

## TEMPORARY SUSPENSION OF DUTY ON CERTAIN FORMS OF ZINC, AND OTHER MATTERS

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

### REPORT

[To accompany H.R. 9911]

The Committee on Finance, to which was referred the bill (H.R. 9911) to continue until the close of June 30, 1981, the existing suspension of duties on certain forms of zinc, having considered the same, reports favorably thereon with amendments to the text and an amendment to the title and recommends that the bill, as amended, do pass.

#### I. SUMMARY

The first section of H.R. 9911 would amend the Tariff Schedules of the United States (TSUS) to extend temporarily (from June 30, 1978, through June 30, 1981) the suspension of duties on most-favored-nation (MFN) imports of zinc ores and concentrates used in the production of zinc metal. Duty-free entry of these products was permitted from August 9, 1975, to June 30, 1978.

Section 2 of the bill would amend the TSUS to permit temporarily (from date of enactment through June 30, 1980) duty-free entry of MFN imports of nitrocellulose. Soluble nitrocellulose is now dutiable at 9.7 cents per pound. It is used primarily in the manufacture of fast drying lacquer coatings for furniture.

Section 3 of the bill would amend the TSUS to permit temporarily (from date of enactment through June 30, 1980) duty-free entry of MFN imports of certain gloves and trousers specifically designed for use in forestry. The trousers affected by this provision are now dutiable at 37.5 cents per pound plus 21 percent ad valorem or 25 cents per pound plus 27.5 percent ad valorem. The gloves are dutiable at 15 percent ad valorem.

## II. REASONS FOR THE BILL

Domestic zinc mines cannot supply enough ore to satisfy the demand for zinc metal. The first section of H.R. 9911 is intended to reduce the cost of an important source of zinc for domestic zinc manufacturers.

The sole domestic producer of soluble nitrocellulose can supply only 70 to 80 percent of domestic demand for the product. Section 2 of H.R. 9911 is intended to reduce the cost to the domestic paint and coating industry of a necessary raw material some of which must be imported.

No domestic company currently produces precisely the gloves and trousers affected by section 3 of H.R. 9911. This section is intended to reduce the cost of these products to the domestic forestry industry.

## III. GENERAL EXPLANATION

### A. CERTAIN FORMS OF ZINC

The first section of H.R. 9911, as amended, would continue until June 30, 1981, the suspension of duties on zinc-bearing ores, zinc-bearing materials, zinc dross and skimmings, and zinc waste and scrap. Zinc-bearing ores are classifiable under TSUS item 602.20. Zinc-bearing materials are classifiable under TSUS item 603.49, 603.50, 603.54, and 603.55. The column 1 rate of duty, the nondiscriminatory or most-favored-nation (MFN) duty, applicable for the foregoing items is 0.67 cent per pound on zinc content. Zinc dross and skimmings are classifiable under TSUS item 603.30. Zinc waste and scrap is classifiable under TSUS item 626.10. The column 1 rate of duty applicable to these items is 0.75 cent per pound. From August 9, 1975, through June 30, 1978, the forms of zinc mentioned above were classified under items 911.00, 911.01, 911.02, and 911.03 of the Appendix to the TSUS. These items provided for duty-free treatment for column 1 imports of the relevant zinc ores and concentrates.

The first section of H.R. 9911 would amend items 911.00, 911.01, 911.02, and 911.03 of the Appendix to the TSUS by extending through June 30, 1981, the suspension of column 1 rates of duty on the forms of zinc described above. This suspension would apply retroactively, on request, to entries made after June 30, 1978, and before the date of enactment.

All the products affected by this bill are sources of zinc metal and zinc products. Thirty-seven percent of zinc consumption is as die casting alloy, 22 percent for galvanizing sheet and strip, 15 percent for galvanizing other steel products, and 14 percent to make brass and bronze.

Domestic consumption of zinc from ore, scrap, and other materials was 872,000 tons in 1976 and 730,000 tons in 1977. Domestic production of zinc ore measured by contained weight of zinc was 485,000 tons in 1976 and 463,000 tons in 1977. St. Joe Minerals Corp., AMAX Lead Co., New Jersey Zinc Co., and Bunker Hill Co., account for about 40 percent of domestic production.

Imports of zinc ore, scrap, etc., were approximately 177,000 tons in 1976 and approximately 135,000 tons in 1977. Canada supplies approximately 50 percent of zinc ores and concentrates followed by Mexico, Honduras, Nicaragua, Thailand, Australia, and Peru.

The Subcommittee on International Trade held hearings on H.R. 9911 on July 31, 1978. Favorable testimony was heard. The administration favors enactment of this bill.

#### B. SOLUBLE NITROCELLULOSE

Section 2 of H.R. 9911, as amended by the committee, which contains the substance of H.R. 9628, would temporarily permit (until June 30, 1980) duty-free entry of soluble nitrocellulose imported from countries receiving nondiscriminatory (MFN) tariff treatment. MFN imports of soluble nitrocellulose are dutiable under column 1 of TSUS item 445.25 at 9.7 cents per pound. If produced in a beneficiary developing country, column 1 imports of soluble nitrocellulose are eligible for duty-free treatment under the Generalized System of Preferences. Section 2 of H.R. 9911, as amended, would add a new item 907.77 to the Appendix to the TSUS permitting duty-free entry of column 1 (MFN) imports of nitrocellulose classified under item 445.25 until June 30, 1980.

Nitrocellulose is a synthetic resin prepared by the reaction of cellulose, from cotton linters or wood pulp, with a mixture of nitric acid and sulfuric acid. Soluble nitrocellulose is used principally by the paint and coating industry to make fast-drying, durable lacquer coatings for furniture. There is no economical substitute for soluble nitrocellulose in coating products.

