles not consumed or totally destroyed must be exported from this country. It is Customs intention that articles accorded free entry include articles for use in national displays related to the Olympics. Furthermore articles entering the United States as much as 18 months before the Olympics, to be used in preparation for the Olympics or for the World Games to be held in 1983 in preparation for the Olympics, would qualify for expedited treatment under this provision.

This initiative is in accord with the President's policy to reduce, where appropriate, the governmental formalitites related to the Olympics. The State Department is already in the process of developing a visa waiver procedures or visiting Olympics participants. It is logical that streamlined importation procedures for the participants' personal effects and equipment should also be developed.

A similar joint resolution was passed in anticipation of the 1932 Olympics held in the United States.

Comparison with Present Law

Currently, articles related to athletic events such as racing shells, javelins, bows and arrows, bicycles, yachts, canoes and special gymnastics equipment are separately provided for in the Tariff Schedules of the United States. While this classification is necessary for permanent commercial importations, it is not useful for temporary importations for the Olympics, where the clear intent is to export these articles at the conclusion of the Olympics. It is true that a temporary importation under bond can be made for each article, but that represents needless paperwork for the participating country and U.S. Customs, complicated by language barriers among 112 participating countries. Also, since some of these importations will be arriving and departing from different ports, additional paperwork for U.S. Customs will be generated. Since Customs will already be under tremendous pressure to provide maximum security to deter any possible terrorist strike as well as to provide the identification of arriving potential terrorists, not to mention to facilitate the 20 percent increase in arriving traffic for the events, it would be beneficial to devote less manpower to administer the importation of personal effects and athletic equipment by the various participating countries.

Effect on Revenue

The net effect of this legislation will most likely result in a savings to Customs which would be hardened with increasing paperwork of this were not enacted.

Subcommittee Action

Agency Reports

The Subcommittee has not requested any reports on this legislation. The Treasury Department (U.S. Customs) is encouraging passage of this bill.

Hearings

The Subcommittee did not hold any hearings on this legislation.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H. J. Res. 290 be reported to the full Committee on Ways and Means without amendment.

SUMMARY OF TESTIMONY ON H.J.RES. 290

ADMINISTRATION

Department of the Treasury: By letter dated April 22, 1983, directed to the Speaker of the House, the Department of the Treasury expressed support for this legislation.

PUBLIC WITNESSES

No testimony received.

H.R. 1583

Introduced by: Mr. Schulze (PA)
Date: February 22, 1983

To extend permanent duty-free treatment to warp knitting machines.

Summary of the Provision

H.R. 1583, if enacted, would extend permanent duty-free treatment to warp knitting machines entered or withdrawn from warehouse for consumption after June 30, 1983. This bill, as drafted, would also provide for the duty-free entry of parts for this machine.

Section-by-Section Analysis

Section 1 of H.R. 1583 would strike out item 670.20 of the TSUS and insert a new item 670.20 with a column 1, MFN rate of "free". No change in the column 2 rate is made. A new item 670.21 will be added to cover the "other" category which will be subject to all staged rate reductions previously assigned to item 670.20. Additionally, the LDDC rate would be deleted at such time as the column 2 rate of item 670.21 is reduced to a level equal or less than the LDDC rate. Item 912.14 of the Appendix to the TSUS would be repealed. The bill also provides for suspension of liquidation of duty effective July 1, 1983, pending enactment.

Section 2 of H.R. 1583 would make the provision apply to articles entered or withdrawn from warehouse for consumption after June 30, 1983.

Background and Justification

Warp knitting machines are machines which generally produce flat or open width fabrics by feeding numerous ends of yarn from warps or beams to a series of needles, each end of the warp yarn being fed to an individual needle. Warp knitting machines range from a very simple type to large machines with many rows of needles.

Warp knitting machines comprise several different categories. The two most common machines are tricot and Raschel machines. Simplex, Milanese, and Kettenraschel are other types of warp knitting machines.

U.S. textile machine manufacturers have abdicated the production of warp knitting machines to foreign producers. Today, one firm employing 10 production workers builds Raschel crochet machines, a minor type of Raschel knitting machine, in the United States. This firm, the Cidega Machine Corp. of River Edge, N.J., is a subsidiary of Joan Fabrics Corp. of Lowell, Massachusetts.

Two other firms, which are machine shops with a diversified product line, formerly made a few small laboratory models for knitting sample tricot fabrics. For the last few years, each of these firms has made only an occasional knitting machine, and each regards itself as essentially out of the business. These firms are Gibbs Machine Co., Inc., Greensboro, N.C., with about 50 employees, and Bearing Products Co., Philadelphia, PA, with about 25 employees. Two large U.S. firms (Rockwell International, Reading, PA, and Barber-Colman Co., Rockford, IL) built significant numbers of tricot and Raschel machines until 1975, these two firms withdrew from the business and have not produced any such machines since then. There is no other known production of warp knitting machines in the United States.

The value of the production of warp knitting machines in the United States is not published. Raschel crochet knitting machine sales by the Cidega Machine Corp. was less than $1.5 million annually during 1981 and 1982. Cidega exports its machines to Brazil, Mexico, the United Kingdom, and Canada. There are no other known domestic producers or exporters of warp knitting machines.

Imports under TSUS item 670.20 were as follows during 1978-82.

Year	Quantity	Value (1,000 dollars)
1978	10,924	17,846
1979	12,962	15,939
1980	16,356	12,275
1981	12,918	23,038
1982	15,125	15,494

West Germany is the world's largest producer of warp knitting machines; trade sources estimate that one West German firm, Karl Mayer, accounts for 75 percent of world sales in this product. West Germany accounted for 73 percent of all U.S. imports under item 670.20 in 1982, and 82 percent in 1981. Switzerland, Italy, Japan and the United Kingdom accounted for most of the remainder.

The only warp knitting machines known to have been made in the United States were the Raschel crochet machines built by the Cidega Corp. Duty-free entry of Raschel crochet machines competitive with those made by Cidega Machine Corp. would be permitted under this amendment of the TSUS. Such machines are imported from Italy, Switzerland and Spain, and although imports from these countries are not large by comparison with imports of warp knitting machines from West Germany, they are significant in the narrower field in which Cidega operates. We understand, however, that Joan Fabrics Corp. (the owner of Cidega Machine Corp.) takes the position that they would enjoy a net gain from the reduction of the duty rate to zero. This is premised on a consideration of the large volume of warp knitting machinery which Joan Fabrics purchases from foreign sources, compared with a much smaller sales volume from Cidega.

Comparison with Present Law

A three year temporary suspension on the imports of warp knitting machines was granted under H.R. 7004 in the 96th Congress and is due to expire on June 30, 1983.

Warp knitting machines are provided for in TSUS item 670.20. The provision covers knitting machines other than circular knitting machines, except full fashioned hosiery machines and V-bed flat knitting machines. Item 670.20 also includes flat links-and-links knitting machines and low-cost knitting machines.

The MTN staged tariff rates applicable to MFN (column 1) imports under item 670.20 are as follows:

1983 - 5.9	1986 - 5.0
1984 - 5.6	1987 - 4.7
1985 - 5.3	

The column 2 rate of duty is 40 percent ad valorem. Imports from countries subject to column 2 rates of duty amounted to $101,059 in 1982.

Articles covered by item 670.20 are listed as eligible under the Generalized System of Preferences (GSP) and are thus permitted duty-free entry into the United States when imported form designated beneficiary developing countries. During 1981 imports valued at $75,000 were entered under item 670.20 from such beneficiary developing countries. However, most, if not all, of such imports were probably not warp knitting machines.

Effect on Revenue

The average annual customs revenue loss under item 670.20 would be approximately $821,181. This estimate is based on 1982 import levels and on the staged reductions of the tariff rates targeted for 1983-87. Annual revenue estimates are shown as follows:

1983 - $914,146	1986 - 774,700
1984 - 867,660	1987 - 728,218
1985 - 821,182	

Subcommittee Action

Agency Reports

Agency reports were requested from ITC, Commerce, USTR and Treasury. Commerce has advised that the Administration has no objection to enactment of H.R. 1583. The ITC has submitted an informative report.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1583 be reported to the full Committee on Ways and Means, with a technical amendment, and with an amendment to suspend liquidation of duty on July 1, 1983, pending enactment.

Senate Action

Senate bill S. 756, a bill similar to H.R. 1583, was introduced in the Senate by Senator Chafee.

SUMMARY OF TESTIMONY ON H.R. 1583

ADMINISTRATION

Department of Commerce: The Administration by letter dated June 8, 1983, expressed their position of non-objection on this legislation as essentially there are no domestic manufacturers of warp knitting machines. Duty-free imports would promote lower investment costs for the U.S. textile industry.

International Trade Commission: An informative report was submitted on June 6, 1983.

PUBLIC WITNESSES

Statements For The Record

Supports

The Honorable Richard T. Schulze, M.C. (PA): Supports enactment because there is no domestic production of warp knitting machines. Permanent removal of the now-suspended duty will enable domestic fabric producers to accelerate their re-equipment plans.

Northern Textile Association, Karl Spilhaus, President: Supports enactment to remove a tariff that no longer serves the purpose for which it was intended, and to allow U.S. manufacturers to meet increased demands domestically and abroad.

American Apparel Manufacturers Association, G. Stewart Boswell, Director of Government Relations: Supports enactment to help the American Knitting Industry meet its low-wage foreign competition.

H.R. 1898

Introduced by: Mr. Latta (OH)
Date: March 3, 1983

To temporarily extend the suspension of duty on imported water chestnuts and bamboo shoots for a period of three years.

Summary of the Provision

H.R. 1898, if enacted, would extend the temporary suspension of duty on four categories of water chestnuts and bamboo shoots provided for in the Tariff Schedules of the U.S. for a period of three years.

Section-by-Section Analysis

Section 1 of H.R. 1898 would continue the suspension of duty on items 903.45, 903.50 and 903.55 of the TSUS (19 U.S.C. 1202) until June 30, 1986. These items cover fresh, chilled or frozen varieties, as well as preserved. The column 2 rate will not change.

Section 2 provides that this provision would apply to articles entered or withdrawn from warehouse for consumption after June 30, 1983, when the current suspension expires, and provides for suspension of liquidation in the event the legislation is not enacted prior to the time of expiration.

Background and Justification

General

A three year temporary suspension on the imports of water chestnuts and bamboo shoots was granted under H.R. 6673 in the 96th Congress and is due to expire on June 30, 1983. About $35 million worth of water chestnuts and bamboo shoots were imported in 1982, principally from Taiwan and the Peoples Republic of China (PRC), with some coming from Canada, Thailand and Guatemala. La Choy, a division of Beatrice Foods Co., is the principal initiator of this legislation, and imports in excess of 25% of these products. Processed vegetables make up the majority of these imports and processing requires large amounts of hand labor.

La Choy has an interest in enactment of permanent duty-free status, as it has entered into a joint venture agreement, known as the Guang Mai Food Company, with the PRC to process water chestnuts and bamboo shoots. The products from this venture would be for both the U.S. and the Chinese markets. La Choy plans to import .3 million pounds of vegetables in 1983.

Description

TSUS item 137.84 provides for frozen water chestnuts not reduced in size nor otherwise prepared or preserved. TSUS item 138.40 provides for frozen bamboo shoots or frozen water chestnuts that are cut, sliced, or otherwise reduced in size but not otherwise prepared or preserved. TSUS item 141.70 provides for water chestnuts, whether or not reduced in size, packed in salt, in brine, pickled, or otherwise prepared or preserved. TSUS item 141.78 provides for prepared or preserved bamboo shoots in airtight containers, whether or not reduced in size, but other than bamboo shoots packed in salt, in brine, or pickled, and other than bamboo shoots otherwise prepared or preserved.

Domestic Production

Growing water chestnuts and bamboo shoots requires a significant amount of hand labor, special technical experience, and the correct climatic conditions. For these reasons, it is believed that domestic commercial production in the United States of water chestnuts and canned bamboo shoots, if any, is limited. It is believed that exports of domestic merchandise of these articles are nil.

U.S. Imports and Apparent Consumption

U.S. imports of canned or otherwise prepared or preserved water chestnuts (item 141.70) more than doubled during 1978-82, from 22 million pounds in 1978 to 46 million pounds in 1982, and almost tripled in value from $7 million in 1978 to $19 million in 1982.

During 1978-82, Taiwan, historically the dominant supplier of water chestnuts imported into the United States, supplied a decreasing share of such imports. In 1982, the People's Republic of China (China) supplied 57 percent of the imports and Taiwan supplied 38 percent. The names of the principal U.S. importers of canned water chestnuts are not available, but it is known that the number of importers is substantial.

Imports are believed to supply all or virtually all of domestic consumption, since domestic commercial production and exports are believed to be very small or nil. The apparent U.S. consumption of canned water chestnuts averaged 30.8 million pounds during 1978-82; consumption of canned bamboo shoots averaged 28.6 million pounds during 1980-82.

Comparison With Present Law

The column 1 rates are temporarily suspended for the period December 28, 1980, through June 30, 1983, pursuant to section 106, Public Law 96-609. Pursuant to Presidential Proclamation 4980, the staged rates for bamboo shoots in airtight containers (item 141.78) entered on or after September 30, 1982, were reduced beyond the original Tokyo round reduction. The final 1987 staged rates for items 141.70 and 141.78 are applicable to products of LDDCs. All four items are eligible for duty-free entry under the Generalized System of Preferences (GSP).

When the current suspension expires on June 30, 1983, Taiwan, Thailand and Guatemala will continue to experience a duty-free status under the Generalized System of Preferences (GSP), but the PRC and Canada will experience a duty of from 7-25% on items.

Effect on Revenue

Assuming the alternative duty rates were imposed in lieu of this suspension, the annual revenue collected would amount to about $798,000, based on non-GSP imports in 1982 dutiable at the 1983 rates of duty.

Subcommittee Action

Agency Reports

The Trade Subcommittee requested agency reports from the ITC, Commerce, USTR, Treasury and Agriculture. On May 4, 1983, the ITC submitted an informative report on H.R. 1898. On April 27, 1983, the Department of Agriculture responded to the Subcommittee request and expressed opposition to the granting of a permanent duty suspension. Agriculture does not oppose an extension of the temporary suspension.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1898 be reported to the full Committee on Ways and Means, with an amendment to provide a three year suspension in lieu of a permanent suspension, and an amendment to provide a suspension of liquidation on July 1, 1983, pending enactment of the legislation.

Senate Action

Senator Percy introduced Senate bill S-1158 as companion legislation to the bill.

SUMMARY OF TESTIMONY ON H.R. 1898

ADMINISTRATION

Department of Agriculture: By letter dated April 28, 1983, the Administration expressed opposition to the legislation as originally drafted which provided for a permanent duty suspension. The Administration recommended a temporary suspension and the Subcommittee subsequently amended the bill to provide for the temporary suspension. Therefore, the Administration has no objection to the bill as currently drafted.

International Trade Commission: An informative report was submitted on May 9, 1983.

PUBLIC WITNESSES

Statements For The Record

Supports

The National Council for United States-China Trade, Roger W. Sullivan, Executive Vice President: Supports enactment because H.R. 1898 will help assure China of the sincerity of the Administration's pledge to strengthen bilateral trade, while posing no threat of domestic market disruption or industry harm.

La Choy Food Products, John G. Milliken, and Paul Bousquet, Counsel: Supports enactment because H.R. 1898 does not threaten domestic production, while consumers stand to gain from lower prices.

H.R. 1226

Introduced by: Mr. Whitten (MS), Mr. Gibbons (FL), Mr. Ray (GA)
Date: February 2, 1983

To temporarily reduce the duty on certain disposable surgical drapes and sterile gowns.

Summary of the Provision

H.R. 1226, if enacted, would amend the Tariff Schedules of the U.S. (TSUS) by inserting a new item 905.50 in the appendix to the TSUS which would equalize the rates of duty between paper products and the nonwoven manmade fiber products, and would reduce both the column 1, MFN, and column 2 rates of duty on bonded fiber fabric disposable sterile gowns of manmade fibers and bonded fiber fabric disposable surgical drapes of manmade fiber. The column 1 rates would be reduced from a high rate of 16¢/lb. + 24% (29.1%) to a rate of 5.6% ad valorem. The column 2 rates would be reduced from 76% ad valorem to 26.5% ad valorem. The reduction would be for a period of about five years, until January 1, 1989.

Section-by-Section Analysis

Section 1(a) of H.R. 1226, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the temporary duty reduction on certain disposable surgical drapes and sterile gowns (provided for in items 379.96 and 383.92, part 6F, schedule 3, and item 389.62, part 7B, schedule 3) until January 1, 1989, by inserting in numerical sequence a new TSUS item 905.50.

Section 2 provides that the temporary duty reduction will become effective on the 15th day following the enactment of the Act.

Background and Justification

The articles under consideration for temporary duty reductions are made from nonwoven manmade fiber fabric and--like their counterpart paper products--are designed for one-time use in hospitals, clinics, laboratories, or contaminated areas. The surgical drapes are sheet-like covers used in operating rooms. The sterile gowns and surgical drapes made from nonwoven manmade fiber fabric or paper are often sterilized and treated with antistatic, antimicrobial, or other chemicals.

The nonwoven manmade-fiber disposable apparel and surgical drapes are made primarily from a web of textile fibers which are assembled and held together by applying a bonding or adhesive agent or by fusing self-contained thermoplastic fibers.

The construction of the garments and surgical drapes, whether of non-woven fabrics or of paper, is similar. The nonwoven fabric and paper are cut into the desired parts which are then assembled, either by sewing, gluing, or both. The articles are usually chemically treated and then packaged and sterilized.

