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REPORT
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MISCELLANEOUS TARIFF AND CUSTOMS MATTERS

SEPTEMBER 26 (legislative day, JUNE 12), 1980.—Ordered to be printed

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

REPORT

[To accompany H.R. 5047]

The Committee on Finance, to which was referred the bill (H.R. 5047) to provide for the temporary suspension of certain duties, to extend certain existing suspensions of duties, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

I. SUMMARY

H.R. 5047, as amended, contains miscellaneous amendments to the tariff and customs laws of the United States. A summary of the substantive provisions of H.R. 5047 follows:

(1) *"Foreign materials" determinations relating to the tariff treatment of products of insular possessions.*—Section 102 amends the Tariff Schedules of the United States (TSUS) to provide that under certain conditions, materials imported into an insular possession and incorporated into an article produced or manufactured in the possession would not be considered "foreign" for purposes of determining whether the manufactured article, when imported into the United States, contains less than 50 percent foreign materials by value and thus is eligible for duty-free treatment. The component material would not be considered foreign if the material in question was, either when the manufactured article was imported into the United States or at the time the component material was imported into the insular possession, eligible for duty-free treatment if imported into the United States.

(2) *Silk yarns.*—Section 103 provides duty-free treatment for imports of certain yarns of silk from June 30, 1980.

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(3) *Poppy straw extract.*—Section 104 provides duty-free treatment for imports of poppy straw extract, used to manufacture morphine and codeine, from June 30, 1980.

(4) *Field glasses and binoculars.*—Section 105 provides duty-free treatment from the date of enactment for imports of field glasses, opera glasses, and prism binoculars from countries receiving most-favored-nation (MFN) tariff treatment.

(5) *Certain valuable wastes.*—Section 106 permits, without forfeiture of bond, the retention of valuable wastes which are generated during the processing for export of merchandise imported under bond, provided that applicable duties are tendered on such wastes within the bonded period.

(6) *Water chestnuts and bamboo shoots.*—Section 107 temporarily provides duty-free treatment on imports of certain water chestnuts and bamboo shoots from the date of enactment through June 30, 1983.

(7) *Urethane curing agent (TMAB).*—Section 108 provides temporary duty-free treatment for imports from countries receiving MFN tariff treatment of the urethane curing agent trimethylene glycol di-p-aminobenzoate (TMAB), used in producing cast urethane products, from the date of enactment through June 30, 1983.

(8) *Color couplers and color intermediates.*—Section 109 reinstates temporary duty-free treatment for imports from countries receiving MFN tariff treatment of color couplers and color intermediates used in the manufacture of photographic sensitized material from the termination of the previous duty-free treatment on June 30, 1980, through June 30, 1982.

(9) *Doxorubicin hydrochloride.*—Section 110 reinstates temporary duty-free treatment for imports from countries receiving MFN tariff treatment of the cancer drug doxorubicin hydrochloride (which has the trade name of Adriamycin) from the expiration of the previous duty-free treatment on June 30, 1980, through June 30, 1982.

(10) *Levulose.*—Section 111 provides temporary duty-free treatment for imports from countries receiving MFN tariff treatment of levulose, a sweetener, from June 30, 1980, through December 31, 1981. A previous reduction in this duty on imports of levulose expired on June 30, 1980.

(11) *Flat knitting machines.*—Section 112 provides temporary duty-free treatment for imports from countries receiving MFN tariff treatment of wide-bed flat knitting machines from the date of enactment through June 30, 1983.

(12) *Warp knitting machines.*—Section 113 provides temporary duty-free treatment for imports of warp knitting machines from the date of enactment through June 30, 1983.

(13) *Chipper knife steel.*—Section 114 (the substance of which as it passed the House being stricken by the committee and moved to new section 119 of the bill (see below)) provides for a temporary reduction of duty to 4.6 percent *ad valorem* on imports of chipper knife steel from countries receiving MFN tariff treatment from the date of enactment through September 30, 1982.

(14) *Unwrought lead.*—Section 115 provides a temporary reduction in the duty on imports from countries receiving MFN tariff treatment

of certain unwrought lead to 3 percent *ad valorem* on the value of lead content, but not less than 1,0625 cents per pound on the lead content. The duty reduction covers imports from January 1, 1980 through June 30, 1983.

(15) *Tuna purse seine nets and netting*—Section 116 suspends, from October 1, 1979 through December 31, 1981, the duty imposed under section 466 of the Tariff Act of 1930 on entries of tuna purse seine nets and netting purchases or repairs for certain U.S. vessels.

