

TEMPORARY SUSPENSION OF IMPORT DUTIES ON CERTAIN COARSE WOOL

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Mr. BYRD, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 2151]

The Committee on Finance, to whom was referred the bill (H. R. 2151) to suspend for 3 years the import duties on certain coarse wool, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

AMENDMENTS

The House bill would have established the period of 3 years as the effective time of the duty suspension. The Finance Committee amended the bill to limit the effective period to June 30, 1960, beginning, as did the House bill, on the 60th day after the date of enactment. The title was amended to read as follows:

A bill to suspend until June 30, 1960, the import duties on coarse wool.

PRESENT LAW AND PROPOSED CHANGES

Paragraph 1101 (b) of the Tariff Act of 1930, as amended, presently provides for free entry under bond of imports of certain wools and animal hair for use in the manufacture of press cloth, camel's hair belting, knit or felt boots, heavy-fulled lumbermen's sox, rugs, carpets, or any other floor coverings. The imported wools for which such free entry is now provided are those which, if imported for use in other products than those specified, are dutiable under paragraph 1101 (a) of the Tariff Act of 1930. These wools consist of so-called unimproved wools and other (improved) wool not finer than 40s and camel's hair. The so-called unimproved wools are those from sheep which are native to certain regions and which have not been improved through

crossbreedings with Merino or English sheep. Other wool not finer than 40s are the coarser grades obtained from crossbred sheep.

The amendment of paragraph 1101 (b) that would be made by H. R. 2151, as reported, would, for a period of approximately 2 years, add to the wools now permitted duty-free importation under bond for the specified uses, wools finer than 40s but not finer than 46s. The amendment would include a proviso that a tolerance of not more than 10 percent of wools not finer than 48s may be allowed in each bale or package of wools imported as not finer than 46s. This proviso is in accord with the present "tolerance provisions" where fineness of imported wools is relevant to their classification for customs purposes.

Another amendment adopted by the Committee on Finance extends until January 1, 1959, the date for the submission of the United States Tariff Commission report on its comprehensive study of tariff classification laws pursuant to section 101 of the Customs Simplifications Act of 1954, as amended.

In requesting this time extension the Chairman of the United States Tariff Commission stated:

The Commission has completed the major portion of the study, but the pressure of other work has been such that more time will be needed to complete it if it is to receive the attention such a project deserves. As matters now stand, there is every reason to believe that the completed study can be submitted to the Congress and to the President well ahead of the convening of the next Congress in January 1959.

In the proposed revision, the existing tariff classification laws will be consolidated into 8 schedules comprising approximately 450 pages of statutory text. The Commission has released and completed hearings on 4 of these schedules involving a total of approximately 240 pages. The comments of interested parties (importers, domestic producers, customs lawyers, etc.) on these schedules have been almost without exception favorable and complimentary. The Commission has just released an additional 85 pages, comprising schedule 3 relating to textile products and a part of schedule 7 relating to miscellaneous products, on which hearings will be held June 3, 1958. Much of the work on the remaining 3 schedules, which will probably involve from 125 to 150 pages, has been done, and it is expected that these schedules will be completed and public hearings ordered thereon within the next 2 or 3 months.

The title was amended to read as follows:

An Act to provide for the temporary suspension of the import duties on certain coarse wool, and to provide additional time for the Tariff Commission to review the customs tariff schedules.

GENERAL STATEMENT

The purpose of H. R. 2151 is to suspend temporarily the import duties on certain coarse wools imported under bond for use in the manufacture of rugs and carpets and certain other products. It is intended to assist domestic producers to obtain these coarse wools at competitive world prices.

Prior to World War II the world supply of carpet wools, through the importation of name wools and coarse grades up to 40s, was sufficient to meet the needs of the domestic carpet industry. However, a number of developments since World War II resulted in restricting the availability of the necessary wool to our domestic carpet industry, so that for the past several years and at the present time our domestic industry has been and is faced not only with inability to obtain the necessary supplies but also with mounting imports of carpets of foreign manufacture. Developments arising out of and following World War II disrupted United States trade with former sources of supply, particularly Communist China and Tibet. Section 5 (b) of the Trading With the Enemy Act, as amended, contains the basic authority under which imports from Communist China and the U. S. S. R. are banned. Also, some of the countries that have been important producers of unimproved wools have taken measures to restrict their wool exports with a view to conserving the supplies for their own domestic industries. Practically all countries which have wool industries have made attempts to improve their breeds of sheep with the result that there has been an overall trend toward the finer wools, which are not coarse or resilient enough for carpet and rug manufacture and which trend further continues to reduce the available supply of carpet grade wools. The volume of unimproved wools entering international trade has been much smaller than consumption. The worldwide shortage of carpet grade wools has forced manufacturers in other countries to utilize wools finer than 40s, notably in the 40s-46s range. Information indicates these grades of wool are not as satisfactory as the coarser grade but they are being used by foreign manufacturers, particularly in Belgium, England, Japan, France, and certain other countries, and thus provide a decided advantage to those carpet industries over the United States carpet industry in the American market. In fact it has been accompanied by increased imports of foreign-made carpets into the United States.