The nonwoven manmade-fiber product accounts for about a fourth of U.S. sales of disposable apparel and surgical drapes; the paper product accounts for the remainder. Althouth the two products are interchangeable in terms of end uses, the nonwoven product is usually softer to the touch and more resistant to liquids and linting, thereby reducing the possibility of infection. On the other hand, the paper product reinforced with manmade fibers might be more suitable for an examination gown, which is usually subject to less stress and is worn for a shorter period of time than other disposable garments.

There are approximately 10 firms producing disposable hospital gowns and surgical drapes in the United States. The two largest firms are American Converters Division of American Hospital Supply Corp., and Surgikos, a division of Johnson and Johnson. Both producers are located in Texas, and account for approximately 70 percent of the U.S. market. The following firms comprise the majority of the remaining manufacturing capability: Mars, Division of Workwear, Columbus, Mississippi; Buckeye Cellulose Division, Cincinnati, Ohio; Kendall, Neenah, Wisconsin; The Kimberly-Clark Co., Neenah, Wisconsin, which has requested the proposed legislation, accounts for about 3 percent of the market.

The two leading firms, as well as several of the smaller companies, make use of TSUS item 807.00 in the manufacture of disposable hospital apparel. Converters and Surgikos together employ approximately 1,000 people in the United States, and about 3,000 people in Mexico, to perform the assembly operations.

With the exception of Surgikos, these firms produce disposable hospital apparel and surgical drapes from both paper and from nonwoven manmade-fiber fabric. Surgikos produces these items in paper or paper reinforced with manmade-fibers. Virtually all production of nonwoven manmade-fiber fabric is accounted for by Kimberly-Clark, E.I. du Pont de Nemours & Co., and Dexter Industries. The United States is the leading country in the technological development of nonwoven manmade-fiber fabric.

Kimberly-Clark has announced that it will be constructing a new plant in LaGrange, Georgia, which will employ about 200 persons. The plant will produce a polypropylene base sheet, which is then shipped to Arizona for cutting and then to Mexico for assembly into the finished gowns and drapes. The competitive paper products are reinforced with polypropylene (55%), and therefore represent a very similar product at a significantly lesser duty (5.6%).

Imports

Leading importers of these disposable hospital apparel items were American Converters Division of American Hospital Supply, Evanston, Illinois, Surgikos Division of Johnson and Johnson, New Brunswick, New Jersey; Mars Division of Workers Corporation, Cleveland, Ohio, Buckeye Cellulose Division, Proctor and Gamble, Cinncinnati, Ohio.

Comparison With Present Law

The nonwoven manmade-fiber disposable gowns and surgical drapes are classified for tariff purposes as textile products under schedule 3 of the Tariff Schedules of the United States Annotated (TSUSA); the gowns are covered by statistical annotations to two items, while the drapes are provided for in a residual or "basket" catgory. The column 1, MFN, tariff treatment applicable to these products is as follows: Disposable apparel - 16¢ + 24% ad valorem; surgical drapes - 16¢ + 13% ad valorem.

The nonwoven manmade-fiber disposable apparel and surgical drapes are not eligible for duty-free entry under the Generalized System of Preferences (GSP), and no LDDC rates of duty are provided. However, disposable apparel and surgical drapes made from paper, classifiable in item 256.87, are eligible for duty-free treatment under the GSP, unless a product of Mexico.

Although virtually all U.S. imports of textile products made of manmade fibers are subject to control under the Multifiber Arrangement (MFA), the disposable gowns and surgical drapes made from nonwoven manmade-fiber fabric are currently excluded from restraint. Effective January 1, 1979, as a result of the textile trade agreement negotiated with Mexico, separate statistical provisions were created in the TSUSA for the disposable apparel in order to remove the items from control under the MFA.

Because production of disposable apparel is labor intensive, a number of U.S. producers have operations in Mexico to assemble the garments from parts that were cut in and shipped from the United States. The disposable apparel and other articles assembled from U.S. fabricated components and returned to the United States as finished or partially finished products enter under TSUS item 807.00. This item provides that the duty assessed on articles assembled abroad or wholly or partly with U.S. fabricated components be applied to the full value of the imported articles less the value of the U.S. components. For the most part, the duty is assessed on the value added abroad.

Effect on Revenue

Based on official import statistics for 1982, the potential loss of revenue resulting from a reduction in duty on nonwoven manmade-fiber disposable gowns (TSUSA items 383.9205 and 379.9601) would be: 1983 - $1.8 million; 1984 - $1.6 million; 1985 - $1.4 million; 1986 - $1.2 million; 1987 - $1.0 million. The loss of revenue on item 389.6265, disposable surgical drapes cannot be calculated as they are in a basket category.

Subcommittee Action

Agency Reports

The Subcommittee on Trade requested agency reports from Commerce, ITC and USTR. On April 6, 1983, the ITC submitted an informative report on this legislation to the Subcommittee. Commerce has advised that they have no objection to this legislation.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1226 be reported to the full Committee on Ways and Means, with a minor amendment on enactment date.

Senate Action

A companion bill (S-37) has been introduced in the Senate.

21-795 O - 83 - 4

SUMMARY OF TESTIMONY ON H.R. 1226

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment of this legislation as it removes an inequitable cost imposed on manufacturers of these products as a result of the current tariff structure. Enactment would provide an impetus for wider use of the bonded fabric in the production of disposable sterile gowns and surgical drapes and as this fabric is made in the U.S. it would present additional employment opportunities.

International Trade Commission: An informative report was submitted on April 18, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

Kimberly-Clark Corporation, Robert F. Reiter, Vice President, Health Care Division: Supports enactment to help rectify a competitive inadequacy in current tariffs, to enable smaller health care businesses to become more effective competitors, and to further the nation's goals of hospital cost containment.. This legislation would also correct a disparity in duty on similar products used for the same purpose.

Opposes

Surgikos, Inc., Eugene T. Rossides, Counsel: Opposes enactment because H.R. 1226, while introduced as temporary, is likely to continue and become permanent and the product for which it is intended to reduce the tariff on is not biodegradable.

Statements For The Record

Supports

The Honorable Richard Ray, M.C. (GA): Supports enactment for the opportunity to provide equal treatment for substantially equal products for a trial period during which time the impact can be fairly assessed.

Hercules Inc., Samuel A. Mabry, Manager of Federal Affairs: Supports enactment because H.R. 1226 is equitable and appropriate and would allow the 100 percent polypropylene product to compete fairly with the paper/polyester product.

Opposes

Man-Made Fiber Producers Association, Inc., Charlie W. Jones, President: Opposes enactment because they do not believe it is appropriate to arbitarily and prematurely give away a duty reduction which was arrived at in the course of international negotiations.

American Apparel Manufacturers Association, G. Stewart Boswell, Director of Government Relations: Opposes enactment because they believe it is a bad precedent to legislate duty reductions previously arrived at during the course of international negotiations.

E.I. du Pont de Nemours and Company: Opposes enactment because H.R. 1226 would undermine the textile program by basing classification of an imported textile item on its intended end-use rather than its nature as a textile product.

Angelica Uniform Group, Howard M. Zins, Chairman, Legislative Committee, American Reusable Textile Association, Inc.: Opposes enactment because the American Reusable Textile Industry would be jeopardized by tariff legislation favoring foreign manufacturing facilities.

H.R. 1967

Introduced by: Mr. Frenzel (MN)
Date: March 8, 1983

To provide for an extension of the duty reduction on certain unwrought lead for a period of five years.

Summary of the Provision

H.R. 1967, if enacted, would extend the current duty reduction on certain unwrought lead for a period of five years until June 30, 1988. The current temporary reduction was provided for by item 911.50 which is due to expire on June 30, 1983.

Section-by-Section Analysis

Section 1 of H.R. 1967 would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States by striking out 6/30/83 in item 911.50 and inserting 6/30/88. Section 114 of PL 96-609 would also be amended by striking out July 1, 1983 in subsection (b) and inserting July 1, 1988.

Section 2 of the provision would provide that the provision would be effective for articles withdrawn for consumption after June 30, 1983. Additionally, it would provide for the suspension of legislation of duty on July 1, 1983, pending enactment.

Background and Justification

This legislation was introduced as a measure to aid both producers and consumers of unwrought lead by maintaining the present treatment of unwrought lead and thereby contributing to the stability of price and supply in the primary lead market.

Lead is a soft, heavy, malleable metal that is the most corrosion resistant of the common metals. Unwrought lead is generally cast in ingots, pigs, or jumbo blocks. In the lead industry there are two distinct sources of production. Primary lead is produced by smelting and refining lead concentrates. Secondary lead is derived from the salvage of obsolete, lead-bearing products, such as battery plates, cable coverings, pipe and sheet, which are remelted and refined in secondary smelters to produce refined lead and various lead based alloys. In recent years, secondary lead has accounted for about 55 percent of total lead production.

Amax, Inc., Asarco, Inc., and St. Joe Minerals Corp. produce primary unwrought lead at 5 smelters and 4 refineries in Missouri, Montana, Texas and Nebraska. Secondary unwrought lead is produced by over 30 firms, of which 15 account for over 90 percent of the secondary production. The secondary producers include RSR Corp., GNB Battery, Inc., and Federated Metals Corp. (owned in part by Asarco, Inc.).

Domestic Production

Domestic production of unwrought lead by quantity (lead content) and value, according to the U.S. Bureau of Mines, has been as follows:

Year	Quantity (short tons)	Value (1,000 dollars)
1978	1,472,304	989,939
1979	1,521,013	1,598,023
1980	1,350,644	1,144,987
1981	1,254,619	915,221
1982	1,193,590	609,686

U.S. Imports

Imports of unwrought lead other than lead bullion (TSUS 624.03) were as follows during 1978-82:

Year	Quantity (short tons contained lead)	Value (1,000 dollars)
1978	248,467	169,847
1979	201,227	209,344
1980	89,618	87,629
1981	110,349	86,818
1982	104,561	58,604

The principal import sources in 1982 were Canada (47 percent) and Mexico (21 percent).

U.S. Exports

Exports of unwrought lead other than lead bullion were about 49,000 short tons in 1982.

Apparent U.S. Consumption

Apparent consumption of unwrought lead other than lead bullion was as follows:

Year	Quantity (short tons)	Value (1,000 dollars)
1978	1,718,019	1,157,365
1979	1,715,882	1,799,484
1980	1,328,496	1,130,592
1981	1,349,872	989,145
1982	1,249,475	637,630

Comparison With Present Law

Unwrought lead other than lead bullion is provided for in TSUS item 624.03 with a column 1 duty rate of 3.5 percent ad valorem on the value of the lead content. No LDDC rate of duty is provided, and the column 2 rate of duty is 10.0 percent ad valorem. Unwrought lead other than lead bullion is not an eligible article for purposes of the GSP and, therefore, is not eligible for duty-free entry when imported from designated beneficiary developing countries.

Before January 1, 1980, the unwrought lead provided for in TSUS item 624.03 was subject to a specific column 1 duty rate of 1.0625¢ per pound on the lead content. In 1978, the Special Representative for Trade Negotiations (STR) requested the U.S. International Trade Commission to prepare a report providing ad valorem equivalent (AVE) rates of duty for those items which were subject to specific or compound rates of duty at that time. This investigation, Conversion of Specific and Compound Rates of Duty to Ad Valorem Rates (Inv. 332-99), resulted in an AVE of 5.1 percent for item 624.03 for column 1 and 10.2 percent for column 2. The 5.1 percent figure was used as the basis for negotiations under the Tokyo round of Multilateral Trade Negotiations (MTN), and was reduced to 4 percent as a result of an MTN concession. The present column 1 rate of 3.5 percent ad valorem on the lead content was agreed to by the United States in a bilateral agreement with Mexico. As a result of high lead prices in 1978 and 1979, the column 1 duty rate for item 624.03, or 3.5 percent ad valorem on the value of the lead content, thus resulted in an effective increase in duty over the specific column 1 duty rate of 1.0625¢ per pound on lead content, which had been in effect for that item prior to January 1, 1980. The temporary duty modification provided in item 911.50 was intended not only to rectify this anomaly, but to fix as a floor the previously imposed specific rate.

Effect on Revenue

Based on the current average unit value of imports (28.0¢ per pound) and the 1982 import level, it is estimated that enactment of this legislation would result in an annual duty increase of approximately $107,755, continuing as long as the price of unwrought lead remains below 30.36¢ per pound.

Subcommittee Action

Agency Reports

The Subcommittee requested agency reports from ITC, Commerce, USTR, State, Labor, Treasury and Interior on March 21, 1983. Commerce has stated that they do not have any objection to enactment of H.R. 1967, as the bill provides a continuation of an adequate compromise between the domestic lead producer and the domestic lead consumers. Commerce would prefer to see the restriction on the Presidential authority, provided for in this bill, be deleted.

Hearings

Hearings were held on May 5, 1983, and supporting testimony from the Ethyl Corporation, a primary domestic consumer, and the Lead-Zinc Producers Committee was presented. In hearings on April 27, 1983, the Administration expressed their position of non-objection on this bill.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1967 be reported to the full Committee on Ways and Means, with a minor amendment to provide continued suspension of duty on July 1, 1983, pending enactment.

Senate Action

Senator Danforth introduced a similar bill in the Senate (S. 906).

SUMMARY OF TESTIMONY ON H.R. 1967

ADMINISTRATION

Department of Commerce: The Department of Commerce has no objection to enactment of this bill. They believe the bill provides a continuation of an adequate compromise between the lead producers and lead consumers. Expressed their concern on the provision which would limit the President's authority to modify the tariff once enacted.

International Trade Commission: An informative report was submitted on May 11, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

Ethyl Corporation, Max Turnipseed, Manager, International Trade Affairs: Supports enactment as H.R. 1967 will be in the interest of the lead industry and the United States by helping to maintain stability in an important domestic industry.

Lead-Zinc Producers Committee, Emil Romagnoli, Manager, Regulatory Affairs, ASARCO, Inc.: Supports enactment, as it is in the interest of the lead industry and the interest of the U.S. to maintain a healthy economically competitive domestic lead industry.

Statements For The Record

Supports

Battery Council International, Robert H. Wilbur, Director of Government Relations: Supports enactment because handling of the duty in this way has proved to be effective in the past two years.

Schuylkill Metals Corporation, Earl B. Cornette, Executive Vice President: Supports enactment because the lead industry can ill afford any reduction in tariffs for imported material.

H.R. 908

Introduced by: Mr. Vander Jagt (MI)
Date: January 25, 1983

To provide for a three year suspension of the duty on B-naphthol until June 30, 1986.

Summary of the Provision

H.R. 908, if enacted, would provide for a three-year suspension of the duty on B-naphthol until June 30, 1986. This would be achieved by amending the Appendix to the Tariff Schedules of the United States (TSUS) by inserting a new item 907.06 in the schedule with a column 1, MFN, duty rate of "free". The column 2 rate of duty would remain unchanged.

Section-by-Section Analysis

Section 1 of H.R. 908, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19U.S.C.1202) to provide for the temporary suspension of duty on B-naphthol (provided for in item 403.28, part 1B, schedule 4) until June 30, 1986.

Section 2 provides that the temporary duty suspension would be effective on and after the 15th day of enactment of this Act.

Background

The synthetic organic chemical, B-naphthol, is derived from naphthalene. Currently, this chemical is principally used as an intermediate in the production of pigments and dyes. Previously, the main use was as an antioxidant in synthetic rubber; however, this use has declined in the past few years. It is also used in the production of fungicides, pharmaceuticals, perfumes, and as an antiseptic. There are no significant differences in the quality of the domestic and foreign products.

Structure of the Domestic Industry

Currently, B-naphthol is not produced in the United States. During 1977-81, there was only one domestic producer, American Cyanamid Co., which manufactured this chemical at a plant in West Virginia. In 1982, this domestic producer ceased production of B-naphthol because of declining demand for use as an antioxidant for synthetic rubber and competing foreign products in other end-use areas.

U.S. Imports

In 1981, imports of B-naphthol, by quantity, were 2.9 million pounds. The majority of these imports were from Poland, Italy and West Germany. Smaller amounts were also imported from Taiwan and the People's Republic of China. The imports from Italy were primarily shipped to Montedison USA, Inc., while imports from West Germany were shipped to American Hoechst Corporation. The ITC was not able to readily identify the remaining significant volume importers; however, industry sources estimate there are approximately 8-10 importing firms in addition to the two just mentioned. There are no imports from column 2 sources.

U.S. imports for the past 5 years were as follows:

Year	Quantity (1,000 pounds)
1978	3,236
1979	2,204
1980	6,500
1981	2,893
1982	2,900

Apparent U.S. Consumption

Data for domestic consumption of B-naphthol are not available, however, an industry source indicated that domestic consumption was essentially the same as domestic production during 1971-81. In 1982, imports accounted for a more significant portion of domestic consumption, especially in the latter half of that year.

Comparison with Present Law

As a result of the Trade Agreements Act of 1979, B-naphthol is presently classified in TSUS item 403.28 (naphthols). Beta-naphthol, item 403.28 of the TSUS, has a column 1 (MFN) rate of duty of 0.2 cents per pound plus 22.7 percent ad valorem. The column 2 rate is 7 cents per pound plus 73 percent ad valorem; the LDDC rate is 20 percent ad valorem. The column 1 rate of duty is scheduled for annual staged reductions within the framework of the Tokyo round of the MTN, as shown in the following table. The chemicals classified in item 403.28 are not eligible for duty free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

The following are estimated revenue losses for a three year period, from 1983 through 1985, if this legislation were enacted. 1983 - $1,290,000; 1984 - $1,613,000; 1985 - $1,847.000.