(16) *Wood veneers.*—Section 117 provides duty-free treatment from the date of enactment on imports of certain wood veneers from countries receiving MFN tariff treatment.

(17) *Ephedrine.*—Section 118 would reduce permanently to 3.7 percent *ad valorem* the rate of duty on imports from countries receiving MFN tariff treatment of synthetic ephedrine and racephedrine, and their salts, pharmaceuticals used in asthma medications and in nasal decongestants, with such reduction staged over a 7-year period.

(18) *Same-condition drawback.*—Section 201 would provide for a refund of duties, taxes, or fees paid on merchandise because of its importation if the imported merchandise is exported in the same condition as when imported, or destroyed under the supervision of U.S. Customs, within 3 years of the date of importation.

(19) *Informal entries of certain U.S. products.*—Section 202 would allow imports of products of the United States to be made by informal entry procedures where the aggregate value of the shipment concerned does not exceed $10,000, and the merchandise is imported for repair or modification prior to re-exportation or after having been rejected or returned by the foreign purchaser to the United States for credit.

(20) *Technical amendments to the Trade Agreements Act of 1979.*—Section 203 contains two technical, conforming amendments to the Trade Agreements Act of 1979. One amendment relates to the assessment of duties on alcoholic beverages on a proof gallon basis. The other amendment relates to the assessment of duties on products of the insular possessions of the United States.

(21) *Foreign-Trade Zone Board Annual Report.*—Section 204 amends the law to permit the Foreign-Trade Zone Board to submit its annual report to Congress no later than April 1 of each year, rather than on the first day of each regular session of Congress as required under existing law.

(22) *Country-of-origin determinations for government procurement.*—Section 205 transfers authority to the Secretary of the Treasury from the Secretary of Commerce to make country-of-origin determinations required under the Trade Agreements Act of 1979 with respect to government procurement.

(23) *Roofing tiles for the Chinese Cultural and Community Center of Philadelphia, Pennsylvania.*—Section 301 permits a one-time duty-free entry of roofing tiles for the nonprofit Chinese Cultural and Community Center of Philadelphia, Pa.

(24) *Transfer of amphibious craft.*—Section 302 authorizes the District Director of the U.S. Customs Service in Portland, Oregon, to convey to the Sheriff's Office of Coos County, Oregon, all right, title, and interest of the United States to three amphibious craft which were seized in a drug raid conducted in 1977.

II. General Explanation

In this general explanation of the substantive provisions of H.R. 5047, the following acronyms or phrases have the indicated meaning:

(1) "TSUS" means the Tariff Schedules of the United States.

(2) "MFN rate of duty" for an item in the TSUS means the rate of duty under column numbered 1 of the TSUS for that item, which is the rate of duty applicable to imports from countries receiving most-favored-nation treatment.

(3) "Non-MFN rate of duty" for an item in the TSUS means the rate of duty under column numbered 2 of the TSUS for that item, which is the rate of duty applicable to imports from countries not receiving most-favored-nation treatment.

(4) "LDDC rate of duty" for an item in the TSUS means the rate of duty under the column designated LDDC in the TSUS for that item, which is the preferential rate of duty applicable to imports from the least developed of the developing countries, *i.e.*, those countries listed in General Headnote 3(d) of the TSUS. This rate of duty is the reduced rate of duty negotiated in the Multilateral Trade Negotiations, and in cost cases will be applicable to imports from all countries receiving MFN treatment on and after January 1, 1987.

(5) "GSP" means the Generalized System of Preferences established under title V of the Trade Act of 1974, which provides duty-free treatment to specified articles imported from designated developing countries.

(6) "MTN" means the Multilateral Trade Negotiations, concluded in Geneva, Switzerland in 1979.

SECTION 102.—"FOREIGN MATERIALS" DETERMINATIONS RELATING TO THE TARIFF TREATMENT OF PRODUCTS OF THE INSULAR POSSESSIONS

Present law.—General Headnote 3(a)(i) of the TSUS provides that articles manufactured or produced in the U.S. insular possessions (for example, Guam, the U.S. Virgin Islands, and American Samoa) receive duty-free treatment when imported into the United States if no more than 50 percent of their total value consists of "foreign materials." Under General Headnote 3(a)(ii), the term foreign materials does not include material which, at the time the manufactured product enters the customs territory of the United States, would receive duty-free treatment if it were imported into the United States.