There is one domestic producer of soluble nitrocellulose, Hercules, Inc., of Wilmington, Delaware. Domestic consumption of soluble nitrocellulose was approximately 63 million pounds in 1967. It is estimated Hercules can only supply 70 to 80 percent of domestic demand.

Import statistics for soluble nitrocellulose are not available. Imports of all cellulosic materials in TSUS item 445.25 were 66,000 pounds in 1976 and 32,000 pounds in the first 10 months of 1977. The principal suppliers of soluble nitrocellulose are France, West Germany, and Japan.

The Subcommittee on International Trade held hearings on H.R. 9628 on July 31, 1978. The subcommittee heard favorable testimony on the bill during the hearings. The administration has no objections to the bill.

#### C. FORESTRY GLOVES AND TROUSERS

Section 3 of H.R. 9911, as amended by the committee, which contains the substance of S. 3171 modified, would temporarily permit (until June 30, 1980) duty-free imports of gloves and trousers specifically designed for use in forestry if they incorporate two or more layers of protective lining material made wholly of woven manmade fibers. The duty suspension would apply only to imports from countries receiving nondiscriminatory (MFN) tariff treatment. The products affected by section 3 are worn by power saw operators in the forestry industry for safety reasons.

Certain imported trousers which incorporate protective features designed specifically for use in forestry are currently dutiable under TSUS items 380.66 and 380.84 at column 1 (MFN) rates of 37.5 cents per pound plus 21 percent ad valorem and 25 cents per pound plus 27.5 percent ad valorem, respectively. Trousers of wool and manmade

fibers are subject to import quotas under the Arrangement Regarding International Trade in Textiles. Certain gloves designed for use in forestry are subject to an MFN duty of 15 percent ad valorem under TSUS item 705.35.

Section 3 of H.R. 9911, as amended, would add a new item 906.00 to the Appendix to the TSUS permitting duty-free entry of column 1 (MFN) imports of gloves and trousers specially designed for use in forestry, incorporating two or more layers of protective lining material made wholly of woven manmade fibers, and classified under item 380.66, 380.84, or 705.35, until June 30, 1980.

The gloves affected by section 3 are made from leather (usually cowhide or horsehide) with the protective nylon layers inserted into the lining on the back of the hand. The trousers consist of multiple layers of fabric. The outer fabric is primarily woven of manmade fibers, or of wool, but could be of any fiber. Two to eight layers of protective nylon are inserted into the lining on the front of the trouser and extend from the crotch to below the knee.

There is no known domestic source of trousers which incorporate the same protective features as those being considered for duty-free treatment. U.S. producers manufacture a trouser which has removable pads which can be inserted into the pants legs.

According to the Work Glove Manufacturers Association, there are some domestic manufacturers that produce gloves incorporating special safety features used exclusively in the forestry industry. These gloves are produced on a contract basis only. Information on the exact quantities of these special order gloves is not available.

Imports of these articles for the past 5 years has been very small. The only recent imports that are known were gloves from Canada valued at \$4,000.

The Subcommittee on International Trade held hearings on S. 3171 on July 31, 1978. Favorable and unfavorable testimony was received. The objections were that domestic producers could make gloves similar to those affected by section 3 and do make chaps for use in forestry. The administration opposed S. 3171 because it would have permanently eliminated the duties on certain gloves and trousers without compensation from our trading partners.

The committee does not believe any domestic producer is currently making gloves of the sort affected by section 3. The domestically produced chaps are not a substitute for the trousers affected. Finally, the provision is a temporary duty-suspension which will preserve the negotiating position of the United States vis-a-vis our trading partners with respect to the tariffs on the affected gloves and trousers.

#### IV. COST OF CARRYING OUT THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the committee estimates that the annual customs revenue loss resulting from the enactment of the first section of H.R. 9911 will be not more than \$1.9 million. The annual customs revenue loss resulting from enactment of sections 2 and 3 will be negligible.

## V. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the committee states that H.R. 9911 as amended will not regulate any individuals or businesses.

## VI. VOTE OF THE COMMITTEE

In compliance with section 133 of the Legislative Reorganization Act of 1946, the committee states that the bill as amended was ordered favorably reported by voice vote.

## VII. CHANGES IN EXISTING LAW

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown below (existing law proposed to be omitted is enclosed in black brackets, new matter is in italic, existing law in which no change is proposed is shown in roman:)

## TARIFF SCHEDULES OF THE UNITED STATES

## APPENDIX TO THE TARIFF SCHEDULES

## PART 1.—TEMPORARY LEGISLATION

Subpart B.—Temporary Provisions Amending the  
Tariff Schedules

Item	Articles	Rates of duty		Effective period
		1	2	
906.00	<i>Gloves and trousers specially designed for use in forestry, incorporating two or more layers of protective lining material made wholly of woven man-made fibers (provided for in items 380.66, 380.84, or 705.35)</i>	Free	No change	On or before 6/30/80.
907.77	<i>Nitrocellulose (provided for in item 445.25, part 4A, schedule 4)</i>	Free	No change	On or before 6/30/80.
911.00	Zinc-bearing ores (provided for in item 602.20, part 1, schedule 6)	Free on zinc content.	No change	On or before [6/30/78.] 6/30/81.
911.01	Zinc dross and zinc skimmings (provided for in item 603.30, part 1, schedule 6)	Free	No change	On or before [6/30/78.] 6/30/81.
911.02	Zinc-bearing materials (provided for in items 603.49, 603.50, 603.54, and 603.55, part 1, schedule 6)	Free on zinc content.	No change	On or before [6/30/78.] 6/30/81.
911.03	Zinc waste and scrap (provided for in item 626.10, part 2, schedule 6)	Free	No change	On or before [6/30/78.] 6/30/81.