Subcommittee Action

Agency Reports

The Trade Subcommittee requested agency reports from the Departments of ITC, Commerce and USTR. The ITC submitted an informative report dated April 13, 1983. The Administration has no objection to enactment of this legislation.

Hearings

Hearing dates of April 27, May 5, and May 10, were available for witnesses from the private sector. There were no private sector witnesses for this legislation. In hearings on April 27, 1983, the Administration expressed that they had no objection to this legislation.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 908 be reported to the full Committee on Ways and Means, with an amendment to provide a date certain. Reporting was conditional - pending introduction of a companion Senate bill.

Senate Action

A Senate bill, S-1478, was introduced in the Senate by Senator Johnston.

SUMMARY OF TESTIMONY ON H.R. 908

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment of this legislation as it will reduce the costs of the raw material for a dozen U.S. firms and will not adversely impact on any U.S. producers as there is no known U.S. production.

International Trade Commission: An informative report was submitted on April 19, 1983.

PUBLIC WITNESSES

Statements For The Record

Supports

Syntex Corporation, Lawrence A. Kirkham, Manager Corporate Customs: Supports enactment because the only U.S. manufacturer has discontinued production and has forced industrial consumers to pay a prohibitive duty on imported material for which there will be no viable domestic supplier.

BASF Wyandotte Corporation, Robert G. Thoma, Director, Public and Government Affairs: Supports enactment because there is no longer a domestic supplier of an important industrial chemical intermediate.

H.R. 1086

Introduced by: Mr. Hartnett (SC)
Date: January 31, 1983

To suspend the duty on certain menthol feedstocks until January 1, 1986.

Summary of the Provisions

H.R. 1086, if enacted, would suspend temporarily the duty on certain menthol feedstocks for a three year period until July 1, 1986. This would be achieved by inserting a new item 907.13 in the Appendix of the tariff schedules of the United States, and the column 1, MFN, duty rate for those specified mixtures would be free. The articles covered by this suspension are those mixtures containing not less than 90% by weight of stereoisomers of 2-isopropyl-5-methylcyclohexanol, but not more than 30% by weight of any one such stereoisomier. There would be no change in the column 2 rate.

Section-by-Section Analysis

Section 1 of H.R. 1086, if enacted, would amend the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the temporary suspension of duty on menthol feedstocks (provided for in item 407.16, part 1C, schedule 4) until July 1, 1986, by inserting in numerical sequence a new TSUS item 907.13.

Section 2 provides that the temporary duty suspension will become effective on the 15th day following the date of enactment of the Act.

Background and Justification

The menthol feedstocks described in this legislation are mixtures of synthetic organic chemicals produced from m-cresol. These feedstocks, which are used exclusively by Haarmann & Reimer to produce two isomers, l-menthol and dl-menthol, are crude mixtures of all eight optical isomers of menthol. They are produced by Haarmann & Reimer's parent company in West Germany and are consumed in its synthetic menthol plant in South Carolina. These mixtures have no other commercial use in the United States.

Structure of the Industry

These feedstocks are not produced in the United States. The domestic consumer must import them from its parent company in West Germany.

Although these menthol feedstocks are not produced in the United States, the final products, l-menthol and dl-menthol, are domestically produced by several firms from other raw materials. Haarmann & Reimer and SCM Corp. are producers of l-menthol; Givaudan Corp., Haarman & Reimer, Union Camp Corp., and SCM Corp. manufacture dl-menthol.

U.S. Imports

The ITC was not able to specifically identify imports of menthol feedstocks during 1977-82, from either column 1 or column 2 sources. According to the only U.S. importer of these mixtures, Haarmann & Reimer Corp., Springfield, New Jersey, the following quantities were imported from West Germany during 1977-81:

Year	Quantity (1,000 pounds)
1977	440
1978	1,320
1979	1,430
1980	1,540
1981	1,720

In 1981, U.S. imports of these mixtures were valued at approximately $2.7 million. In 1982, U.S. imports were 2.4 millon pounds valued at $3.5 million on a C.I.F. basis.

Comparison with Present Law

As a result of the Trade Agreements Act of 1979, these feedstocks are presently classified in TSUS item 407.16. This item includes other mixtures in whole or in part of any of the products provided for in subpart B of part 1, schedule 4 of the TSUS. Item 407.16 has a column 1 (MFN) rate of duty of 1.7 cents per pound and 13.6 percent ad valorem, but not less than the highest rate applicable to any component material. The column 2 rate is 7 cents per pound and 43.5 percent ad valorem, but not less than the highest rate applicable to any component material. No LDDC rate is provided. The column 1 rate of duty is not scheduled for further reductions within the framework of the Tokyo round of the MTN. The commodities classified in TSUS item 407.16 are eligible for duty-free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

Based on estimates by the importer of the level and value of these mixtures, the following are potential customs annual revenue losses for a three year period from 1983 through 1985: 1983 - $625,000; 1984 - $610,000; 1985 - $629,000.

Subcommittee Action

Agency Reports

The Trade Subcommittee requested agency reports from the Departments of ITC, USTR, Commerce and Treasury. On April 6, 1983, the ITC submitted an informative report for information. Commerce has no objection to enactment of H.R. 1086.

Hearings

Hearing dates April 27, May 5, and May 10 were available for hearing. There were no private sector witnesses for this legislation, which is essentially noncontroversial. The Administration expressed that they had no objection to enactment of this legislation.

Markup

On June 7, 1983, the Subcommittee on Trade ordered reported, by voice vote, that H.R. 1086 be reported to the full Committee on Ways and Means, with a minor amendment on enactment date.

Senate Action

A companion Senate bill, S-221, has been introduced in the Senate by Senator Thurmond.

SUMMARY OF TESTIMONY ON H.R. 1086

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment of this legislation as there are no domestic producers of these feedstocks and it would therefore have no negative impact on a domestic industry.

International Trade Commission: An informative report was submitted on April 18, 1983.

PUBLIC WITNESSES

Statements For The Record

Supports

The Honorable Thomas F. Hartnett, M.C. (SC): Supports enactment of H.R. 1086 to eliminate a penalty which, if not removed, could put an American plant out of business.

H.R. 1620

Introduced by: Mr. Pease (OH)
Date: February 23, 1983

To extend until the close of June 30, 1988, the existing suspension of duties on flat knitting machines.

Summary of Provision

H.R. 1620, if enacted, would extend for an additional five years, until July 1, 1988, the existing suspension of duties on power driven flat knitting machines over 20 inches in width.

Section-by-Section Analysis

Section 1 of H.R. 1620, if enacted, would amend the Appendix of the TSUS (19 U.S.C. 1202) item 912.13 by striking out 6/30/83 and inserting in lieu thereof 6/30/88. Additionally, this item would be amended so as to provide the duty-free treatment of parts for items 670.19, 670.20 and 670.74.

Section 2 provides that the provision would be effective on or after the 15th day after the date of enactment of the Act and, additionally, would provide for the continued duty suspension on articles entered after June 30, 1983, and before such effective date.

Background and Justification

Knitting is the process of forming fabric by creating interlocking loops of yarn, each loop hanging from another. Machines which manufacture such fabric consist of yarn feeds; needle housings in which replaceable hooked needles are installed; cams; drives; and fabric take-up mechanisms. Industrial machines are usually powered by electric motors; other machines may be driven manually. When a machine is operating, the hooked needles move within their respective housings in a manner determined by the cam settings. Each needle in its turn moves through an old loop, hooks onto a yarn end and pulls it through the old loop which is then cast off.

This procedure is accomplished differently in two major types of machines--circular and flat-bed. In a circular knitting machine, the needle housings (or slots) are in a cylinder, positioned over a set of cams which engage the needle butts. As the cylinder rotates over the cams (or in some machines, as the cams rotate in relation to a stationary cylinder), the needles rise and fall as the needle butts pass over the cams.

Flat-bed knitting machines are distinguished by the flat rather than circular configuration of the needle bed. Two major types of flat knitting machines are the V-bed machine and the links-and-links machine. The V-bed machine is characterized by two needle beds forming a 90-degree angle (as in an inverted V) with the needles crossing at the apex in the course of pulling down loops. V-bed machines are very versatile and can be used to manufacture garment fronts, backs, and sleeves for sweaters, as well as straight yarn goods. In the United States, V-beds are typically used to manufacture collars, cuffs and trim. However, the only V-bed machine manufactured in this country is a narrow-bed machine used for making narrow fabrics such as trim and strapping.

A second major type of flat-bed knitting machine is the links-and-links, or purl machine. This machine includes a pair of needlebeds opposite each other but with both needlebeds on the same horizontal plane. The intervening area is spanned by needles with hooks at both ends. The needles can be transferred from one bed to the other, and can knit on either end depending on the setting of the controlling cams. The characteristic purl stitch of this machine produces a "stretchy" fabric identical on both sides. More intricate cam settings can result in complicated stitching sequences which can duplicate virtually any hand-knit design.

U.S. Production and Exports

One U.S. firm, Lamb Knitting Machine Corp., (Lamb) Chicopee, Massachusetts, reports that it manufactures negligible amounts of similar knitting machines. Lamb, which employs 10 to 12 people, states that it produces a few narrow-bed, V-bed flat knitting machines for the manufacture of braiding, strapping, and trimming materials. Lamb reports that major markets for exports of its machines include the United Kingdom, West Germany, Greece and South Africa. There are no other known producers or exports of these machines.

U.S. Imports and Consumption

During 1981 and 1982, annual imports under item 670.19, V-bed flat knitting machines, has run about 1,200 units with a value of about $6 million.

During the period 1978-82, the annual West German share of the U.S. import market ranged between 35 and 62 percent, by value, whereas the combined West German and Swiss share annually accounted for 64 to 85 percent of total imports. Industry sources report that three companies dominate the U.S. import market. They are Universal Maschinefabrik and Stoll & Co., both located in West Germany, and Edouard Dubied & Cie S.A. of Switzerland.

Industry sources, including the U.S. manufacturer (Lamb) are of the opinion that import competition would not increase significantly as a result of the continuation of duty-free imports under TSUS item 670.19. The U.S. manufacturer has supplied the domestic market for narrow-bed knitting machinery almost entirely in recent years. The market for knitting machines such as those produced by Lamb has diminished since 1973 when the double-knit boom, which had stimulated sales of narrow-bed machines as an auxiliary to some double-knit operations, began its steep decline.

Annual U.S. imports under item 670.20 during 1978-82, approximately 30 percent of which consisted of flat-bed knitting machinery, were as follows:

Year	Entered Value (1,000 dollars)
1978	17,846
1979	15,939
1980	12,405
1981	23,038
1982	15,494

The U.S. import market for flat-bed knitting machines classified in item 670.20 is dominated by the same three firms (listed previously) which supply the bulk of U.S. imports under item 670.19. A Japanese firm and four Italian firms together comprise a minor import share. U.S. consumption during 1978-82 was satisfied entirely by imports.

Comparison with Present Law

Flat knitting machines currently enjoy a three year suspension provided under PL 96-609. V-bed flat knitting machines, both power-driven and manual, are provided for in TSUS item 670.19. Other power driven flat knitting machines are provided for in TSUS item 670.20. This provision (670.20) covers knitting machines other than circular machines, except full-fashioned hosiery machines and V-bed flat knitting machines. The knitting machines covered by item 670.20 include warp knitting machines, certain manual knitting equipment, and flat knitting machines other than V-bed; e.g., links-and-links machines.

The MTN staged tariff rates applicable to column 1 imports under items 670.19 and 670.20 are as follows:

(In percent ad valorem)

Item	January 1 -- 1980	1981	1982	1983	1984	1985	1986	1987
670.19--	7.6	7.3	6.9	6.6	6.2	5.8	5.5	5.1
670.20--	6.7	6.4	6.1	5.9	5.6	5.3	5.0	4.7

The column 2 rate of duty is 40 percent ad valorem for both items. There were no imports from countries subject to column 2 rates of duty in 1982 under 670.19.

Articles covered by items 670.19 and 670.20 are eligible under the Generalized System of Preferences (GSP) and are permitted duty-free entry into the United States when imported from designated beneficiary developing countries.

Effect on Revenue

The average annual customs revenue loss under item 670.19 would be approximately $256,336; the average annual loss under item 670.20 would be approximately $235,199, bringing the combined average annual loss of customs revenue to $491,535.

Subcommittee Action

Agency Reports

The Trade Subcommittee requested agency reports from the Departments of Commerce, USTR, ITC and Treasury. The ITC submitted an informative report dated April 28, 1983. The Administration has no objection to enactment of this legislation.

Hearings

Hearings were held on this legislation on April 27 and May 5, 1983. The Administration testified on April 27 and advised that they had no objection to the legislation. The National Knitwear and Sportswear Association testified in support of the bill on May 5, 1983.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R 1620 be reported to the full Committee on Ways and Means, with an amendment to include parts of such machines in the suspension and to provide suspension of liquidation of duty on July 1, 1983, pending enactment of the legislation.

Senate Action

A similar bill to this has been introduced in the Senate by Senator Heinz. It is Senate bill S-583.

SUMMARY OF TESTIMONY ON H.R. 1620

ADMINISTRATION

Department of Commerce: The Administration has no objection as there are no domestic manufacturers of this equipment. Duty-free entry would promote lower investment costs for the U.S. textile industry.

International Trade Commission: An informative report was submitted on May 5, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

National Knitwear and Sportswear Association, Nobert Hibshman, Vice President (President, Lion Knitting Mills): Supports enactment to preserve assistance to the domestic industry.

The American Apparel Manufacturers Association (AAMA): Supports enactment as these machines are not produced in the U.S. and are required to help the American knitting industry, heavily impacted by foreign imports, meet its low-wage foreign competition.

H.R. 1667

Introduced by: Mr. Russo (IL), Mr. Rostenkowski (IL)
Date: February 24, 1983

To suspend the duty on MXDA and 1,3-BAC for a three year period until July 1, 1986.

Summary of the Provision

H.R. 1667, if enacted, would suspend the duty on MXDA (meta-Xylene-Diamine) and 1,3-BAC (1,3-Bis[aminomethyl]-cyclohexane) for a period of three years until July 1, 1986.

Section-by-Section Analysis

Section 1 of H.R. 1667, if enacted, would amend subpart B of part 1 of the Appendix to the TSUS (19 U.S.C. 1202) by inserting in numerical sequence new item 907.03 and 907.04 to cover these two chemicals with a column 1, MFN, duty rate of "free". There will be no change in the column 2 duty.

Section 2 provides that this provision would be effective on or after the 15th day after the date of enactment of the Act.

Background and Justification

MXDA and 1,3-BAC are used by the Sherwin-Williams Company of Illinois to produce epoxy curing agents, engineering type nylons, certain epoxies and diisocyarates. 1,3-BAC is produced from MXDA, which is produced from meta-Xylene, a compound which may be used in solvents or insecticides or as an intermediate in dyes. These are used in the manufacturing of glues for aerospace, nylons of high tensile strength and temperature stresses, epoxy curing agents and urethene systems used in flooring, adhesives, coatings, sealants and casting compounds.

1,3-BAC has an advantage of being resistant to ultraviolet light.

Sherwin Williams produces the base chemical IPN at its Chicago plant. This is then shipped to Japan for hydrogenation. MXDA and 1,3-BAC are then supplied to Sherwin Williams for its market development. Sherwin Williams claims they will construct facilities to handle the intermediate process if a market develops for these materials. Suspension of the duty will help enhance the market development, in Sherwin-Williams' views.

There are two competitive products which may fulfill some, but not all, of the uses of these products. These are IPDA (sophorene diamine) imported from Germany and MDA (menthyl diamiline), which DuPont has the capability to manufacture.

During the past five years, these two chemicals have not been produced commercially in the United States. Sherwin-Williams has surveyed other domestic chemical firms in an effort to obtain a domestic producer, but the relatively small amounts required at the present time are insufficient to justify the cost of constructing and maintaining production facilities for these chemicals.

U.S. Imports

In 1982, imports of MXDA, by quantity, were approximately 36,000 pounds from Japan. Imports of 1,3-BAC during that year amounted to approximately 7,000 pounds, also from Japan. The only importer of these chemicals during the past five years was Sherwin-Williams Co.

Comparison with Present Law

As a result of the Trade Agreements Act of 1979, MXDA is presently classified in TSUS item 404.88, other amines and their derivatives provided for in the Chemical Appendix to the TSUS. 1,3-BAC is classified in TSUS item 407.05, other benzenoid-derived products not provided for in subpart A or C of part 1 which are provided for in the Chemical Appendix to the TSUS. Item 404.88 has a column 1 (MFN) duty rate of 1.4 cents per pound plus 18.8 percent ad valorem. The column 2 rate is 7 cents per pound plus 60 percent ad valorem, and the LDDC rate is 1.1 cents per pound plus 18.8 percent ad valorem. Item 407.05 has a column 1 (MFN) duty rate of 1.7 cents per pound plus 16.8 percent ad valorem, a column 2 rate of 7 cents per pound plus 53.5 percent ad valorem, and no LDDC rate of duty. The column 1 rate of duty for item 404.88 is scheduled for annual staged reductions within the framework of the Tokyo round of the MTN. Item 407.05 is not scheduled for any staged reductions. The chemicals classified in items 404.88 and 407.05 are not eligible for duty-free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

The following are estimated revenue losses for a three-year period from 1983 through 1985: 1983 - $41,000; 1984 - $74,000; 1985 - $134,000.

Subcommittee Action

Agency Reports

The Trade Subcommittee requested agency reports from the following agencies: ITC, Commerce, USTR and Treasury. The ITC submitted an informative report dated April 22, 1983. The Commerce Department has expressed that they do not have any objection to enactment of this legislation.