The bill.—Section 102 (originally introduced as H.R. 6687) amends General Headnote 3(a)(ii) of the TSUS, which excludes certain materials from the definition of "foreign materials" as that phrase is used to determine eligibility of insular possession products for duty-free treatment, to exclude materials that could have been imported into the customs territory of the United States free of duty at the time those materials actually were imported into the insular possession, provided that the material was incorporated into the article produced in the insular possession no later than 18 months after the date of its importation into the insular possession.

Reason for the provision.—Section 102 increases the ability of the U.S. insular possessions to export products to the United States

and have such products enter the United States duty-free. It provides that so long as material imported into a possession and incorporated into a product was eligible for duty-free entry into the United States when it was imported into the insular possession, then for purposes of General Headnote 3(a), it will not be considered "foreign material" in the finished product being sent to the United States, even though the material may have lost its duty-free eligibility in the meantime. Section 102 helps reduce the risk to manufacturers of rum and other products in the insular possessions of losing duty-free treatment (such as by removal from GSP treatment) between the time such material is imported for manufacturing and the time the manufactured product is entered into the U.S. customs territory.

The 18-month time period within which the material imported into the insular possession must be incorporated into the manufactured product should prevent stockpiling of material. Without such a time limitation, manufacturers could import the material in great quantities while it is eligible for duty-free entry into the United States, and hoard it for an unlimited period.

The Subcommittee on International Trade requested comments on this provision on August 4, 1980. No objections to the bill have been received from any source.

SECTION 103.—SILK YARNS

Present law.—Imports of silk yarns classified under TSUS items 308.40 and 308.50 are subject to MFN rates of duty of 8.1 percent and 11.6 percent *ad valorem*, respectively, non-MFN rates of duty of 40 percent and 50 percent *ad valorem*, respectively, and LDDC rate of duty of 5 percent *ad valorem*. A series of suspensions of these duties, which began on September 8, 1959, expired on June 30, 1980. Imports from beneficiary developing countries under the GSP are eligible for duty-free treatment.

The bill.—Section 103 (originally introduced as H.R. 7173) amends items 308.40 and 308.50 of the TSUS to provide duty-free treatment for all imports of yarns of silk covered by those items which are entered, or withdrawn from warehouse, for consumption after June 30, 1980.

Reason for the provision.—The yarns covered by section 103 are wholly of noncontinuous silk fibers and are either singles, not bleached and not colored, measuring over 58,800 yards per pound, or plied, not colored, measuring over 29,400 yards per pound. Such silk yarns are used for making sewing thread, decorative strippings for fine worsteds, lacing cord for cartridge bags, and in combination with other fibers, certain types of necktie fabrics, shirtings, dress and suiting fabrics, and upholstery and drapery materials. There is no domestic production of these silk yarns. Eliminating the duty on such imports removes an unnecssary cost to the U.S. manufacturers using such silk.

Imports have been increased steadily from 6,000 pounds valued at $55,000 in 1975 to 95,000 pounds valued at $1.3 million in 1979. The principal suppliers of imports are Hong Kong, Korea, and the People's Republic of China.

The Subcommittee on International Trade requested comments on this provision on August 4, 1980. No objections to the provision have been received from any source.

SECTION 104.—POPPY STRAW EXTRACT

Present law.—The U.S. Customs Service has classified imports of poppy straw extract (also known as concentrates of poppy straw) primarily as an advanced natural drug under TSUS item 439.30 with an MFN rate of duty of 1.5 percent *ad valorem* and a non-MFN rate of duty of 10 percent *ad valorem*. If the alkaloid content of the concentrate is 90 percent or more, then the U.S. Customs Service has classified it under TSUS item 437.14 as an opium alkaloid with an MFN rate of duty of $1.44 per ounce, a non-MFN rate of duty of $3.00 per ounce, and an LDDC rate of duty of $1.00 per ounce. The duties on poppy straw extract had been suspended from 1977 through June 30, 1980. Imports from beneficiary developing countries are eligible for duty-free treatment under the GSP.

The bill.—Section 104 (originally introduced as H.R. 5952) creates a new TSUS item 435.72 to provide permanent duty-free treatment for all imports of poppy straw concentrate. The duty-free treatment would apply to articles entered, or withdrawn from warehouse, for consumption after June 30, 1980.

Reason for the provision.—Poppy straw extract is actually a concentrated mixture of opium alkaloids that is further processed in the United States into pharmaceutical grades of the individual opium alkaloids, morphine, codeine, and thebaine. The importation of poppy straw extract is regulated by the Drug Enforcement Administration, which has authorized U.S. importation of poppy straw extract to produce medicinal codeine, morphine and thebaine in the United States.