Evidence has been presented that the domestic carpet industry is faced with a squeeze, which has placed it in a very adverse position competitively since, on the one hand, it cannot obtain economically the raw wool supplies which it needs in order to compete and on the other hand, it faces increasing competition in its finished wool carpets from countries in which the carpet manufacturers can obtain less expensive raw wool and thereby produce such carpets at a lower cost. In the absence of removal of the duty on carpet-grade wools as provided for in the bill, foreign carpet manufacturers will continue to enjoy a competitive advantage over domestic carpet producers with the result that United States consumption of wool carpets will become substantially carpets of foreign manufacture.

The Finance Committee has requested the Tariff Commission to make a study of the grades and qualities of wool imported into the United States for use in the manufacture of carpets and of papermakers felts and of domestic wools which are similar in grade and character. This report is to be completed on or before September 30, 1959. While it gives ample time for such a study to be made, it will become available prior to the opening of Congress in 1960, thus providing up-to-date and complete information for the Congress prior to the expiration of the effective date of the bill (June 30, 1960).

Former objections to the bill by domestic producers of wool and similar objections by the domestic producers of papermakers felts have been withdrawn, and the proponents of the bill have agreed to the reduced period of 2 years. The Finance Committee is therefore happy to report that a compromise has been reached which seems to have effectively removed all opposition to the bill as amended, and urges that the bill as reported do pass.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of Rule xxix of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

PARAGRAPH 1101 (b) OF THE TARIFF ACT OF 1930, AS AMENDED

TITLE I—DUTIABLE LIST

SECTION 1. That on and after the day following the passage of this Act, except as otherwise specially provided for in this Act, there shall be levied, collected, and paid upon all articles when imported from any foreign country into the United States or into any of its possessions (except the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, and the island of Guam) the rates of duty which are prescribed by the schedules and paragraphs of the dutiable list of this title, namely:

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SCHEDULE 11.—WOOL AND MANUFACTURES OF

Par. 1101. (a) * * *

(b) Any of the foregoing *and all other wools of whatever blood or origin not finer than 46s* may be entered or withdrawn from warehouse without the payment of duty by a manufacturer, processor, or dealer upon the filing of a bond to insure that any wool or hair entered or withdrawn thereunder shall be used only in the manufacture of press cloth, camel's hair belting, knit or felt boots, heavy fulled lumbermen's socks, rugs, carpets, or any other floor coverings: *Provided, That a tolerance of not more than 10 per centum of wools not finer than 48s may be allowed in each bale or package of wools imported as not finer than 46s.* A manufacturer, processor, or dealer may be relieved of liability under his bond with respect to any wool or hair so entered or withdrawn which is transferred in its imported or any other form to another manufacturer, processor, or dealer who has filed a bond to insure that the merchandise so transferred shall be used only in the manufacture of the above-enumerated articles. If any wool or hair so entered, withdrawn, or transferred under bond is used or transferred for use in its imported or any other form in any manner otherwise than in the manufacture of the articles enumerated above, there shall be levied, collected, and paid on the merchandise so used or transferred in violation of the bond the regular duties which would apply to such merchandise if imported in its condition at the time of such use or transfer. Such duties shall be paid by the manufacturer,

processor, or dealer whose bond is charged with the wool or hair at the time of such use or transfer; but such duties shall not be levied or collected on any merchandise (except white soft wastes, white threads and noils, which shall be dutiable at seven-eighths of such regular duties when used or transferred for use otherwise than in the manufacture of the enumerated articles) resulting in the usual course of manufacture of such enumerated manufactured articles which cannot be used (with or without further preparation) in the usual course of the manufacture of such enumerated articles, or which is exported or destroyed. When any wool or hair which has been entered or withdrawn under bond as provided for in this subparagraph is used or transferred for use, in its imported or any other form, otherwise than in the manufacture of the above-enumerated articles and prior to such use or transfer there shall have been combined or mixed with such wool or hair any other merchandise, the whole or the combination or mixture shall be presumed to be composed of wool or hair entered or withdrawn under bond, as provided for in this subparagraph, unless the manufacturer, processor, or dealer liable for the payment of the duties shall establish the quantity of bonded wool or hair in such combination or mixture. Every manufacturer, processor, or dealer who has given a bond pursuant to the provisions of this subparagraph shall report any use or transfer of merchandise in violation of the terms of his bond, within thirty days after such use or transfer, to the collector of customs in whose district the bond is filed; and for failure to so report, such manufacturer, processor, or dealer shall be liable to a penalty equal to the value of the merchandise so used or transferred at the time and place of such use or transfer. Such penalty shall be in addition to the duties above provided for. The Secretary of the Treasury is authorized to prescribe such regulations and the form, conditions, and amounts of such bonds as may be necessary to carry into effect the provisions of this subparagraph.

SECTION 101 (c) OF THE CUSTOMS SIMPLIFICATION ACT OF 1954

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(c) Not later than **[March 1, 1958]** *January 1, 1959* the Commission shall transmit copies of the schedules and accompanying data and statements to the President and to the chairman of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

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