Hearings

Hearings were held on this legislation on April 27 and May 5, 1983. The Sherwin-Williams Company testified in support of the bill on May 5. The Administration expressed their position of non-objection on April 27.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R 1667 be reported to the full Committee on Ways and Means, with amendments to modify the effective date and to provide separate item numbers for the chemicals.

Senate Action

A companion Senate bill, S-1372, was introduced by Senator Percy on May 25, 1983.

SUMMARY OF TESTIMONY ON H.R. 1667

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment of this legislation as it would have no direct negative impact on any domestic producers. Believe that the duty suspension will enable U.S. purchasers to minimize costs and develop a U.S. market for these products and new employment opportunities.

International Trade Commission: An informative report was submitted on April 29, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

Sherwin-Williams Company, Frank E. Butler, President, Sherwin-Williams Chemical Division: Supports enactment as a means of assuring the eventual addition of these valuable chemicals to the domestic industrial base. This will allow Sherwin-Williams the opportunity to develop new markets for the products and allow construction of new facilities estimated to cost $10 million.

H.R. 1888

Introduced by: Mr. Jenkins (GA)
Date: March 3, 1983

To extend for a period of three years until June 30, 1987, the existing suspension of duty on crude feathers and down.

Summary of the Provision

H.R. 1888, if enacted, would extend the suspension of crude feathers and down for a period of three years. This would be achieved by amending the Appendix of the TSUS items 903.70 and 903.80 by striking out the date 6/30/84 and inserting in lieu thereof the date 6/30/87.

Section-by-Section Analysis

Section 1 of H.R. 1888, if enacted, would amend items 903.70 and 903.80 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the three year extension of the suspension of duty on crude feathers and down until June 30, 1987. This would be amended by striking out "on or before 6/30/84" and inserting in lieu thereof "on or before 6/30/87".

Section 2 provides that the extension of duty suspension will become effective on June 30, 1984.

Background and Justification

Feathers and down are unique to birds and are composed of the protein substance keratin. They are valued for their light weight and insulating qualities.

Feathers are elongated and flat and consist of a rigid stem (quill) with fibers extending on opposing sides. There are two principal types of feathers--fancy and bedding. The fancy type ususally is composed of large wing or tail feathers from various wild birds, chickens, ducks and geese. Most of these are used for decorative purposes such as in millinery and fancy clothing. Some fancy feathers, especially neck feathers (hackles) of certain birds, are used to make artificial flies for fishing.

Down consists of an irregularly spherical mass of fuzzy fibers emanating from a common point on the quill. Down is softer, more resilient, and has better insulating characteristics than feathers and is in more limited supply, thus making it more valuable. Down is obtained mainly from waterfowl and is far more expensive than feathers.

Waterfowl feathers and down (especially those from geese) have better insulating characteristics than do feathers from chickens and other birds and, therefore, are in greater demand and are more expensive. Although there are no apparent qualitative or functional differences, white feathers and down generally command a higher price than do those of other colors.

In the United States, the principal use of bedding feathers and down is in pillows. Chicken feathers are used in low-priced pillows. Waterfowl feathers and down, as well as mixtures of the two, are used in more expensive pillows and in expensive comforters, sleeping bags and cold weather clothing. In recent years there has been increased demand for down for sporting goods and clothing. Down alone is customarily used in medium- and high-priced pillows.

Structure of the Domestic Industry

Almost all domestically produced feathers and down are obtained as a by-product of raising chickens, turkeys, ducks and geese for meat. U.S. poultrymen, except those raising ducks and geese, give relatively little consideration to the price of feathers and down in determining the size of their flocks. At current price levels, the sale of waterfowl feathers and down appears to provide a significant source of income for domestic duck and goose producers. A small quantity of feathers and down is salvaged annually from wild pheasants and ducks.

Several concerns specialize in the collection, cleaning and sorting of domestic bedding feathers and down in the United States; many of them also handle imported feathers and down. Most operate near Chicago or New York City.

The collection and sorting of domestic fancy feathers and the importing of foreign fancy feathers are done largely by importer-dealers, which maintain large stocks of both crude feathers and feathers dyed or further advanced in condition. These importer-dealers sell chiefly to millinery manufacturers, which may also imort fancy feathers on their own account.

Domestic Production

U.S. production of feathers and down affected by this legislation is estimated to have been about 15 million pounds annually in recent years. The bulk of such production is of chicken feathers. About 3 million to 5 million pounds of waterfowl feathers and down are estimated to be produced annually; the bulk is from ducks, with U.S. production of goose feathers and down estimated at less than 0.5 million pounds annually.

U.S. Imports

U.S. imports of feathers and down fluctuated during 1978-82, ranging from a low of 10 million pounds valued at $38 million in 1979, to a high of 17 million pounds valued at $74 million in 1981. Virtually all U.S. imports consist of waterfowl feathers and down which are largely imported in the unprocessed and crude state. Most are baled and shipped in the unprocessed state, because if feathers and down are baled after being cleaned, they must be reprocessed to regain their bulk, thus adding an extra expense.

The People's Republic of China (China) generally was the leading supplier of feathers and down to the United States during 1978-82. China is the world's major producer of waterfowl feathers and down, as waterfowl are important in the diet of people in that country. China accounted for an annual average of about 39 percent of the total quantity and about 32 percent of the total value of all feathers and down imported by the United States during 1978-82. Other major suppliers were France, West Germany and Yugoslavia.

Major importers, many of which also process feathers and down, include Northern Feather Incorporated, New Jersey; Knickerbocker Feather Company, New York; Pacific Coast Feather Co., Washington; N. Summergrade and Sons, New Jersey; Pillowtex Corp., Texas; Purofied Down Products Corp., New Jersey; York Feather and Down Corp., New York; and Sanydown Feather Corp., New York.

U.S. Exports

U.S. exports of feathers and down ranged from a low of 3 million pounds valued at $15 million in 1978, to a high of 6 million pounds valued at $47 million in 1981. The Republic of Korea was the principal U.S. export market for feathers and down during 1978-82, accounting for an average of about one-fifth of the total quantity and about one-half of the total value of U.S. exports during the period. Other major markets include Japan, Taiwan and Canada.

Comparison With Present Law

The feathers and down which are the subject of this legislation are provided for in item 186.15, with a column 1 rate of duty of 7.5 percent ad valorem and a column 2 rate of duty of 20 percent ad valorem. The column 1 rate was reduced from 15 percent ad valorem on January 1, 1980, as a result of the Tokyo round of the Multilateral Trade Negotiations (MTN). It is not scheduled for further reduction. Imports classifiable under item 186.15 are eligible for duty-free treatment under the Generalized System of Preferences, if a product of a designated beneficiary developing country.

The column 1 rate of duty on imports of cleaned feathers and down, other than ostrich (TSUSA items 186.1660 and 186.1555), was temporarily suspended effective April 24, 1975 (Public Law 93-480), as were both the colunn 1 and column 2 rates of duty for uncleaned feathers and down, other than ostrich (TSUSA items 186.1560 and 186.1565). The suspension was enacted to correct an anomaly in the TSUS in that certain feather- and down-filled garments were dutiable at 7 percent ad valorem, while feathers and down, the principal input, were dutiable at 15 percent ad valorem. The temporary duty suspension expired after June 30, 1979, but was reinstated on October 17, 1980 (Public Law 96-467), until June 30, 1984. These modifications are reflected in the Appendix to the Tariff Schedules under TSUS items 903.70 and 903.80.

Effect on Revenue

Based on the current rates of duty on crude feathers and down and on the 1982 level of imports, the estimated annual loss of revenue would be $4 million, or $12 million for the duration of the legislation. This figure takes into account the fact that China now receives most-favored-nation treatment under column 1 of the TSUS.

Subcommittee Action

Agency Reports

The Subcommittee on Trade requested reports from the following agencies: ITC, Commerce, USTR, Treasury and Agriculture. On May 11, 1983, the Subcommittee was provided with an informative report from the ITC on this legislation.

Hearings

The Subcommittee held hearings on April 27 and May 10, 1983, on this bill. The Administration testified that they had no objection to the bill on May 10, 1983. On May 5, 1983, the American Apparel Manufacturers Association testified in support of the legislation.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1888 be reported to the full Committee on Ways and Means, with an amendment to suspend the duty for three years in lieu of a five year suspension, and certain minor technical amendments.

Senate Action

Senator Heinz from Pennsylvania has introduced a companion bill, S-847, in the Senate.

SUMMARY OF TESTIMONY ON H.R. 1888

ADMINISTRATION

Department of Commerce: The Administration has no objection as the continued suspension of duty is necessary to allow U.S. manufacturers of products containing feathers and down to compete with imported products.

International Trade Commission: An informative report was submitted on May 11, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

American Apparel Manufacturers Association, John Silverthorne, Chairman, Pillowtex Corporation: Supports enactment to continue the existing duty suspension in order to protect the domestic industry.

H.R. 1951

Introduced by: Mr. Ratchford (CN)
Date: March 7, 1983

To suspend temporarily the duty on 4,4-Bis(a,a-dimethylbenzyl) diphenylamine.

Summary of the Provision

H.R. 1951, if enacted, would suspend temporarily the duty on 4,4-Bis(a,a-dimethylbenzyl)diphenylamine for a period of three years until June 30, 1986.

Section-by-Section Analysis

Section 1 of H.R. 1951, if enacted, would amend the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the temporary suspension of duty on 4,4-Bis(a,a-dimethylbenzyl) diphenylamine (provided for in item 404.88, part 1B, schedule 4) until June 30, 1986, by inserting in numerical sequence a new TSUS item 907.06

Section 2 provides that the temporary duty suspension will become effective on the 15th day after the date of enactment of the Act.

Background and Justification

Dimethylbenzyldiphenylamine is an antioxidant used for stabilizing polymers in urethene polymers, elastomers, plastics and resins and lubricating oils. Included among the uses of this chemical are polyether polyols and rubber and plastic wire and cable insulation. This product is currently manufactured only by Uniroyal, Inc.

Uniroyal currently manufactures this chemical at it s Elmira, Ontario, plant. The domestic plant at Naugatruh, Connecticut, which had been used to produce this chemical, is now fully utilized in the manufacture of pesticides. Therefore, the domestic consumer must now rely on imports from its Canadian plant as its only source of this chemical. The legislation would suspend the duty on this chemical; this duty presently increases the manufacturing costs of the derivative products and raises the ultimate costs to domestic and foreign purchasers.

U.S. Imports

During 1978-82, imports of this chemical were relatively small, according to an industry source, because domestic production was able to satisfy demand. In 1982, imports gradually increased as producton shifted to Canada, amounting to approximately 400,000 pounds valued at $660,000. These imports were essentially between Uniroyal's Canadian subsidiary and its domestic chemical division.

U.S. Exports

According to an industry source, exports were estimated at approximately 70,000 pounds per year during 1978-82, mainly to Japan.

Comparison With Present Law

As a result of the Trade Agreements Act of 1979, 4,4-Bis(a,a-dimethylbenzyl)diphenylamine is presently classified in TSUS item 404.88, other amines and their derivatives provided for in the Chemical Appendix to the TSUS. Item 404.88 has a column 1 (MFN) duty rate of 1.4 cents per pound plus 18.8 percent ad valorem. The column 2 rate is 7 cents per pound plus 60 percent ad valorem, and the LDDC rate is 1.1 cents per pound plus 18.8 percent ad valorem. The column 1 rate of duty is scheduled for annual staged reductions within the framework of the Tokyo round of the MTN. The chemicals classified in item 404.88 are not eligible for duty-free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

The following are estimated revenue losses for the three year period from 1983 through 1985: 1983 - $325,000; 1984 - $356,000; 1985 - $387,000.

Subcommittee Action

Agency Reports

The Trade Subcommittee requested reports from the following agencies: ITC, Commerce, USTR, State and Treasury. On May 17, 1983, the ITC submitted an informative report on this legislation. Commerce has indicated that they have no objection to this legislation.

Hearings

Hearings were held on April 27 and May 5, 1983, on this legislation. Uniroyal Chemical testified in support of the legislation on May 5, and the Administration expressed their position of non-objection on April 27.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1951 be reported to the full Committee on Ways and Means, with a minor amendment on enactment date.

Senate Action

A similar Senate bill, S-1266, was introduced by Senator Dodd on May 11, 1983.

21-795 O - 83 - 6

SUMMARY OF TESTIMONY ON H.R. 1951

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment as there is no domestic production of this chemical. The duty suspension would benefit U.S. domestic users of the product at no cost to a U.S. producer.

International Trade Commission: An informative report was submitted on May 19, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

The Honorable William R. Ratchford, M.C. (CN): Supports enactment to reduce an onerous burden on Uniroyal while benefitting U.S. consumers, by avoiding unnecessary price increases.

Uniroyal Chemical, Jerry Hollmann, Market Development Specialist for Polymer Additives: Supports enactment because suspension of the duty will correct an unintended result of the classification of this chemical and avoid an unnecessary burden for Uniroyal's customers.

H.R. 1995

Introduced by: Mr. Frenzel (MN)
Date: March 9, 1983

To suspend for the duty on the chemical Flecainide acetate until June 30, 1986.

Summary of the Provision

H.R. 1995, if enacted, would suspend the duty on Flecainide acetate until June 30, 1986. This would be achieved by amending the Appendix of the TSUS and inserting a new item 907.21 for this chemical, and would provide a column 1, MFN, duty of "free". There would be no change in the column 2 rate.

Section-by-Section Analysis

Section 1 of H.R. 1995, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the temporary suspension of duty on Flecainide acetate (provided for in item 412.12, part 1C, schedule 4) until June 30, 1986, by inserting in numerical sequence a new TSUS item 907.21.

Section 2 provides that the temporary duty suspension will become effective on or after the 15th day after the date of enactment of the Act.

Background and Justification

This drug, which will be imported in its finished state if approved by the Food and Drug Administration (FDA), will be used to assist in treating certain heart problems. The drug is partially processed in the United States but then must be sent overseas to be finished, as the facilities to finish the process are not available in the U.S.

If approved by the Food and Drug Administration, flecainide acetate will be used as a cardiac depressant (anti-arrhythmic) agent. Currently, the FDA lists flecainide acetate as an investigatory new drug in the clinical trial stage.

About 30 to 40 anti-arrhythmic drugs are currently available. Since it is rarely possible to predict the patient response to a given drug of this type, it is often necessary to try various drugs, either alone or in combination. In practice, the physician's proper choice of a drug or drugs for the treatment of cardiac arrhythmias is largely empirical.

Flecainide acetate is not produced in the United States. Several anti-arrhythmic drugs are produced in the United States but, in view of the variable patient response to drugs of this type, to characterize domestically produced drugs as "like" or "directly competitive" with flecainide acetate would be inaccurate. At present domestic consumption is negligible as, until approval is obtained, it is only being used in certain clinical trials.

Comparison With Present Law

Flecainide acetate is classified under TSUS item 412.12 as a cardiovascular drug not provided for in the Chemical Appendix to the TSUS. Prior to July 1980, the column 1 rate of duty was 1.7 cents per pound plus 12.5 percent ad valorem. Effective July 1, 1980, this rate was reduced to 8 percent ad valorem. The current column 1 rate of duty reflects the full U.S. Multilateral Trade Negotiations (MTN) concession rate implemented without staging for articles classifiable under TSUS item 412.12. The column 2 rate of duty is 7 cents per pound plus 65 percent ad valorem.

Imports from designated beneficiary developing countries under TSUS item 412.12 are not eligible for duty-free entry under the Generalized System of Preferences (GSP). There is no concession rate for products of LDDCs.

Effect on Revenue

Since current imports of flecainide acetate are negligible, immediate loss of revenue upon enactment of this legislation would also be negligible. Any estimate of future loss of revenue is necessarily hypothetical. The prospective importer projects annual imports valued at about $1.2 million upon FDA approval. If so, the annual loss of revenue would be about $96,000.

Subcommittee Action

Agency Reports

The Subcommittee on Trade requested the following agency reports: ITC, Commerce, USTR, State and Treasury. An informal report was received from the ITC on May 19, 1983. Commerce has indicated that they have no objection to this legislation.

Hearings

Hearings were held on a group of these bills on April 27, May 5, and May 10, 1983. There was no testimony on this bill presented. The Administration presented their position of non-objection during testimony on April 27, 1983.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1995 be reported to the full Committee on Ways and Means, with amendment to provide a date certain and an amendment to modify the enactment date.

Senate Action

A companion Senate bill, S-1442, was introduced in the Senate by Senator Durenberger on June 9, 1983.

SUMMARY OF TESTIMONY ON H.R. 1995

ADMINISTRATION

Department of Commerce: The Administration by letter dated June 8, 1983, expressed their non-objection to H.R. 1995 as there are no domestic manufacturers of this drug used to treat heart arrhythmias. Although there may be competitive drugs in terms of performance this alternative should be made available if approved by the Food and Drug Administration.

International Trade Commission: An informative report was submitted on May 26, 1983.

PUBLIC WITNESSES

Statements For The Record

Supports

3M Company, Mr. Ronald O. Baukol, General Manager of Riker Laboratories, Inc., Minnesota Mining and Manufacturing Company: Supports enactment to modify and resolve difficulties in the subpart B of part I of the Tariff Schedules to remove a counter productive duty.

H.R. 2206

Introduced by: Mr. Ireland (FL)
Date: March 21, 1983

To continue the existing suspension of duties on certain unwrought alloys of cobalt until the close of June 30, 1986.

Summary of the Provision

H.R. 2206, if enacted, would continue the suspension of duties on certain unwrought alloys of cobalt for an additional three years until the close of June 30, 1986.

Section-by-Section Analysis

Section 1 of H.R. 2206, if enacted, would amend the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the continued temporary suspension of duty on unwrought alloys of cobalt until June 30, 1986, by striking out "6/30/83" and inserting in lieu thereof "6/30/86".