There are no domestic producers of poppy straw extract. Two domestic companies, Merck & Co., Inc., Rahway, N.J., and Penick Corp., a division of CPC International, Inc., in Lindhurst, N.J., produce pharmaceutical grade morphine, codeine, or thebaine from imported concentrate of poppy straw.

Since poppy straw extract must be imported as a raw material for essential medical drugs because there are no adequate U.S. production facilities, the present duty is not needed to protect a domestic industry and its elimination would benefit the bulk manufacturers and consumers of these drugs by holding down raw material processing costs.

Virtually all of the imports of poppy straw extract consist of products that are of less than 90 percent alkaloid content. Statistics on imports have been published only since 1978. Imports totaled 94,358 pounds valued at $22.0 million in 1978 and 65,730 pounds valued at $14.3 million in 1979. Exports are negligible.

The committee amended the language in section 104 of the House bill. The amendment preserves the substance of the section as passed by the House. The amended language simplifies Customs administration, e.g., by eliminating from the permanent tariff schedules the unnecessary distinction between poppy straw concentrate of 90 percent alkaloid content or greater and poppy straw concentrate of lesser purity, as both would be duty-free and there appears to be no commercial practice upon which to base the distinction. All poppy straw extract, regardless of concentration, is covered by the provision as amended by the committee.

The Subcommittee on International Trade requested comments on this provision on August 4, 1980. No objections to the bill were received.

SECTION 105.—FIELD GLASSES AND BINOCULARS

Present law.—Imports of field glasses and opera glasses under TSUS item 708.51 are subject to an MFN rate of duty of 7.9 percent *ad valorem* and an LDDC rate of duty of 3.4 percent *ad valorem.* Imports of prism binoculars under TSUS item 708.52 are subject to an MFN rate of duty of 18.5 percent *ad valorem*, and an LDDC rate of duty of 8 percent *ad valorem.* Imports under both TSUS items are eligible for duty-free treatment if imported from beneficiary developing countries under the GSP.

The bill.—Section 105 (originally introduced as H.R. 5875) amends items 708.51 and 708.52 of the TSUS to provide permanent duty-free treatment to imports of field glasses, opera glasses, and prism binoculars subject to an MFN rate of duty. The non-MFN rates of duty on these articles would not be changed. The amendments would apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment.

Reason for the provision.—There is no U.S. production of the articles covered by section 105. There is some domestic production of high quality prism binoculars specifically ordered for military or other technical applications and not stocked by retail outlets for public consumption. The Department of Commerce does not believe such production would be adversely affected by elimination of the duty, and the committee has received no objections to the provision from any source. The provision eliminates the unnecessary cost of a duty not needed to protect U.S. production, and could permit lower consumer prices for the products covered by this provision.

SECTION 106.—CERTAIN VALUABLE WASTES

Present law.—Under existing law, when merchandise is imported into the United States under a temporary importation bond for processing and eventual exportation, not only must the processed merchandise be exported, but all articles and valuable waste resulting from such processing must be exported or destroyed under Customs supervision within the bonded period. If this is not done, liquidated damages under the bond may be assessed in an amount of up to twice the duties which would have accrued if the merchandise had entered under a normal consumption entry.

The bill.—Section 106 (introduced originally as H.R. 7167) would amend headnote 2(b)(ii) of subpart C of part 5 of schedule 8 of the TSUS to permit the retention of valuable wastes generated during the processing of merchandise imported under bond in lieu of the exportation or destruction of such wastes, provided that the applicable duties are tendered on such wastes within the bonded period.

Reason for the provision.—Section 106 would permit the use of valuable scrap generated in processing of merchandise imported under

bond instead of requiring its uneconomic destruction or exportation. Several businesses in the United States, particularly several that process metal products, have been affected by a determination of the U.S. Customs Service that scrap generated in their business of processing imported metal prior to exportation was a "valuable waste." Since the in-bond scrap had become commingled with scrap from domestic raw materials, export or destruction was uneconomic. The metal scrap that is the byproduct can be used by the businesses. Moreover, most of the metal scrap is currently duty-free, the duty having been suspended through June 30, 1981. Nevertheless, in the absence of an amendment such as is made by section 106, the businesses had to cease operations using imports and in some cases pay liquidated damages.

