

IMPORT DUTIES ON CERTAIN COARSE WOOL

MAY 19, 1960.—Ordered to be printed

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

R E P O R T

[To accompany H.R. 9322]

The Committee on Finance, to whom was referred the bill (H.R. 9322) to make permanent the existing suspension of duties on certain coarse wool, having considered the same, report favorably thereon with amendments, and recommend that the bill as amended do pass.

PURPOSE

H.R. 9322, as passed by the House of Representatives, would make permanent the existing suspension of import duties on certain coarse wools imported under bond for use in the manufacture of rugs and carpets, and certain other products, to add papermakers' felts to such list of products, and to authorize the Secretary of Agriculture (pursuant to law) to establish modern standards for determining grades of wools.

The Committee on Finance amended the bill to provide for a 3-year extension of the suspension, until the close of June 30, 1963. Although the duty on some of the coarse wools affected by the bill has been suspended for the past 2 years, the Finance Committee felt it would be advisable to limit the extension to a 3-year period for the purpose of enabling a review of the situation at the end of that period.

GENERAL STATEMENT

Public Law 418, 85th Congress, provided for the suspension, until June 30, 1960, of the import duties on certain coarse wools imported under bond for use in the manufacture of rugs and carpets and certain other products. Until the enactment of Public Law 418, 85th Congress, paragraph 1101(b) of the Tariff Act provided for duty-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 socks, or rugs, carpets, and other floor coverings. The duty-free entry provision for carpet wools was limited to so-called unimproved wools and other (improved) wools not finer than 40s and camel's hair. Sections 1 and 2 of Public Law 418, 85th Congress, temporarily amended paragraph 1101(b) to extend the free entry privilege for a period of 2 years to wools finer than 40s but not finer than 46s.

H.R. 9322 would also provide that papermakers' felts would also qualify for the free-entry privilege presently accorded to rugs and carpets and the other specified products and would give the Secretary of Agriculture the authority to revise the official standards of the United States for the grading of wool. Under existing law, the standards applicable to the grading of wool are those established on June 18, 1926. The proposed revision would permit the Secretary to take advantage of technological advances in the grading of wools.

In a supplemental report to the Ways and Means Committee, the Department of Agriculture advised that with the deletion of specific reference to the standards for grading of wool promulgated by the Secretary of Agriculture on June 18, 1926—

the practical forms of standards promulgated as of that date would still continue to be used after the deletion because they would be the only ones established by the Secretary pursuant to law as of this time.

The Department of Agriculture also stated that, should it promulgate modified standards, the procedures it would follow—

will give all other Government departments and bureaus, the domestic wool trade, the domestic wool-producing industry, the domestic wool-textile industries, foreign exporters of wool into the United States, and all others having any interest ample and full opportunity to present their views and consult with the Department concerning the proposed changes well in advance of any final determinations made by the Department. Since it is the intent of the Department to promulgate standards which would serve the best interests of all segments of the industry and the marketing of wool generally it has always been and will continue to be the policy and the practice of the Department to consult with all interested parties to the extent necessary for the development of the best possible standards for wool.

In this connection, it would seem essential that the Treasury Department be given an opportunity to work out with the Department of Agriculture in the preparatory stages any customs administrative problems which might be suggested by any contemplated new standards for the grading of imported wool, and that such questions should be resolved before the publication of proposed standards in the Federal Register or elsewhere. By such advanced consultation, delays in the releasing of imported wool and in the determination of its tariff classification and the amount of duty due that might otherwise arise as a result of the promulgation of revised standards, would be avoided. Section 3 was originally included in the bill, with the understanding that the Treasury Department will be adequately consulted during the preparation of the standards and before any proposed standards are published in the Federal Register or elsewhere.

Need for legislation.

Public Law 418, 85th Congress, arose out of the need of the domestic carpet industry for additional supplies of imported coarse wools at competitive world prices so as to enable the domestic carpet industry to compete more successfully with foreign producers of carpets in the American market.

Congress intended paragraph 1101(b) of the Tariff Act of 1930 to provide the domestic carpet industry with duty-free access to foreign supplies of the types of wool that the industry would be likely to use. Congress further recognized this when they exempted the carpet industry from the added protection of a specific duty on carpets which is given to all other domestic industries which pay duty on imported wool.

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 the 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 U.S. 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; this 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 U.S. carpet industry in the American market.

In short, convincing 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 a continuation of the suspension of the duty on carpet-grade wools foreign carpet manufacturers will be given a competitive advantage over domestic carpet producers.