Section 2 provides that the continued temporary duty suspension will apply to articles entered or withdrawn from warehouse after the 15th day of enactment. Additionally, it would provide for suspension of duty after June 30, 1983, until the 15th day after enactment.

Background and Justification

Unwrought alloys of cobalt covered under TSUS item 632.88 would have a duty of 7.3% if this were not enacted. The duty suspension on the element was first granted under PL 96-467, which provided a suspension of duty on cobalt until June 30, 1982. Under the Omnibus Tariff Bill H.R. 4566 and PL-97-446, the duty suspension was extended for an additional one year period until June 30, 1983. This legislation seeks an additional three year extension.

Cobalt is a hard, tough, silvery-gray metallic element. Pure cobalt (defined as a minimum of 99% cobalt) currently enjoys an exemption of duty due to the limited domestic supply and the demand for the cobalt. This bill covers those low grade materials which have a significant cobalt content of between 90 and 96 percent cobalt and do not meet the 99% pure specification and hence would be subject to a 7.3% duty. These low grade materials, carefully chosen on a lot-by-lot basis, can be processed for their cobalt content, but do not lend themselves to the manufacture of high purity metal. Currently about 5-10% of the annual consumption of cobalt comes from these low grade ones which otherwise may be lost in the international markets. These cobalt alloys are used primarily to produce magnets.

Pure cobalt is one of several vital alloying elements in the aerospace and electrical-product industries. In most of its alloying applications, cobalt imparts heat resistance, high strength, wear resistance, and superior magnetic properties. Major metallic uses are in permanent magnets, cemented carbides, cutting tools, jet engine parts, and electrical devices.

Amax, Inc. (Port Nickel division) operates the only domestic refinery for production of cobalt metal in Braithwaite, Louisiana. Amax recovers cobalt from imported nickel-cobalt and nickel-copper-cobalt matte. The rated production capacity for cobalt at the facility, which employs approximately 420 persons, is 1 million pounds per year. Amax produces primarily pure metal and would not be affected by this legislation.

There are no known domestic producers of unwrought, alloyed cobalt containing between 76 and 99 percent cobalt. The major domestic consumers of this material are permanent magnet manufacturers, the three largest of which are Crucible/Colt, Indiana General, and Hitachi Magnetics.

U.S. Imports

According to trade sources, the subject cobalt alloys are imported from West Germany and are a relatively recent phenomenon. It is estimated by these trade sources that since enactment of the temporary legislation in October 1980, 80,000-120,000 pounds of the material were imported. In addition, it is estimated that more of the subject cobalt alloys will be imported in the coming years because of the current worldwide surplus market conditions and reduced prices. It is estimated that 120,000 pounds per year is now available for import into the United States from West Germany. The principal import sources were Zaire, Canada, Japan and Zambia.

Comparison With Present Law

Unwrought alloys of cobalt containing, by weight, 76 percent or more but less than 99 percent cobalt are provided for in TSUS item 632.88 with a column 1 rate of duty of 7.3 percent ad valorem, an LDDC rate of duty of 5.5 percent ad valorem, and a column 2 rate of duty of 45 percent ad valorem. Certain alloys of cobalt have a column 1 rate of duty of 7.3 percent ad valorem and in accordance with the most recent Multilateral Trade Negotiations (MTN) will be reduced to 5.5 percent in 1987. These articles are not subject to the GSP and are therefore not eligible for duty-free entry when imported from designated beneficiary developing countries.

Effect on Revenue

Assuming that the maximum available quantitites of these cobalt alloys are imported (120,000 pounds per year), and that its value is and will remain at or below $15 per pound during the duty suspension period, it is estimated that up to $131,400 per year in customs revenue will be lost.

Subcommittee Action

Agency Reports

On April 6, 1983, the Trade Subcommittee requested agency reports from the following: ITC, State, Treasury, Commerce, USTR and Labor. The ITC submitted their informative report on May 16, 1983. Commerce has indicated that they do not object to this legislation.

Hearings

Hearings were held on April 27 and May 5, 1983. The Administration testified that they had no objection to this legislation. The bill was supported in testimony by Thibro-Solomon Corporation on May 5, 1983.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 2206 be reported to the full Committee on Ways and Means, with an amendment to provide suspension of liquidation on July 1, 1983, pending enactment of the Act.

Senate Action

Senate bill, S. 1141, was introduced by Senator Boren, on April 26, 1983.

SUMMARY OF TESTIMONY ON H.R. 2206

ADMINISTRATION

Department of Commerce: The Administration had no objection to enactment as there is no domestic industry producing this cobalt. The unwrought alloys covered by the bill are residues which compete with other forms of cobalt that are currently entered duty-free.

International Trade Commission: An informative report was submitted on May 19, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

Phibro-Salomon, Inc., Warren Katzman, Cobalt Specialist, Philipp Brothers: Supports enactment to protect both their industry and the American consumers.

Statements For The Record

Supports

The Honorable Andy Ireland, M.C. (FL): Supports enactment, as it is in the best interests of the American consumer to ensure this additional source of a much needed strategic mineral.

H.R. 2221

Introduced by: Mr. Shelby (AL)
Date: March 21, 1983

To suspend for a three year period the duty on 2-Methyl,4-chlorophenol until June 30, 1986.

Summary of the Provision

H.R. 2221, if enacted, would suspend for a three year period from the date of enactment the duty on 2-Methyl,4-chlorophenol until June 30, 1986. There will be no change in the column 2 duty rate. (As a technical point, the Appendix contains an expired item 907.11 which covers this chemical product.)

Section-by-Section Analysis

Section 1 of H.R. 2221, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the temporary suspension of duty on 2-Methyl,4-chlorophenol (provided for in item 403.56, part 1B, schedule 4) until June 30, 1986, by inserting in numerical sequence a new TSUS item 906.99.

Section 2 provides that the duty suspension will be effective on or after the 15th day following enactment of the Act.

Background and Justification

2-Methyl,4-chlorophenol is a chemical intermediate used in the production of phenoxy herbicides (MCPA) and (MCPP). These herbicides are used in several preparations for the selective control of certain annual and perennial broadleaf weeds or ornamental turf, and on some crops including small grains and peas.

In producing phenoxy herbicides, Diamond Shamrock Corporation exports and reimports ingredients. A higher import duty is paid on the intermediate product than that which is paid on the end product which foreign producers export.

Diamond Shamrock produces a base raw product at their Tuscaloosa, Alabama, plant called Ortho-cresol (OC). This product is sent to their Belvedere, England, plant where it is chlorinated (PCOC) and the 2-Methyl-4-chlorophenol is produced and reexported from England to the Tuscaloosa plant for producing the phenoxy herbicides.

At the present time, Diamond Shamrock is the only domestic producer of MCPA. Rodia, Inc., at one time produced it but now imports for their needs. There is no domestic producer of MCPP.

Diamond Shamrock bought their plant from Fallek-Hankro, who requested the original suspension on this product in 1980.

Comparison With Present Law

The duty on this chemical as currently provided under item 403.56 of the TSUS provides for a column 1, MFN, rate of $.012 per pound plus 19.4% ad valorem. The duty was suspended for a period effective from October 17, 1980 and expired on June 30, 1981.

The U.S. Trade Representative's office and the Customs Bureau indicate that the product was inadvertantly caught in an "other" category when classified for GATT.

While the tariff on PCOC does not decrease below 19.4% over the next four years, the tariff on MCPA & MDPP will be reduced to 13.5% and 6.8% respectively.

2-Methyl-4-chlorophenol is not eligible for duty-free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

It is estimated tnat the average annual loss of customs revenues from the enactment of this legislation would be about $500,000 per year.

Subcommittee Action

Agency Reports

The Subcommittee did not request any agency reports on this legislation. Commerce has indicated that they do not have any objection to enactment of this legislation.

Hearings

Hearings on this and other bills were held on April 27, May 5, and May 10, 1983. There was no testimony concerning this legislation from the private sector. The Administration testified that they had no objection to this legislation in the hearing on April 27.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 2221 be reported to the full Committee on Ways and Means, with an amendment to provide a date certain and a minor amendment regarding enactment date.

Senate Action

Senator Heflin introduced a companion bill, S-1123, in the Senate.

SUMMARY OF TESTIMONY ON H.R. 2221

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment of this legislation as there is no domestic production and the sole producer of two products must rely totally on imports for this material.

PUBLIC WITNESSES

Statements For The Record

Supports

Diamond Shamrock Corporation, Frank Hicks, Works Manager: Supports enactment because there are no domestic producers of PCOC and suspension of the tariff would present no potential of harm to domestic industry.

H.R. 2316

Introduced by: Mr. Conable (NY), Mr. Horton (NY)
Date: March 24, 1983

To reduce temporarily the duty on odd-shaped or fancy watch crystals to the rate applicable to round watch crystals.

Summary of the Provision

H.R. 2316, if enacted, would temporarily reduce for a period of three years until June 30, 1986, the duty on odd-shaped or fancy watch crystals to the duty applicable to round watch crystals. The column 1, MFN, duty rate would be 6.2% ad valorem, which is equal to the duty on round watch crystals. There would be no change in the column 2 rate. The LDDC rate for the period this item is in effect would be 4.9% ad valorem.

Section-by-Section Analysis

Section 1 of H.R. 2316 would amend subpart B of part 1 of the Appendix to the TSUS (19 U.S.C. 1202) by inserting, in numerical sequence, a new item 909.40 to provide for the reduction in duty on odd-shaped or fancy watch crystals to the rate applicable to round watch crystals for a three year period until the close of June 30, 1986. During the period this is in effect, the rate of duty on watch glasses that are a product of a LDDC shall be 4.9 percent ad valorem. The bill would also provide that the staged rate reduction on duty applicable to round watch crystals would also apply to the fancy shaped watch crystals.

Section 2 provides that the provision would be effective on the 15th day following the date of enactment.

Background and Justification

The duty on round watch glasses was originally negotiated with France to a level below that of the other watch glasses. It was then applied on an MFN basis under the General Agreement on Trade and Tariffs (GATT) in 1948. The higher rate of duty for fancy or odd-shaped watch glasses is believed to have been intended to provide protection to the U.S. industry producing the articles at that time.

Watch glasses, other than round watch glasses, are made from strips of sheet of pressed glass, which are cut, ground, pressed, or stamped to the desired shape and size. Plastic watch glasses, which are also classified in Tariff Schedules of the United States (TSUS) item 547.13, are made by injection molding. All of these types of glasses are used as crystals in watches.

The U.S. watch glass industry is small, with six known firms producing glass and plastic watch glasses. Most of these firms are located in the New York City area and are privately held. In general, the industry sells most of its production in the watch glass replacement market. Several of these firms also have a significant export market, shipping watch glasses to many countries. It is believed that the five largest companies account for at least 80 percent of the industry's sales.

Imports

U.S. imports of watch glasses other than round glasses declined significantly during 1978-81, from 724,632 dozen valued at $1.4 million in 1978, to 90,861 dozen valued at $790,305 in 1981, an 87 percent decline in quanitity. U.S. imports rose slightly in 1982 to 95,419 dozen valued at $451,562.

The decrease in watch glass imports is primarly a result of decreased U.S. watch and watch case production and increased watch imports. In addition, some plastic watch glasses have recently been classified as parts of watches, and industry sources state that some other importations containing watch glasses have been classified as watch parts.

In 1982, the United Kingdom, Japan and France were the principal suppliers of this merchandise, accounting for nearly 85 percent of imports by quantity. During the 5-year period under consideration, there were no importations from column 2 countries.

Comparison with Present Law

For products entered under TSUS item 547.13, the column 1 rate of duty for watch glasses other than round in 1983 was 16.8% ad valorem. Imports under this item from all beneficiary developing countries are eligible for duty-free entry under the Generalized System of Preferences (GSP). LDDC imports are dutied at 9.6 percent ad valorem.

Round watch glasses are dutied, under item 547.11, at a column 1 rate of 6.2 percent ad valorem, an LDDC rate of 4.9 percent ad valorem, and a column 2 rate of 60 percent ad valorem. Round watch glasses are also eligible for GSP treatment.

Effect on Revenue

Based upon 1982 import data, the 1983 rate of duty, and the proposed rate of duty for watch glasses other than round watch glasses, customs revenues would likely decline by about $47,000 in the first year following enactment of the legislation.

Subcommittee Action

Agency Reports

The Subcommittee requested agency reports from ITC, State, Commerce, Treasury, USTR and Labor on April 6, 1983. The ITC has submitted an informative report to the Subcommittee. Commerce has stated that they do not have any objection to enactment of H.R. 2316.

Hearings

Hearing dates of April 27, May 5, and May 10 were available, however, no witnesses requested to testify on this bill. The Administration expressed that they did not have any objection to the legislation.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 2316 be reported to the full Committee on Ways and Means, with an amendment to provide a staged rate reduction applicable to fancy watch crystals.

Senate Action

A Senate bill similar to this bill was introduced in the Senate by Senator D'Amato.

21-795 O - 83 - 7

SUMMARY OF TESTIMONY ON H.R. 2316

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment of this legislation as there is no U.S. production of fancy shaped watch crystals and this would allow the domestic watch industry to meet foreign competition by reducing its costs.

International Trade Commission: An informative report was submitted on June 1, 1983.

PUBLIC WITNESSES

No testimony received.

H.R. 2320

Introduced by: Mr. Edgar (PA)
Date: March 24, 1983

To extend until July 1, 1986, the existing suspension of duty on certain textile fabrics used in the manufacture of hovercraft skirts.

Summary of the Provision

H.R. 2320, if enacted, would extend the suspension for an additional three years until July 1, 1986, on certain textile fabrics used in the manufacture of hovercraft skirts.

Section-by-Section Analysis

Section 1 of H.R. 2320, if enacted, would amend the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the continued temporary suspension of duty on certain textile fabrics used in the manufacture of hovercraft skirts until July 1, 1986, by striking out the date of June 30, 1983, and inserting in lieu thereof the date of June 30, 1986.

Section 2 provides for the effective date of this act to be on or after the 15th day following enactment of the act, and also to apply to articles entered or withdrawn after June 30, 1983, until the effective day of the act.

Background and Justification

Officials of Hover Systems, Inc., manufacturers of this product, describe the fabric used in hovercraft skirts as woven of nylon yarn and coated on both sides with natural rubber. The uncoated fabric weighs 20-25 ounces per square yard; the coated fabric weighs 88-100 ounces per square yard. High strength, abrasion resistance, and resistance to cracking at low temperatures are important characteristics of the fabric. Natural rubber has been used, in preference to synthetic rubbers and other coating substances, because of its high durability under extreme weather conditions including those encountered in arctic regions.

The fabric is cut into parts of varying sizes and shapes in the UK, and is assembled complete with attachments as a skirt to the hovercraft in the USA. Hover Systems, Inc., reports that they ship the fabricated skirts, in unassembled condition, from their subsidiary in England.

The completed skirt is inflatable and functions as a flotation device. The inflated skirt is large enough to lift the metal structure of the hovercraft completely above the surface of the water or above such hard surfaces as ice. Hovercraft vary in size from small passenger carriers to barges designed for transportation of freight.

Section 2 provides for the effective date of this act to be on or after the 15th day following enactment of the act and also to apply to articles entered or withdrawn after June 30, 1983, until the effective day of the act.

Officials of Hover Systems, Inc., stated that they have attempted to purchase these fabrics from domestic automobile tire producers and other producers of coated fabrics. They were unable to locate a domestic source of supply or to encourage its production. The limited market for this highly specialized fabric is believed to be a disincentive to domestic production.

Although there are numerous producers of coated fabrics in the United States, there is no known domestic industry which produces or trades in specialized coated fabrics of this type. Avon Industrial Polymers, Ltd., of England is understood to be the major producer of such fabrics. An English subsidiary of Hover Systems, Inc., buys fabric from Avon, cuts the fabric into skirt components, and ships the components to the parent company in Media, Pennsylvania, where assembly of the skirt components takes place, and where the completed skirt is attached to the hull of the hovercraft.

Comparison with Present Law

This item, provided for under item 359.50 of the TSUS, would have a column 1, MFN, duty rate of 6.8% ad valorem if this suspension is not extended. The initial suspension of duty on this item was provided for under PL 96-609, which provided a suspension of duty extending until June 30, 1983.

The United States has not granted an accelerated reduction of the MFN rate of duty for these fabrics if they are products of the least developed developing countries (LDDC rates). These fabrics are not eligible for duty-free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

It is estimated that any loss in revenue would be minor.

Subcommittee Action

Agency Reports

The Subcommittee on Trade did not request agency reports on this legislation from any of the agencies. Commerce has reported that they have no objection to enactment of this legislation.

Hearings

Hearings were held on this legislation on April 27 and May 5, 1983. On April 27, the Administration testified that they had no objection to the legislation, if enacted. Testifying in support of the bill were Hover Systems, Inc., and the Honorable Robert W. Edgar from Pennsylvania.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 2320 be reported to the full Committee on Ways and Means, with a minor amendment.

Senate Action

A companion bill, S-1364, was introduced in the Senate by Senator Heinz on May 25, 1983.

SUMMARY OF TESTIMONY ON H.R. 2320

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment of this legislation as there is no domestic production of natural rubber coated fabric for use as skirts for hovercrafts.

PUBLIC WITNESSES

Oral Testimony

Supports

The Honorable Robert W. Edgar, M.C. (PA): Supports enactment to aid Hover Systems, Inc., and in the process increase American jobs.

Hover Systems, Inc., Joseph S. Zador, Vice President: Supports enactment because H.R. 2320 is important to continue the manufacturing capability of their U.S. plant. There is no U.S. manufacturer of the fabric required for their system.