The Subcommittee on International Trade requested comments on the provision on August 4, 1980. No objections to the provision have been received.

SECTION 107.—WATER CHESTNUTS AND BAMBOO SHOOTS

Present law.—Imports of both water chestnuts and bamboo shoots, other than frozen, are classified, respectively, under TSUS items 141.70 and 141.78, and the MFN rate of duty on both products is 14.5 percent *ad valorem*; the non-MFN rate of duty on both items is 35 percent *ad valorem*; the LDDC rate of duty on imports under TSUS items 141.70 is 7 percent *ad valorem* and on imports under TSUS item 141.78 is 9 percent *ad valorem*. Water chestnuts, other than frozen, also are eligible for duty-free treatment when imported from beneficiary developing countries other than Taiwan under the GSP. Imports of frozen water chestnuts and bamboo shoots are classified under TSUS items 137.87 (whole) and 138.45 (sliced), and if whole are subject to an MFN rate of duty of 25 percent *ad valorem* and a non-MFN rate of duty of 50 percent *ad valorem*; if sliced, the MFN rate of duty is 17.5 percent *ad valorem*, and the non-MFN rate of duty is 35 percent *ad valorem*. Frozen water chestnuts and bamboo shoots are not eligible for duty-free treatment under the GSP.

The bill.—Section 107 (originally introduced as H.R. 6673) amends the Appendix to the TSUS to provide temporary duty-free treatment for imports of water chestnuts and of bamboo shoots entered under TSUS items 141.70, 141.78, 137.87 or 138.45 from the date of enactment through June 30, 1983.

Reason for the provision.—Domestic commercial production of canned water chestnuts and canned bamboo shoots, if any, is limited. There may exist limited sales of local fresh produce. While these vegetables can be grown in the United States, creating a domestic industry of sufficient size to supply a significant share of domestic consumption is economically unattractive because it requires significant amounts of painstaking hand labor to peel and prepare the vegetables, special technical experience, and the correct climatic conditions. Various experiments with mechanical and chemical preparation processes have not been productive.

Imports of canned or otherwise prepared or preserved water chestnuts increased from 8.8 million pounds valued at $3.1 million in 1975 to 31.3 million pounds valued at $10.8 million in 1977, then declined.

In 1979, imports were 23.7 million pounds valued at $8.2 million. Taiwan has been by far the dominant source of imported water chestnuts, supplying 90 percent of imports by quantity in 1979. Imports from the People's Republic of China (PRC), which were subject to a non-MFN rate of duty until February 1, 1980, accounted for 8 percent of imports last year.

Prior to January 1, 1980 separate statistics were not available on imports of bamboo shoots in airtight containers. It is believed that annual imports of bamboo shoots in airtight containers probably ranged from 10–15 million pounds supplied predominantly by Taiwan. In January 1980 Taiwan supplied 99 percent of the imports of 1.6 million pounds valued at $403,000; the PRC supplied 1 percent.

La Choy Food Products of Archbold, Ohio is the largest importer in the United States of bamboo shoots and water chestnuts—$5.7 million in 1979. Of that amount $2.4 million was used by La Choy in making other food products such as chow mein. The remaining $3.3 million was sold directly to U.S. consumers, without change in either product or packaging. La Choy has testified that it would reduce its prices to consumers if the duty was lowered.

The Subcommittee on International Trade requested comments on this provision on August 4, 1980. No objections to the bill have been received from any source.

SECTION 108.—URETHANE CURING AGENT (TMAB)

Present law.—Imports of trimethylene glycol di-p-aminobenzoate (TMAB) are classified under TSUS item 405.08 and are subject to an MFN rate of duty of 1.7 cents per pound plus 15.6 percent *ad valorem* and a non-MFN rate of duty of 7 cents per pound plus 50 percent *ad valorem.*

The bill.—Section 108 (originally introduced as H.R. 6278) amends the Appendix to the TSUS to provide temporary duty-free treatment on imports of trimethylene glycol di-p-aminobenzoate subject to an MFN rate of duty. The non-MFN rate of duty is not changed. The duty-free treatment would apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment through June 30, 1983.

Reason for the provision.—Trimethylene glycol di-p-aminobenzoate, a urethane curing agent, was developed by the Polaroid Corp. of Cambridge, Mass., as a safe alternative for 4.4′-methylenebis(2-chloroanline), known as MOCA, which is currently in widespread use by the urethane industry as a urethane curing agent. MOCA is a suspected carcinogen. The last domestic production of MOCA terminated in the spring of 1979, and domestic producers using MOCA must rely on declining inventories and imports to meet their needs. Shortages of curative are expected by late 1980.