Report of the U.S. Tariff Commission under the provisions of section 332 of the Tariff Act of 1930

Public Law 418, 85th Congress, provided for a 2-year suspension of the duties on these coarse wools. H.R. 2151 of the 85th Congress (which ultimately became Public Law 418), as originally introduced, provided for the permanent extension of the duty-free privilege. The House Committee on Ways and Means amended this bill so as to limit the extension to a 3-year period for the purpose of enabling a review of the situation at the end of that period. The Committee on Finance of the Senate reported the bill out with an amendment reducing the 3-year period to 2 years. In its report, the Committee on Finance stated that it had requested the U.S. Tariff Commission pursuant to the provisions of section 332 of the Tariff Act of 1930—

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—

and to submit such a report on or before September 30, 1959. The Committee on Finance also noted that such a report would be available prior to the opening of Congress in 1960, so that complete information could be available to the Congress prior to the expiration of the effective date of the bill which was June 30, 1960.

The above-referred to report was completed by the U.S. Tariff Commission and was submitted as part of the Tariff Commission's informative report on H.R. 9322. In this report the Commission notes that—

Virtually all of the wool used by the U.S. carpet industry is imported. The wools grown in this country, which are used principally for apparel purposes, are improved wools primarily of grades finer than 46s—grades that have not been used by the carpet industry. Of the little coarse wool (not finer than 46s) produced in the United States, virtually none is used by the carpet industry, primarily because it is higher priced than comparable imported wools that enter free of duty for use in carpets.

This report also pointed out that U.S. imports of wool for carpet use averaged 129 million pounds annually in 1956-58 and amounted to 123 million pounds in 1958. With respect to domestic production of comparable wools, the report says that—

The Commission believes that not more than 2 million pounds were of grades 46s and coarser.

Furthermore, even through domestic supplies of these wools are extremely limited, they do not compete with imports in carpet uses. On this point, the Commission's report says the following:

Virtually all of the coarse wool grown in the United States, like other wool produced here, is used for articles in which the foreign wool with which it competes is dutiable. The domestic wool accounts for much less than the total requirements for wool in those articles. Practically none of the domestic wool, therefore, is available for use in carpets, where the foreign wool with which it would have to compete is duty free.

With respect to the question of competition between the carpet and papermaker felt industry in the market for the coarse wools that presently enjoy duty-free treatment, the Commission had this to say:

The delivered cost of imported coarse wools in the United States is higher to producers of papermakers' felts than to producers of carpets, not only because the wool used in making felts is usually of better quality than that used in making carpets, but also because a tariff duty is applicable to wools used in felts and not to those used in carpets. Although wools used in making felts are usually of higher quality than those used for making carpets, there is some overlap, particularly with respect to New Zealand 44s and 46s. In purchasing their wool in New Zealand the buyers for producers of papermakers' felts sometimes compete with the buyers for carpet manufacturers for the same types of wool.

In consideration of this competitive situation, the Ways and Means Committee amended H.R. 9322 to provide that papermakers' felts would be eligible for the privilege of duty-free importation of these wools.

All segments of industry in support of bill

In the public hearings held by the Ways and Means Committee, all segments of the wool industry, including the carpet industry, the papermakers' felt industry, the woolgrowers, and the wool trade, indicated their support for the bill. The amendment relating to the establishment of standards for the grading of wool was recommended to your committee by the Department of Agriculture and by the domestic woolgrowers.

Reports on H.R. 9322 from the Departments of State, Commerce, and Agriculture and the Bureau of the Budget indicated no opposition to the enactment of the bill. An informative report was received from the Tariff Commission.

TECHNICAL EXPLANATION OF THE BILL

Import duties on certain coarse wools

Paragraph 1101(b) of the Tariff Act of 1930 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 socks, rugs, carpets, or any other floor coverings. The imported wools for which such free entry was provided before the amendment made by Public Law 85-418, approved May 19, 1958, are those which (if used in products other 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.

Public Law 85-418 amended paragraph 1101(b) of the Tariff Act of 1930 by adding to the wools permitted duty-free importation under bond for the specified uses, wools finer than 40s but not finer than 46s. The amendment also included 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.

Papermakers' felts

As explained above, paragraph 1101(b) of the Tariff Act of 1930 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 socks, rugs, carpets, or any other floor coverings. Subsection (a) of section 2 of the bill, as reported, adds "papermakers' felts" to this list.

A papermakers' felt is a blanketlike fabric in the form of a long endless belt used in a papermaking machine to carry thin layers of wet pulp through successive series of rollers in the machine as the water is extracted. Papermakers' felts may be manufactured by forming an endless belt without splicing or by producing fabric and making papermakers' felts by forming an endless belt by splicing the fabric. Thus the production of the fabric from which papermakers' felts are frequently manufactured by splicing does not (in the absence of the final step of splicing into an endless belt) constitute the manufacture of papermakers' felts.

Under existing provisions of paragraph 1101(b) of the Tariff Act of 1930 and the regulations thereunder which will become applicable to papermakers' felts, the fabrics could be manufactured under the bond of one manufacturer and thereafter spliced into complete papermakers' felts under the bond of another manufacturer; but, if the process is not carried through to the final state of endless belt papermakers' felts in the factory of one or more firms operating under paragraph 1101(b), the provision of duty-free treatment will not apply.