H.R. 1910

Introduced by: Mr. Shannon (MA); Mr. Martin (NC); Mr. Campbell (SC); Mr. Jenkins (GA)
Date: March 3, 1983

To provide clarification for the classification of textile fabrics, articles and materials, coated, filled, or laminated with rubber or plastics.

Summary of the Provision

H.R. 1910, if enacted, would provide for reclassification of certain fabrics, articles and materials, coated, filled, or laminated with rubber or plastics which are currently being imported under schedule 7 of the TSUS and are to be reclassified for identification under Schedule 3, Part 4, of the TSUS (Textile Fibers and Textile Products). The net result will be an increase in the duty on products, including imitation leather. Reclassification will be achieved by making appropriate changes to headnotes of Schedule 3 and Schedule 7.

Section-by-Section Analysis

Section 1 of H.R. 1910, if enacted, would amend headnote 5 of schedule 3 of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202) and would provide that any fabric described in part 4C of schedule 3 will be classified under part 4C. The net effect will be to move fabrics previously covered under part 12 of schedule 7 to part 4C of schedule 3.

Section 2 would amend subpart C of part 4 of schedule 3 of the TSUS and would delete the reference which excludes articles covered in schedule 7 from being covered in schedule 3. Additionally, it would provide that products would be included in this subpart regardless of the relative value of the contained textile fibers, rubber and plastics.

Section 3 would amend part 12 of schedule 7 of the TSUS by inserting a new headnote which excludes items from part 12 of schedule 7 which are covered under part 4C of schedule 3. This, in effect, would provide that items covered in part 4C of schedule 3 would not be covered under part 12 of schedule 7 as is currently being done.

Section 4 provides that the provision will be effective on the 15th day after the date of enactment of the Act.

Background and Justification

Products covered under this legislation include fabrics which are coated, filled, bonded, and laminated with rubber or plastics. The terms are often used interchangeably and, in some cases, meanings of the terms will overlap. The coating materials include many different plastics and rubber. Plastics account for the bulk of the materials consumed for coated, filled, bonded, and laminated fabrics, with vinyl having the largest share. Other commonly used plastics are urethane, polyolefin and polyamides.

The automotive, furniture, apparel, and wall-covering industries account for the largest share of the market for plastic-coated and laminated fabrics; packing materials and pond liners represent a large share of rubber-coated fabrics.

Laminated fabrics, which generally provide excellent tensile strength, tear resistance, and flexibility, are often used for industrial curtains, safety clothing, machine covers, irrigation ditch liners, tent flooring, agriculture covers, pool covers, and tarpaulins.

Some of the basic methods used in coating or laminating a substrate to produce specialty and industrial fabrics are: (1) calendering; (2) laminating; (3) dried coating; (4) impregnation and dip coating: (5) cast coating; (6) extrusion coating; (7) curatin coating; and (8) spray coating.

The establishments producing the different types of coated, filled, bonded, and laminated fabrics numbered approximately 326 in 1982, about 5 percent fewer than the number in 1981. At least half of the industry's total output is produced by 35 mills. Two types of establishments predominate in this industry. The type that provides the majority of the industry's production are converters. These are primarily small to medium sized firms that buy fabric from textile mills and then coat, fill, bond, or laminate the fabric. Almost all of the coverters are located in the Northeast and North Central States, with Illinois, Massachusetts, New Jersey, New York, Ohio, and Pennsylvania together accounting for two-thirds of these facilities in 1982. These establishments are referred to by the type of fabric they produce. Names often used in connection with such producers include bonders, coaters, converters, finishers, laminators, and rubberizers. Many of the larger firms also produce other products, including chemicals, plastics, and rubber goods.

The second type consists of integrated firms, usually larger establishments that produce the base fabric and also perform the coating, filling, bonding, and laminating operations. Both types of establishments sell the finished fabric to manufacturers who produce the end products, although some of the larger integrated firms also manufacture end products from coated, filled, bonded, or laminated fabrics. Total employment for Standard Industrial Classification (SIC) Industry Group No. 2295 (coated, impregnated, and special finishing of textiles, not rubberized), which accounts for at least 75 percent of the total industry, declined from 13,600 in 1977 to 12,500 in 1982.

The following firms are leading producers of coated, filled, bonded, and laminated fabrics:

(1) B.F. Goodrich
Akron, OH

(2) General Tire & Rubber Co.
Akron, OH

(3) Firestone
Akron, OH

(4) Joanna Western Mills
Chicago, IL

(5) Uniroyal, Inc.
Clinton, OH

The majority of the coated, filled, bonded, and laminated fabrics are manufactured with substrates of cotton, manmade fibers, or blends of these fibers. It is estimated that approximately 70 percent of the substrate fabrics are woven, 20 percent are nonwoven, and 10 percent are knitted. Firms are using less cotton and more manmade fiber fabrics which provide lighter fabrics with a higher strength-to-weight ratio.

Although nonwoven fabrics account for only about one-fifth of the substrates used in coated, filled, bonded, and laminated fabrics, their use is become more widespread. Nonwoven fabrics have a cost advantage over woven or knitted fabrics and can often offer the same results.

At present, most coated, filled, bonded, and laminated fabric mills have excess capacity. The industry is heavily capital intensive, and requires employees properly trained in the coating and laminating procedures.

U.S. producers' shipments of coated, filled, bonded, and laminated textile fabrics increased from 671 million square yards, valued at $1.1 billion, in 1977, to 699 million square yards, valued at $1.2 billion, in 1978, and then declined to 516 million square yards, valued at $1.1 billion, in 1982.

Approximately two-thirds (by quantity) of domestic shipments consist of vinyl-coated, filled, bonded, and laminated fabrics. This is followed by fabrics coated, filled, bonded, and laminated with plastics other than vinyl (such as pyroxylin, polyolefin, and polyamides), which account for about one-fourth of domestic shipments. Rubber-coated, filled, bonded, and laminated fabrics constitute about one-tenth of domestic shipments.

Many factors affect the size of shipments of coated, filled, bonded, and laminated fabrics. The decline in the automobile and building industries are two of the largest factors affecting recent shipments.

U.S. Consumption

U.S. consumption of coated, filled, bonded, and laminated textile fabrics decreased annually from 684 million square yards, valued at $1.1 billion in 1977 to 484 million square yards, valued at $1.1 billion, in 1982.

During 1977-82, imports supplied between 6.6 and 9.8 percent of the quantity of annual consumption and between 3.9 and 6.4 percent of the value of annual consumption. The declining trend in consumption has been due primarily to the lower demand for such fabrics by the automobile and building industries.

U.S. Imports

U.S. imports of all types of coated, filled, bonded, and laminated (mostly with rubber or plastics) fabrics increased from 53 million square yards, valued at $42 million, in 1977, to 63 million square yards, valued at $55 million in 1979, and then declined in quantity to 45 million square yards, valued at $55 million, in 1982. Although imports fluctuated during this period, unit values increased annually from $0.80 per square yard in 1977 to $1.47 per square yard in 1980, and then declined to $1.22 per square yard in 1982. Taiwan, Canada, Japan, Colombia, and West Germany have been the sources of the majority of imports of coated, filled, bonded, and laminated fabrics in recent years, accounting for 86 percent of the quantity and 85 percent of the value in 1981.

As a leading industrial country, Japan has a greater ability to offer a higher priced, more sophisticated fabric. Columbia is a new, but rapidly growing producer of those less expensive coated, filled, bonded, and laminated fabrics used primarily in apparel and accessories.

U.S. Exports

U.S. exports of coated, filled, bonded, and laminated (mostly with rubber or plastics) fabrics from 40 million square yards, valued at $38.5 million, in 1977, to 105 million square yards, valued at $132.8 million, in 1979, and then declined to 76 million square yards, valued at $124.9 million, in 1982.

The quantity of U.S. exports declined in the last three years as the demand fell for the better quality and more expensive types of coated, filled, bonded, and laminated fabrics which U.S. producers offer.

Canada has been the largest recipient of U.S. exports of coated, filled, bonded, and laminated fabrics in recent years. In 1981, Canada received almost one-third of both the quantity and value (30.3 million square yards, valued at $46.9 million) of total U.S. exports. Other important export markets are the United Kingdom, Mexico, Saudi Arabia, Australia, Japan, and West Germany.

Comparison with Present Law

Duty rates in 1982 for these fabrics, if classified in schedule 3 (Textile Fibers and Textile Products), range from 5.7 percent ad valorem to an ad valorem equivalent (AVE) of 33.6 percent with an overall AVE of 13.7 percent. If classified in schedule 7 (Specified Products; Miscellaneous and Nonenumerated Products), duty rates range from 3.1 percent ad valorem to 9.2 percent ad valorem with an overall average ad valorem of 5.6 percent. In addition, entries under certain of the TSUS items in schedule 3 which include some of these fabrics are subject to quantitative restraint under the Multifiber Arrangement (MFA) and, therefore, are not eligible for duty-free treatment under the Generalized System of Preferences (GSP). However, MFA restrictions do not apply to these fabrics when classified in schedule 7.

Most coated or filled fabrics are classified in schedule 3 or 7 of the TSUS. However, classification of coated or filled fabrics can be complex as they are subject to several interrelated headnotes and tariff provisions. In some instances since July 1981 and more specifically since March 1982, when Customs provided specific instruction on the treatment of these products, fabrics coated with rubber or plastics have been classified in schedule 7 where they are also eligible for GSP treatment. Under the proposed legislation, these products would revert to schedule 3 with the exception of those items having a very high rubber or plastics content and possibly would not be considered for GSP treatment in some categories.

This change in classification by Customs resulted from two decisions of the Court of Customs and Patent Appeals (United States v. Canadian Vinyl Industries (1977) and United States v. Elbe Products Corp. (July 1981)) held that these certain fabrics were properly classified in schedule 7. This legislation would, in effect, overturn these decisions and cause these fabrics to again be classified in schedule 3.

Effect on Revenue

Based on official import statistics for 1982, the potential gain in revenue resulting from a reclassification of certain coated, filled, bonded, or laminated fabrics from schedule 7 to schedule 3 is estimated between $2.5 million and $3.0 million per annum. The estimate is based on the belief that approximately one-half of the imports of the fabrics in question may be subject to reclassification.

Subcommittee Action

Agency Reports

The Subcommittee requested agency reports from ITC, Commerce, USTR, and Treasury.

Hearings

Hearings were held by the Subcommittee on April 27 and May 5, 1983. The Administration expressed their position of non-objection on April 27. Testifying in support of the bill on May 5 was a fabrics industry coalition represented by Herculite Products, Inc., and the Industrial Fabrics Association International. Testifying in opposition to the bill was the Brunswick Division of AMF and a coalition of vinyl distributors and vinyl finishing manufacturers comprised of automobile trim shops.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1910 be reported to the full Committee on Ways and Means, with a minor amendment regarding the date of enactment.

Senate Action

Senator Danforth has introduced S. 702 which is a similar bill to that being considered here.

SUMMARY OF TESTIMONY ON H.R. 1910

ADMINISTRATION

Department of Commerce: The Administration has no objection to enactment of this legislation as there has been a long-standing practice of classifying the affected products in schedule 3 of the TSUS. The Administration believes that enactment will provide needed clarification to the issue of classification of these materials.

International Trade Commission: Informal comments have been submitted, a final informative report is pending.

PUBLIC WITNESSES

Oral Testimony

Supports

Fabrics Industry Coalition, Fred E. Magenheimer, Senior Vice President, Herculite Products, Inc.: Supports enactment to technically amend the express intent of Congress and to protect American jobs and tax revenues.

Opposes

Brunswick Corporation, Robert Dorsey, Vice President of Manufacturing, Brunswick Division: Opposes enactment in order to remain competitive with producers in Mexico and Taiwan, and to protect American jobs.

Ad Hoc Committee of American Vinyl Distributers and Finished Vinyl Goods Manufacturers, Royal Daniel, III, Counsel: Opposes enactment because the proposed legislation would result in classifying a plastic as a textile and lend to further complication of the tariff schedules without serving any public purpose.

Statements For The Record

Supports

Man-Made Fiber Producers Association, Inc., Charlie W. Jones, President: Supports enactment which would correct an anomaly which allows textile fabrics coated with rubber or plastic to be classified as plastics.

American Apparel Manufacturers Association, G. Stewart Boswell, Director of Government Relations: Supports enactment to clarify the classification of coated textile fabrics; because of a mere coating of plastic or rubber, these fabrics, which clearly are textile products, escape coverage of the Multifiber Arrangement and enter this country at considerably lower duties.

United Rubber, Cork, Linoleum and Plastic Workers of America, Milan Stone, President: Supports enactment because without H.R. 1910, imports will become more competitive and will disadvantage the domestic industry and its workers.

Industrial Fabrics Association International, Fred E. Magenheimer, Chairman: Supports enactment because there is a distinction between coated or laminated fabric and PVC vinyl.

Wallcovering Manufacturers Association, Robert E. Linder, President: Supports enactment to assure continued fair treatment of their industry.

Opposes

Elbe Products, Inc., Robert B. Silverman, Counsel: Opposes enactment because H.R. 1910 runs contrary to the goal of free trade and would threaten the vitality of a number of domestic industries.

Automotive Service Industry Association, Gregory Billups, Chairman: Opposes enactment because H.R. 1910 would arbitrarily and seriously change the competitive structure to the severe detriment of the industry and consumers it serves.

H.R. 1938

Introduced by: Mr. Campbell (SC)
Date: March 7, 1983

To clarify for duty purposes the classification of certain gloves.

Summary of the Provisions

H.R. 1938, if enacted, would amend the TSUS to clarify for duty purposes the classification of certain gloves. This is achieved by making appropriate headnote changes to subpart C of part 1 of schedule 7 of the TSUS.

Section-by-Section Analysis

Section 1 of H.R 1938 would amend subpart C of part 1 of schedule 7 of the Tariff Schedules of the United States (19 U.S.C. 1202) to clarify the classification of certain gloves used as work gloves which are imported under a category not intended to be used for the classical work glove. This would achieve this change by adding a new paragraph to headnote 1 of this subpart, which would define fourchettes as extending from finger tip to finger tip between each of the four fingers. To provide further clarification, the terms "textile fabric" and "or sidewalls" would be deleted from item 705.05 requiring gloves in this category to meet the definition of fourchettes.

Section 2 makes the provision effective on or after the fifteenth day after the date of the enactment of this Act.

Background and Justification

This legislation seeks to eliminate a means by which certain work gloves are imported under a category of dress gloves for duty purposes, and then sold as work gloves. Dress gloves have a duty of 14% and work gloves have a duty of 24%.

The distinction of a dress glove for duty purposes has long been the presence of a strip of material called a fourchette extending along the side of the fingers from finger tip to finger tip. A strip along the outside of the little finger is also distinguishing and is called a "sidewall". Work gloves typically have no fourchettes. Recently, some foreign glove manufacturers have added a token fourchette on the inside of the little finger, at minimal cost, to qualify for this lower duty category. This legislation would require that all imported gloves have fourchettes between each of the four fingers extending the length of the fingers. Customs first decided to handle these imports of gloves in this manner in 1975.

The legislation's principal impact would be upon gloves now classified in item 705.85 and reported under annotation 705.8520. These gloves are primarily of two types: plastic or vinyl dress gloves, and coated or partially coated work gloves. Approximately 60 percent of the total import value of gloves reported under this annotation is attributable to dress gloves which are cut and sewn of vinyl material. Many of these gloves are currently constructed with two vinyl fourchettes and one textile fourchette, while others may have more than one textile fourchette. The remainder of the gloves reported under this annotation are coated and partially coated work gloves, which are cut and sewn from fabric which has been coated or impregnated with plastic. These work gloves are currently constructed with one textile fourchette between the ring finger and the little finger, and some are constructed with textile sidewalls. Inclusion provides a classification in TSUS item 705.85 rather than in TSUS item 705.86, which has a higher duty rate.

Over two-thirds of the gloves entering under TSUS item 705.86 are coated and partially coated work gloves. These gloves are virtually the same as those entering under item 705.8520, except they do not have fourchettes or sidewalls. The remainder of the gloves classified in item 705.86 are dipped supported work gloves and vinyl dress gloves, constructed with vinyl fourchettes, not textile fourchettes.

The imported vinyl dress gloves are worn for appearance and warmth in the winter. There is believed to be no U.S. production of these products. Domestic production of these gloves ranges from less expensive, general purpose gloves to more expensive, specialty work gloves. Industry sources indicated that the general purpose gloves constitute the bulk of their domestic production. Most of the imported gloves are also general purpose work gloves.

Approximately 20 to 25 firms produce coated and partially coated work gloves. These firms are located primarily in the Northeast, Southeast, and Midwest.

The five largest U.S. producers of rubber and plastic work gloves accounted for an estimated 70 percent of total domestic production in 1982. Most of these firms manufacture primarily rubber and plastic work gloves. It is estimated that over 3,000 persons are employed in the production of these gloves.

U.S. producers' shipments of these gloves increased from 4.6 million dozen pairs in 1978 to 5.0 million dozen pairs in 1979, or by 10 percent, and then decreased 27 percent to 3.7 million dozen pairs in 1982. Industry sources indicated that demand for these items has been sluggish since 1979 and that the industry is currently operating at 65 to 70 percent of capacity.

U.S. Imports

Imports under both items decreased just over 50 percent, from 3.5 million dozen pairs valued at $28 million in 1978 to 1.6 million dozen pairs valued at $13.4 million in 1982. Imports of gloves with fourchettes (TSUSA item 705.8520) were much greater than those without fourchettes (TSUS item 705.86) and accounted for approximately 85 percent of the total during 1978-82. The imports of gloves with fourchettes consisted roughly of 60 percent vinyl dress gloves and 40 percent coated or partially coated work gloves. Therefore, it is estimated that the quantity of coated work gloves with fourchettes imported during the period was approximately twice the level of those without fourchettes.

Taiwan was the leading supplier of gloves with fourchettes until 1982, when the People's Republic of China became the major supplier.

The domestic work glove industry estimated the 1981 import-to-consumption ratio of the gloves entering under item 705.86 and those coated work gloves with textile fourchettes entering under item 705.8520 to total U.S. consumption of such gloves to be 20 percent or 1 to 5.

Comparison with Present Law

The rubber and plastic gloves which the legislation intends to cover are classified in items in subpart C, part 1, of schedule 7 of the TSUS. The rates of duty on these TSUS items will become identical (14 percent) in 1987 as a result of staged reductions granted in the Tokyo round of the Multilateral Trade Negotiations (MTN). Therefore, the comparative duty difference that would result from enactment of the bill will diminish annually and disappear. These duty reductions will be implemented in 1-year intervals (staging) over a period of six years, with the initial reductions effective July 1, 1980.

Effect on Revenue

The amount of potential gain in revenue will run from a range of $500,000-$800,000 in 1983 and diminish to $0 in 1987.

Subcommittee Action

Agency Reports

The Subcommittee on Trade requested reports on March 21, 1983, from ITC, Commerce, USTR and Treasury. The ITC submitted an informative report. Commerce has expressed a position of non-objection to the bill as currently drafted.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1938 be reported to the full Committee on Ways and Means, with an amendment to narrow the focus of the bill as recommended by the Administration.

Senate Action

A Senate companion bill, S-907, has been introduced by Senator Danforth.

SUMMARY OF TESTIMONY ON H.R. 1938

ADMINISTRATION

Department of Commerce: The Administration has not submitted a formal report on this bill but has informally stated that they do not object to the bill and assisted in developing the necessary amendments to provide a satisfactory noncontroversial bill.

PUBLIC WITNESSES

Oral Testimony

Supports

Work Glove Manufacturers Association, Michael Breton, Marketing Manager, Sebe-Norton, Inc.: Supports enactment to close a loophole in the tariff distinction between work gloves and dress gloves.

Statements For The Record

Supports

American Apparel Manufacturers Association, G. Stewart Boswell, Director of Government Relations: Supports enactment in an effort to prevent foreign suppliers from circumventing U.S. Customs laws.

Opposes

Magid Glove and Safety Manufacturing Company, Sheldon Cohen: Opposes enactment because a work glove should not, and cannot, be distinguished from a dress glove simply by virtue of fourchettes, moreover, the effect of the bill will be only a short term increase in costs with little or no hope of improving the competitive advantage of domestic manufacturers.

H.R. 2270

Introduced by: Mr. Garcia (NY)
Date: March 23, 1983

To provide for uniform tariff treatment of toys for pets.

Summary of the Provision

H.R. 2270, if enacted, would provide an 8.5% ad valorem column 1, MFN, duty on imported toys made of textile materials for pets. This would make the duty on textile toys for pets comparable to the duty for other toys made of rubber or plastic for pets, which is currently covered under item 773.05 of the TSUS.

Section-by-Section Analysis

Section 1 of H.R. 2270, if enacted, would amend subpart A of part 13 of schedule 7 of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the uniform tariff treatment of toys for pets (provided for in a number of categories in schedule 3 and schedule 7) by inserting a new TSUS item 790.57 in schedule 7.

Section 2 provides that the amendment made by this Act will become effective on or after the 15th day following the date of enactment of the Act.

Background and Justification

This legislation, supported by certain New York importers of toys for pets, was pursued based upon the logic that all toys for pets - most of which are very small in size - should be subject to similar duty. Particularly, small toys of textile products (i.e., fabric toys with catnip for cats) should be subject to lower duty rates than those currently provided under schedule 3, (Textile Fabrics), where duties can be as high as 20%. This would place these textile toys under schedule 7 (Specified Products; Miscellaneous and Non-enumerated Products). The net effect would be a duty reduction on certain textile toys, however, the duty would increase on some items.

The current column 2 rates of duty applicable to these articles--which range from 40 percent ad valorem to 90 percent ad valorem--would be reduced or increased, as the case may be, to 80 percent ad valorem if they become classifiable under proposed item 790.57.

The purpose of the legislation is to insure that the rate of duty on the subject toys is no higher than the rate of duty currently assessed on toys for pets, of rubber or plastics, provided for in TSUS item 773.05. The current rate of duty on the latter item is 8.5 percent ad valorem. The legislation also seeks to unify and simplify the assessment of duty on toys for pets regardless of the type of material from which they are constructed.

Vo-Toys, Inc., located in the Bronx, New York City, N.Y., along with other importers and domestic producers of toys for pets, of textile materials, describe these toys as being used primarily by cats, and to a lesser extent by dogs, for the purpose of chewing, scratching or playing. The bulk of these toys are constructed from fabric scraps obtained from apparel and upholstery operations. In most instances, the cut pieces are sewn together by machine, stuffed by hand, and then closed by hand sewing. They are sold either by the dozen or by the gross.

Information from domestic producers reveals that the domestic capability to produce toys for pets, of textile materials, still exists. Domestic producers also indicate that the subject toys for pets are produced in both cottage-type and mass production operations in the United States. There are known to be 10 producers, and it is believed there may be more. The largest producers, and the locations of their operations, are reported to be as follows:

Dr. A. C. Daniels, Inc., Webster, MA;
Petway Products Distributors, Inc., Yonkers, NY;
SIT Knitting Co., Binghamton, NY.

Domestic Production

Production data in the United States for toys for pets, of textile materials, is not separately reported. However, based upon estimates derived from industry sources, the value of annual domestic production is believed to be about $1 million.

U.S. Imports

It is estimated that total imports of the subject toys for pets did not exceed $5 million in 1982. Importers have indicated that the primary sources of these toys for pets were Korea, Taiwan, Hong Kong, Thailand and Haiti.

Apparent U.S. Consumption

It is believed that the level of imports is four or five times domestic production on an annual basis. It also appears that a significant domestic market exists for toys for pets, and virtually all imports and production are consumed domestically.

Comparison With Present Law

Toys for pets, of textile materials, are currently provided for, together with numerous other products, in TSUS items 386.04, 386.06, 386.13, 386.15, 386.20, 386.25, 386.30, 386.40, 386.50, 387.10, 387.20, 387.25, 387.32, 387.37, 388.10, 388.30, 388.40, 389.40, 389.50, 389.62, and 389.70.

The effect of the tariff concessions, agreed to under the Multilateral Trade Negotiations (MTN), upon these schedule 3 categories is that the most-favored-nation rate of duty will be reduced in annual stages.

The United Sates has granted an accelerated reduction of the MFN rate of duty for imports from the least developed developing countries (LDDC rates). Haiti is the only known source affected by the accelerated reduction of the MFN rate of duty. The subject toys for pets, when classifiable in TSUS items 386.13, 387.25 and 387.32, are granted duty-free treatment unde the Generalized System of Preferences (GSP).

Effect on Revenue

It is estimated, based upon imports valued at $5 million in 1982, that the loss of customs revenues resulting from the enactment of this legislation would be about $1 million per year. This figure would be reduced in later years, however, since most of the schedule 3 rates of duty are subject to annual reductions under the MTN.

Subcommittee Action

Agency Reports

On April 6, 1983, the Subcommittee on Trade requested agency reports from the following agencies: ITC, State, Treasury, Commerce, and USTR. The ITC submitted an informal report for information purposes on May 24, 1983. Commerce submitted a report of non-objection on June 8, 1983.

Hearings

Hearings were held on this legislation on April 27 and May 5, 1983. The Administration testified on April 27, and advised that they had no objection to this legislation. On May 5, 1983, Vo-Toys testified in support of the legislation.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 2270 be reported to the full Committee on Ways and Means, with a minor amendment on enactment date.

Senate Action

A companion bill has been introduced in the Senate as Senate bill S-1412.

SUMMARY OF TESTIMONY ON H.R. 2270

ADMINISTRATION

Department of Commerce: The Administration has no objection to reducing the tariff rate on pet toys of textile materials as toys are to be classified as toys in schedule 7. The change would not affect the textile program or quotas.

International Trade Commission: An informative report was submitted on May 24, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

Vo Toys, Inc., Jeffrey A. Meeks, Counsel: Supports enactment to simplify classification of an article which is too inexpensive from foreign sources to produce in the United States.

H.R. 1684

Introduced by: Mr. deLugo (V.I.)/Mrs. Holt (MD)
Date: February 25, 1983

To exempt certain charter boats in the U.S. Virgin Islands from entry requirements of the Customs laws.

Section-by-Section Analysis

Section 1 of H.R. 1684, if enacted, would exempt vessels carrying passengers, licensed yachts and American pleasure vessels on excursion from the U.S. Virgin Islands to the British Virgin Islands, from entry requirements of the customs laws. This exemption would allow elimination of considerable paper work when making passage between these two locations. The master would be required to make a report within 24 hours after arrival if any such vessel has on board any article required by law to be entered. This exemption is available only if such vessels have not violated the Customs Laws of the United States and have not visited any hovering vessel.

Section 2 of H.R. 1684 provides for an effective date on or after the 15th day after the date of enactment of the act for vessels returning from the British Virgin Islands on the effective date or thereafter.

Background and Justification

Currently, vessels other than private pleasure boats which have been exempt since 1954, which visit the British Virgin Islands and return are subject to requirements of preparing significant amounts of paperwork, both in departure and on return. When Customs offices are closed, which occurs on weekends or odd hours of the day, a Customs officer must be found, brought out, and inspections and documentation prepared. Many of these costs are at the expense of the vessel user. At the same time, private vessels only need to make a telephone call and make a declaration of any articles within 24 hours of return. This legislation will make the requirements consistent. The legislation would permit masters of charterboats to use the convenient practice available to masters of licensed yachts and pleasure vessels--that is, a phone call to the Customs officer within 24 hours of an arrival in port to report any articles for which entry is necessary. Customs inspections may still be conducted at the discretion of the appropriate officer.

These vessels would be added to subsection 3 of the above section, which excepts from entry licensed yachts or undocumented American pleasure vessels not engaged in trade, or violating in any way the customs or navigation laws of the United States, and not having visited any hovering vessel (defined in section 401(k) (19 U.S.C. 1401(k)).

Comparison With Present Law

Presented in the Background and Justification above.

Effect on Revenue

If these charterboats are exempted from entry requirements, any fees currently being assessed on filing would be lost. Exact figures on the amount of fees collected are not available. However, there would be an associated savings for the Customs Service in the reduction of paperwork; an unknown amount of overtime pay might be saved as well. Since reports on articles for which entry is necessary must still be filed, no significant change in the amount of duties collected thereon is expected. Comparable numbers of vessel inspections are likely to occur, leaving accompanying costs virtually unchanged.

Subcommittee Action

Agency Reports

The Subcommittee on Trade on April 6, 1983, requested agency reports from ITC, State, Treasury, Commerce and USTR. The ITC submitted an informative report.

Hearings

Hearings were held on this bill on April 27 and May 10, 1983. On April 27, 1983, the U.S. Customs Department testified that in principal they did not oppose the bill. On May 10, 1983, the Honorable Ron deLugo testified in support of the bill.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 1684 be reported to the full Committee on Ways and Means with an amendment to modify the language of the bill.

SUMMARY OF TESTIMONY ON H.R. 1684

ADMINISTRATION

Treasury Department (U.S. Customs Service): U.S. Customs has not filed an official statement on this legislation, however, under their guidance the current bill, as amended, was drafted.

International Trade Commission: An informative report was submitted on May 23, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

The Honorable Ron de Lugo, M.C. (V.I.): Supports enactment to amend the Tariff Act of 1930, as this act will eliminate much of the unnecessary paperwork now being required.

The Honorable Marjorie S. Holt, M.C. (MD): Supports enactment to greatly simplify operational procedures for U.S. Customs.

H.R. 1744

Introduced by: Mr. Stark (Calif.)
Date: March 1, 1983

To amend the Tariff Act of 1930 to prevent the exportation or importation of certain vehicles.

Summary of the Provision

This bill has joint referral with Foreign Affairs. It would add a new section (section 626) to part V of Title VI of the Tariff Act of 1930 which would establish a maximum civil penalty of $10,000 for each violation or by anyone knowingly importing or exporting any stolen vehicle or part of such vehicle whose identification numbers had been removed or tampered with. Any parts or vehicles involved would be seized.

Further, the bill establishes certain procedures for providing documentation for export purposes of certain vehicles with civil penalties where failure to comply occurs.

Section-by-Section Analysis

Section 1 of H.R. 1744 would amend part V of title VI of the Tariff Act of 1930 (19 U.S.C. 1581 et seq.) by adding a new section entitled: "Sec. 626. Unlawful Importation or Exportation of Certain Vehicles, Inspections." Part 1(a) of this section establishes a civil penalty of $10,000 for each violation of imports or exports of stolen self-propelled vehicles, vessels, aircraft or parts thereof, or those whose identification numbers have been tampered with. Part 1(b) provides for the establishment of a verification procedure with appropriate documentation, and any failure to comply would result in a civil penalty of $500. In part 1(c) definitions are provided. Part 1(d) provides for the authorization of Customs officials to cooperate and exchange information with federal, state, local and foreign governmental authorities and with organizations engaged in theft prevention activities as designated by the Secretary.

Section 2 provides that the effective date of the bill would be on or after the 15th day after the date of enactment.

Background and Justification

The bill is being strongly supported by the Auto Club, National Association of Independent Insurers, and the Auto Dismantlers Association.

The bill is primarily directed at the exports of stolen self-propelled vehicles, and parts thereof; however, it also will apply to imported vehicles.

The bill will require certain verifications by U.S. Customs personnel before vehicles can be exported. These requirements, it is hoped, will discourage any attempts to export stolen vehicles. It is estimated that up to 200,000 stolen automobiles are exported each year. It is estimated that 20,000 stolen vehicles are taken to Mexico each year.

The same verification for imports is not required in this bill.

Comparison with Present Law

Testimony by U.S. Customs and the private sector indicated that there is no attempt to verify ownership or identification on vehicles which are being exported. This legislation would require verification procedures to be established and implemented.

Effect on Revenue

The legislation will not affect the revenues collected. However, there may be some additional cost to U.S. Customs to implement and carry out verification procedures.

Subcommittee Action

Agency Reports

On April 6, 1983, the Subcommittee requested agency reports from the following agencies: ITC, State, Treasury, Commerce and USTR. As of May 15, 1983, the Subcommittee had not received any of the requested reports.

Hearings

Hearings were held on this legislation on April 27 and May 10, 1983. The Administration testified on this bill on April 27, 1983, and indicated that they had no objection to enactment of 1744. Supporting testimony from the National Association of Independent Insurers and the National Auto Theft Bureau was received on May 10, 1983.

Senate Action

A companion Senate bill, S-1399, was introduced by Senator Percy.

Markup

The Subcommittee on Trade ordered H.R. 1744 favorably reported to the full Committee on Ways and Means by voice vote with amendment on June 7, 1983. The following report language was ordered to be included in the report of this legislation:

The Secretary is authorized to promulgate in prescribing regulations procedures for Customs officers to check vehicle identification numbers of motor vehicles, off-highway equipment, vessels, or aircraft against records of stolen and unlawfully converted* vehicles maintained by the federal government, or by any other organization designated by the Secretary.

----

*The word "stolen" could result in non-applicability in cases involving insurance fraud or the conversion of rental cars and trucks. Where an insured falsely claims the theft of a vehicle owned by the insured, the vehicle is not, in fact, stolen. With rental cars and trucks, the failure to return the vehicle in accordance with the rental agreement is normally not considered a theft. Instead, the failure to return constitutes a conversion.

21-795 O - 83 - 9

SUMMARY OF TESTIMONY ON H.R. 1744

ADMINISTRATION

Treasury Department (U.S. Customs Service): In oral testimony on April 27, 1983, U.S. Customs expressed their support for the intent of the legislation but preferred the broader implications of the "Motor Vehicle Theft Law Enforcement Act of 1981."

International Trade Commission: An informative report was submitted on June 7, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

National Automobile Theft Bureau, Paul W. Gilliland, President: Supports enactment as a necessary step towards controlling the illegal exportation or importation of stolen motor vehicles.

National Association of Independent Insurers, Donald D. Messmer, Vice President, Claims, Government Employees Insurance Company: Supports enactment because vehicle import and export controls need strengthening; particularily with regard to cargo shipments.

Statements For The Record

Supports

National Automobile Theft Bureau, Paul W. Gilliland, President: Supports enactment in an effort to enforce more control over the importation and exportation of vehicles.

The Honorable Fortney H. Stark, Jr., M.C. (CA): Supports enactment to stem the flow of imported and exported stolen vehicles.

American Car Rental Association, Bregman, Abell and Kay, Counsel: Support enactment to prevent the exportation and importation of certain vehicles.

H.R. 2588

Introduced by: Mr. Pease (OH), Mr. English (OK), Mr. Downey (NY), Mr. Heftel (HI), Mr. Guarini (NJ)
Date: April 19, 1983

To amend the Tariff Act of 1930 regarding the public disclosure of certain manifest information.

Summary of the Provision

H.R. 2588, if enacted, would amend section 431 of the Tariff Act of 1930, to provide for the public disclosure of certain available manifest information on imports into the United States. Information on cargoes concerning defense related or foreign policy information would not be available for public disclosure. Information which would be available would include the importer or consignee and the shipper unless certification for confidentiality is obtained. Also included would be cargo information, vessel name, country of origin, port of loading, port of discharge, and carrier information.