Under subsection (b) of section 2 of the bill, as reported, the amendment made by section 2(a) is to be effective only with respect to wool or hair entered, or withdrawn from warehouse, for consumption (i.e., for use in the manufacture of papermakers' felts), on or after the 30th day after the date of the enactment of the bill and prior to June 30, 1963.

Standards for determining grades of wools

Under existing paragraph (5) of paragraph 1101(c) of the Tariff Act of 1930, as amended, the standards for determining the grade of wools for purposes of schedule 11 (relating to wool and manufactures of wool) of the dutiable list of the Tariff Act of 1930, as amended, are the "Official Standards of the United States for grades of wool as established by the Secretary of Agriculture on June 18, 1926, pursuant to law."

Section 3 of the bill, as reported, amends paragraph (5) to provide that the standards for determining grades of wools shall be those—

(1) which are established from time to time by the Secretary of Agriculture pursuant to law, and

(2) which are in effect on the date of importation of the wools.

The act of May 17, 1926 (7 U.S.C., secs. 415b-415d) and sections 203 and 205 of the Agricultural Marketing Act of 1946 (7 U.S.C., secs. 1622, 1624) authorize the Secretary of Agriculture to establish standards for determining grades of wools. However, since the standards established on June 18, 1926, are now in effect these standards will continue in effect until changed under the authority of paragraph (5) and the provisions of law referred to above.

While the laws referred to above do not impose any special procedural requirements for establishing or changing standards, the rule-making provisions of the Administrative Procedure Act (5 U.S.C., sec.

1003) are applicable to changes in grade standards. Thus, for example, notice of proposed changes is required to be published in the Federal Register, interested persons must be afforded an opportunity to present data, views, and arguments, and (except for good cause found and published with the rules) publication of the standards are required to be made not less than 30 days before the effective date.

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 are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

ACT OF MAY 19, 1958 (PUBLIC LAW 85-418; 72 STAT. 120)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of paragraph 1101(b) of the Tariff Act of 1930, as amended (19 U.S.C. sec. 1001, par. 1101 (b)) is amended—

(1) by inserting after the word “foregoing” the following: “and all other wools of whatever blood or origin not finer than 46s”; and

(2) by inserting before the period at the end thereof a colon and the following: “*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”.

SEC. 2. The amendments made by this Act shall be effective only with respect to wool entered, or withdrawn from warehouse, for consumption, during the period beginning on the sixtieth day after the date of the enactment of this Act and ending at the close of [June 30, 1960] *June 30, 1963.*

PARAGRAPH 1101 OF THE TARIFF ACT OF 1930, AS AMENDED
(19 U.S.C., SEC. 1001, PAR. 1101)

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:

* * * * *

SCHEDULE 11.—WOOL AND MANUFACTURERS OF

PAR. 1101. (a) Wools: Donskoi, Smyrna, Cordova, Valparaiso, Ecuadorean, Syrian, Aleppo, Georgian, Turkestan, Arabian, Bagdad, Persian, Sistan, East Indian, Thibetan, Chinese, Manchurian, Mongolian, Egyptian, Sudan, Cyprus, Sardinian, Pyrenean, Oporto,

Iceland, Scotch Blackface, Black Spanish, Kerry, Haslock, and Welsh Mountain; similar wools without merino or English blood; all other wools of whatever blood or origin not finer than 40s; and hair of the camel; all the foregoing, in the grease or washed, 24 cents per pound of clean content; scoured, 27 cents per pound of clean content; on the skin, 22 cents per pound of clean content; sorted, or matchings, if not scoured, 25 cents per pound of clean content: *Provided*, That a tolerance of not more than 10 per centum of wools not finer than 44s may be allowed in each bale or package of wools imported as not finer than 40s.

(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, *papermakers' felts*, camel's hair belting, knit or felt boots, heavy fullered 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.

(c) For the purposes of this schedule:

(1) Wools and hair in the grease shall be considered such as are in their natural condition as shorn from the animal, and not cleansed otherwise than by shaking, willowing, or burr-picking;

(2) washed wools and hair shall be considered such as have been washed, with water only, on the animal's back or on the skin, and all wool and hair, not scoured, with a higher clean yield than 77 per centum shall be considered as washed;

(3) scoured wools and hair shall be considered such as have been otherwise cleansed (not including shaking, willowing, burr-picking, or carbonizing);

(4) sorted wools or hair, or matchings, shall be wools and hair (other than skirtings) wherein the identity of individual fleeces has been destroyed, except that skirted fleeces shall not be considered sorted wools or hair, or matchings, unless the backs have been removed; and

[(5) the Official Standards of the United States for grades of wool as established by the Secretary of Agriculture on June 18, 1926, pursuant to law, shall be the standards for determining the grade of wools.]

(5) the standards for determining grades of wools shall be those which are established from time to time by the Secretary of Agriculture pursuant to law and which are in effect on the date of importation of the wools.