Section-by-Section Analysis

Section 1 of H.R. 2588, if enacted, would amend section 431 of the Tariff Act of 1930 (19 U.S.C. 1431) by modifying the third paragraph in subsection (a) and by adding a new paragraph which would result in disclosure of certain additional manifest information on imports into the United States, while providing methods of protecting claims of business confidentiality and other sensitive information. Such information will include: shippers of the merchandise, name and address of importers or consignees and shippers, cargo information, vessel information, country of shipment origin, and ports of loading and discharge. Information would would not be available for public disclosure if such disclosure would pose a threat of harm or damage or if it was a concern of national defense. The Secretary of the Treasury would be responsible for establishing the procedures for implementation.

Background and Justification

This legislation is proposed to improve the U.S. competitive position in world trade by providing better access to import information. Fuller disclosure of this information can benefit U.S. firms, trade authorities, and U.S. ports in planning and marketing of their goods and services. U.S. carriers, U.S. manufacturers, U.S. land-based transportation companies, port authorities, and Government agencies will be able to use the expanded information base to determine where and when to allocate equipment and to identify expanding or contracting markets and bases for long range planning and improving services. It will also enable them to identify and contact potential customers.

This bill requires the Customs Service to adopt similar practices regarding disclosure of import information as it now must follow for export information as mandated in Public Law 96-275.

The amendment further provides that the name and address of the importer and the shipper shall be available for disclosure unless the importer files a biennial certification with the Secretary of the Treasury requesting that such information be withheld and certifies that such information is confidential. A certification by an importer may cover both itself and the shipper. The purpose of this biennial certification together with the specific description of what is to be disclosed is to provide a means of protecting claims of business confidential information.

The Secretary is directed to issue implementing regulations under this section to provide for disclosure of the relevant information and to insure timely access by publication to such information. It is the committee's intent that new regulations be expeditiously issued.

The amendment also provides that any of the items described above will not be disclosed if they are classified as defense or foreign policy information pursuant to 5 U.S.C.552(B)(1).

The Secretary of the Treasury is required to establish procedures to insure timely access by publications to all manifests to provide for the timely publication of the information permitted to be published by this section. The procedures shall provide a means of protecting against public disclosure of information not otherwise available for disclosure.

Comparison With Present Law

Current law requires that the master of every vessel arriving in the United States have on board his vessel a manifest which provides such detailed information on the shipment as the name of the port of discharge, the port of loading, a description of all merchandise on board, and the name of the importer.

Current practices of the Customs Service limit public availability to some of the manifest information, such as the foreign shipper of cargo coming into the United States. Moreover, the Customs Service automatically honors requests by an importer even if the confidentiality request was submitted 40 or 50 years ago. These requests do not have to be renewed.

The amendment changes current law in terms of what has to be on a manifest in only one respect--it adds the names of the shippers of the merchandise. As a practical matter, this amendment will not require any change in current practices. The name of the shipper is already routinely included on the import manifest and the committee simply intends that this current practice be continued. The amendment merely formalizes the requirement that the name be included on the manifest. This amendment also spells out what information will be available for public disclosure from the import manifest when contained in such manifest, including the name and address of each importer or consignee, the name and address of the shipper, the general character of the cargo, and the number of packages and gross weight, the name of the vessel or carrier, port of loading, port of discharge, and country of origin of the shipment.

The country of origin of the shipment means the country from which the merchandise was first shipped in the import transaction. For example, if cotton goods were shipped to the United States via Rotterdam from a manufacturing plant in India, the country of origin of the shipment would be India. However, if goods manufactured in the United States were returned to the United States from a German Federal Republic company via Rotterdam, the country of origin of the shipment will be the Federal Republic of Germany. In most instances, the country of origin of the shipment will be the country of the shipper.

Effect on Revenue

The legislation will have minimal effect on revenue. A slight increase in customs costs may result.

Subcommittee Action

Agency Reports

The Subcommittee on Trade requested agency reports on an original similar bill, H.R. 1948, from the International Trade Commission, the U.S. Trade Representative, and the Departments of Commerce and Treasury. The ITC submitted an informative report.

Hearings

Hearings were held on this legislation on April 27, May 5, and May 10, 1983. The Administration (Customs) indicated they had no objection on April 27. There was no testimony presented by the private sector on any of these dates. The bill was amended to the trade authorization bill, H.R. 2602, and was passed by the House on May 17.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 2588 be reported to the full Committee on Ways and Means, with a minor amendment on enactment date.

Senate Action

A companion Senate bill, S-1409, was introduced by Senator Heinz.

SUMMARY OF TESTIMONY ON H.R. 2588

ADMINISTRATION

No formal reports were submitted from other Administration agencies, however, U.S. Customs Service participated in developing the bill as currently written.

International Trade Commission: An informative report was submitted on June 6, 1983.

PUBLIC WITNESSES

Statements For The Record

Supports

American Association of Exporters and Importers, Eugene J. Milosh, Executive Vice President: Supports enactment because disclosure requirements contained in H.R. 2588 for import information is roughly equivalent to existing requirements for disclosure of export information.

Journal of Congress, Eric Ridder, Publisher, Ronald L. Plesser, Counsel: Supports enactment to improve public access to information about imported goods coming into the U.S.

H.R. 3157

Introduced by: Mr. Frenzel (MN)
Date: May 26, 1983

To Amend the Tariff Act of 1930 regarding same condition drawbacks and same kind and quality drawbacks, and for other purposes.

Section-by-Section Analysis

Section 1 of H.R. 3157, if enacted, would amend section 313(j) of the Tariff Act of 1930 (19 U.S.C. 1313(j)) to provide that merchandise of the same kind and quality as imported merchandise for which duty, taxes or fees have been paid shall be eligible for same condition drawback 1/ if such merchandise, before the close of a three year period, is exported from the United States, or destroyed under Customs supervision and is not used within the United States before such exportation or destruction, notwithstanding that none of the imported merchandise may actually have been exported.

This section would further provide that the performing of certain incidental operations on merchandise in cases imported or merchandise in cases of the same kind and quality that does not amount to manufacturing or production would not be treated as "use" of the merchandise for purposes of maintaining eligibility for drawback.

Further, this section would provide that packaging materials used in performing incidental operation regarding packaging or repackaging of imported merchandise would be eligible for drawback in the same manner as the merchandise.

Section 2 provides that the effective day of the Act shall be on or after the 15th day after the date of enactment of the Act.

Background and Justification

Subsection (j) currently provides that imported, duty-paid merchandise is eligible for drawback if such merchandise is exported (or destroyed under Customs supervision) in the same condition as when imported, within 3 years after importation, unless such merchandise has been used within the United States. Certain incidental operations performed on the imported merchandise in the United States are not considered as "use" of that merchandise, such as

----

1/ The usual feature of drawback under section 313 is the refund of 99 percent of the duties paid on imported goods upon the exportation of articles manufactured or produced in the U.S. with the use of the imported goods, subject to certain limitations (19 U.S.C. 1313(j)). The drawback statute was amended in 1980 to permit "same condition" drawback in the amount of 99 percent of the duties paid.

testing, cleaning, repacking, inspecting, and other similar incidental operations. These activities do not disqualify the merchandise from drawback upon its subsequent exportation (or destruction) as long as the incidental operations do not amount to a manufacture of production within the meaning of the drawback law.

This bill further clarifies the intent of the 1980 drawback amendment to make sure that packaging materials used to wrap materials which are now eligible for same condition drawback would also be eligible for drawback. This provision would also correct a 1981 Customs Service ruling to the contrary.

Comparison with Present Law

Discussion presented in Background and Justification above.

Effect on Revenue

The impact on revenue as a result of this legislation would be nil.

Subcommittee Action

Agency Reports

The Subcommittee did not request any agency reports on this legislation.

Hearings

Hearings were not held by the Subcommittee on this legislation.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, that H.R. 3157 be reported to the full Committee on Ways and Means, with a minor amendment on enactment date.

Senate Action

A companion Senate bill was introduced by Senator Durenberger on July 9, 1983.

SUMMARY OF TESTIMONY ON H.R. 3157

ADMINISTRATION

No comments received.

PUBLIC WITNESSES

No testimony received.

H.R. 1953

Introduced by: Mr. Stark (CA)
Date: March 7, 1983

To provide for a four year suspension of duty on certain semi-conductors, with such suspension subject to proclamation by the President provided it is in the national economic interest.

Summary of the Provision

H.R. 1953, if enacted, would provide for the suspension of duty on six items of semiconductors listed in the Tariff Schedules of the U.S. The column 1 (MFN) duties ranging from 4.2% - 5.1% would be deleted, and inserted in lieu thereof would be "free". Items included in this category are certain: transistors and other related crystal components, diodes and rectifiers, monolithic integrated circuits, other integrated circuits, a category of other components, and certain parts of semiconductors.

The suspension would be subject to certain conditions including a determination by the President that such suspenion would be in the national economic interest.

Section-by-Section Analysis

Section 1 of H.R. 1953, if enacted, describes the bill as the "Semiconductor Trade Act of 1983".

Section 2 amends subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by adding in numerical sequence six new items 913.01, 913.02, 913.03, 913.04, 913.05 and 913.06 provided for respectively in items 687.70, 687.72, 687.74, 687.77, 687.81 and 687.85 of part 5 of schedule 6. The column 1, (MFN), duties would be deleted and in lieu thereof the duty would be "free". The column 2 rate would remain the same at 35% ad valorem.

Section 3 provides that the suspension could be proclaimed by the President, provided that such suspension was deemed to be in the national economic interest and secondly, provided that the suspension would become effective by April 1, 1984, or within 180 days after the date of enactment, whichever was later. Any such determination must be based on the advise of the U.S. Trade Representative as Chairman of the Trade Policy Committee. Thirdly, before such a suspension could be enacted, the President must provide that such suspension would be carried out pursuant to an agreement consistent with the negotiating objectives of section 103 of the Trade Act of 1974 (19 U.S.C. 2113).

The suspensions shall be treated as if proclaimed to implement a trade agreement. This provision would subject the suspensions to the termination provisions of section 125 of the Trade Act of 1974 which allows the President to terminate in whole or in part any duty reduction proclaimed under the Act.

Background and Justification

Semiconductors are solid-state, crystal devices produced from materials whose electrical resistivity characteristics place them between conductors and insulators. The desired electrical properties created in these semiconductor materials (principally silicon) are controlled by the introduction of small amounts of dopants or impurities. The principal types of semiconductor devices are transistors, diodes and rectifiers, and integrated circuits. Semiconductors are used in virtually all electronic products including digital computers, military equipment, and communications equipment. Parts of semiconductors are those devices, such as chips, dice, and wafers, which are solely or chiefly used in semiconductors and which are not more specifically provided for in the Tariff Schedules of the United States (TSUS).

Structure of the Domestic Industry

Semiconductors (and parts) are produced by about 112 firms operating about 545 establishments in the United States. About 61 firms produce transistors and diodes and about 108 firms produce integrated circuits. Five firms account for about 65 percent of the value of annual U.S. shipments. The largest firms are located in New York, Texas, and California.

Domestic Shipments

Domestic shipments of semiconductors (and parts) were estimated at $10.4 billion in 1982 increasing from $5.4 billion in 1978. About 20 percent of shipments are discrete devices (and parts) such as transistors and diodes and about 80 percent are integrated circuits (and parts).

U.S. Imports

U.S. imports of semiconductors (and parts) increased from $1.8 billion in 1978 to $4.2 billion in 1982, a rise of 135 percent. Malaysia was the largest supplier during the 5-year period, accounting from 21 to 26 percent of imports. Singapore, Japan, and the Philippines were also large suppliers and, when combined with Malaysia, accounted for 68 percent of U.S. imports in 1982. Imports of semiconductors, entered under the provisions of TSUS item 807.00, account for 52 percent (by value) of total imports and reflect the rationalization of production by U.S. producers in developing countries. Imports from Communist countries were negligble. GSP treatment only became available for two items (687.70 and 687.72) during nine months of 1982. Thus, the percentage of total 1982 imports of semiconductor devices which received GSP treatment is believed to be very small (less than 1 or 2 percent).

Semiconductors (and parts): U.S. imports, 1978-82

Year	Value (1,000 dollars)
1978	1,790,338
1979	2,447,662
1980	3,348,107
1981	3,617,584
1982	4,205,115

Source: Compiled from official statistics of the Department of Commerce.

U.S. Exports

U.S. exports of semiconductors (and parts) rose by 96 percent during 1979-82, increasing from about $2.0 billion to $3.8 billion. Since U.S. exports consist largely of parts shipped to developing countries where U.S. producers' plants are located, exporting areas are the same countries which account for a large share of U.S. imports. These countries include Malaysia, Singapore, the Philippines, and the Republic of Korea.

Semiconductors (and parts): U.S. exports, 1978-82

Year	Value (1,000 dollars)
1978	1,952,839
1979	2,634,823
1980	3,477,234
1981	3,606,979
1982	3,821,715

Source: Compiled from official statistics of the Department of Commerce.

Apparent U.S. Consumption

Apparent U.S. consumption of semiconductors (and parts) more than doubled during 1978-82, increasing from $5.2 billion to $10.8 billion. The largest increase occurred in 1980 when consumption increased by about $2 billion.

Semiconductors (and parts): Apparent U.S. consumption, 1978-82

Year	Value (1,000 dollars)
1978	5,240,092
1979	6,869,636
1980	8,864,653
1981	9,682,299
1982	10,753,400

Source: Compiled from official statistics of the Department of Commerce.

Comparison to Present Law

Semiconductors (and parts) are classified in TSUS items 687.70-.74, 687,77, 687.81, and 687.85. If imported from Canada and if the article qualifies as original motor-vehicle equipment, semiconductors (and parts) are entitled to duty-free treatment under item 687.89.

The rates of duty applicable to semiconductors (and parts) are determined by the trading status of the country of exportation. Semiconductors imported from countries afforded most-favored-nation (MFN) or column 1 treatment including certain least developed developing countries (LDDC's) are dutiable at 4.2 percent ad valorem. The 4.2 percent rate represents the final staged rate negotiated during the Tokyo round of the Multilateral Trade Negotiations (MTN) which was accelerated in the U.S.-Japan bilateral agreement entered into on September 30, 1981. All of the foregoing articles if imported from certain countries which the President has designated as being under, communist control or domination are dutiable at the column 2 rate of 35 percent ad valorem. Transistors, diodes, and rectifiers classified in items 687.70-.72 are the only semiconductor devices which have been designated for duty-free treatment under the Generalized System of Preferences (GSP).

Presently U.S. producers, under the provisions of TSUS item 807.00, pay an effective rate of duty on their imported semiconductors of about 2 percent ad valorem. Importers of wholly foreign-produced semiconductors pay the full duty rate, i..e, 4.2 percent ad valorem for imports from MFN sources. The proposed legislation would provide a larger duty reduction for wholly foreign-produced semiconductors; thus, greater benefits would accrue to foreign producers than to U.S. producers using the provisions of item 807.00.

Effect on Revenue

About 52 percent, by value, of U.S. semiconductor imports are entered free of duty under item 807.00. The remaining 48 percent, by value, of U.S. semiconductor imports are subject to a rate of duty of 4.2 percent ad valorem in 1983, which is slightly lower than the duty rate of 4.24 percent in effect in 1982. Based on imports of $4.2 billion in 1982, and discounted for the duty-free portion representing American goods returned under item 807.00, the customs duty collected during 1982 amounted to about $86 million. Since the current rate of 4.2 percent represents the final staged rate negotiated during the Tokyo round, future rates of duty on semiconductors will not be further reduced. Thus, future annual revenue losses would amount to about 2 percent of the entered value of imports in each year, or approximately $86 million based on 1982 imports.

Subcommittee Action

Agency Reports

On March 21, 1983, the Subcommittee requested agency reports from the International Trade Commission, the U.S. Trade Representative, and the Departments of State, Commerce, Treasury, and Labor. The ITC submitted an informative report on June 2, 1983.

Hearings

Hearings were held by the subcommittee on April 27 and May 5, 1983. On April 27 the Administration testified in opposition to the original bill prior to amendment, as they preferred to have the bill provide Presidential suspension. On May 5 the semiconductor industry testified in support of the bill prior to amendment.

Markup

On June 7, 1983, the Subcommittee on Trade ordered, by voice vote, H.R. 1953 reported to the full Committee on Ways and Means in the condition that a Senate companion bill would be introduced by the time of markup in the full Committee.

Senate Action

A companion Senate bill, S-1420, was introduced in the Senate by Senator Mitchell.

SUMMARY OF TESTIMONY ON H.R. 1953

ADMINISTRATION

U.S. Trade Representative: By memorandum dated June 6, 1983, the Office of the U.S. Trade Representative expressed their opposition to the bill as originally drafted. The bill, as currently amended, was drafted in cooperation with the USTR and results in a bill the Administration is not opposed to. It incorporates those elements desired by the Administration as presented in an attachment to the subject memorandum.

International Trade Commission: An informative report was submitted on June 2, 1983.

PUBLIC WITNESSES

Oral Testimony

Supports

The Semiconductor Industry Association, Roger C. Damm, Director of Sector Business Planning, Motorola, Inc.: Supports enactment in the hope that such action can induce Japan to unilaterally eliminate its tariff.

Statements For The Record

Supports

The Honorable Fortney H. Stark, M.C. (CA): Supports enactment, citing the U.S. Semiconductor Industry's belief that if the U.S. reduces its tariff to zero, Japan will be encouraged to follow suit.

EM Chemicals, Beth C. Ring, Counsel: Supports enactment because the duty-free entry of liquid crystals should aid the domestic LCD industry.

O