TMAB was developed in anticipation of the closing of MOCA production facilities, apparently is safe and non-toxic, and is the closest substitute for MOCA now available. TMAB is not now widely used commercially in the United States, but is suitable for use by the cast urethane industry in a wide range of products including roller skate wheels, nuclear weapons, gears on heavy machinery, and coatings on Polaroid Land camera parts.

There are currently no commercial producers of TMAB in the United States. Polaroid developed it in test quantities only, and does not have existing capacity or sufficient raw materials to manufacture it commercially. TMAB is more expensive than MOCA. This product has not been imported in any substantial quantities.

To meet and to develop a U.S. market for TMAB, Polaroid has decided to try to market imports from Dynamit Nobel A.G., a West German producer, during the first several years. If U.S. demand proves sufficient to require greater manufacturing capacity, both A. B. Bofors, a Swedish producer, and Dynamit Nobel have indicated they would consider expanding manufacturing facilities in the United States to produce TMAB.

It appears that cost is the major factor that will determine the success of U.S. market development efforts for TMAB during the introductory years until sufficient demand is developed to gain manufacturing efficiencies of scale. The potential market for TMAB is estimated to be in the range of 8–10 million pounds per year if reasonable pricing can be offered. Duty suspension would enable Polaroid to develop a viable market warranting construction of a domestic manufacturing facility and would eliminate an unnecessary cost reducing the inflationary impact on processors who purchase TMAB in place of MOCA.

The Subcommittee on International Trade invited comments on the provision on August 4, 1980. No objections to the provision have been received from any source.

SECTION 109.—COLOR COUPLERS AND COLOR INTERMEDIATES

Present law.—Under present law, there is no single item number in the TSUS within which imports of chemicals known as color intermediates to be used in the manufacture of photographic color couplers are classified. TSUS items 402.36 through 406.63 would encompass these intermediates. Color couplers are classified in TSUS item 408.41 (photographic chemicals) with an MFN rate of duty of 19.7 percent *ad valorem;* an LDDC rate of duty of 8.5 percent *ad valorem;* and a non-MFN rate of duty of 7 cents per pound plus 50 percent *ad valorem.* Color couplers are eligible for duty-free treatment under the GSP; color intermediates are not.

The bill.—Section 109 (originally introduced as H.R. 5047) amends items 907.10 and 907.12 of the Appendix to the TSUS to reinstate through June 30, 1982, the previous temporary duty-free treatment applicable to imports subject to MFN duties of color couplers and color intermediates used in the manufacture of photographic sensitized material. The non-MFN rates of duty applicable to imports of these articles are not changed. The duty-free treatment would apply to articles entered, or withdrawn from warehouse, for consumption after June 30, 1980, the date of expiration of the pre-existing temporary duty-free treatment.

Reason for the provision.—Color intermediates are organic chemical compounds which are used in the production of color couplers. A color coupler is a more advanced organic compound which is incorporated in photographically sensitized material and which reacts chemically with oxidized color developers to form a dye. Color couplers are used to make color photographic paper, film and graphic arts materials.

Color intermediates and color couplers are produced in the United States principally by Eastman Kodak. All color intermediates and color couplers produced by Eastman Kodak are used in the captive production of photographic color print paper. The 3M Company produces color print paper, but must import color intermediates and color couplers from their Italian and English subsidiaries.

For the past few years 3M has been producing color couplers in the United States from imported color intermediates resulting in a reduction, in part, of their requirements for imported color couplers. This trend in domestic production is expected to continue until 1982 when 3M's new fully integrated plant in Rochester, N.Y., which will produce both of these chemical products, comes into operation. Continuation of duty-free status will permit 3M to remain reasonably competitive in the color print paper market while having to import pending completion of the domestic production facilities.

Import statistics are not separately maintained on color intermediates and color couplers. However, estimated imports of couplers have declined steadily in pounds from 40,000 in 1974 to 5,000 in 1979; value increased from $2 million in 1974 to $3.5 million in 1975 then declined steadily to $1 million in 1979. Virtually all imports of couplers and intermediates are believed to be accounted for by 3M's shipments from its subsidiaries, consisting in the past few years of larger quantities of less expensive intermediates and smaller amounts of more costly couplers.

Photo-sensitive color print paper production determines the quantities of these chemicals consumed. Sales of color print paper have increased dramatically in recent years to about $319 million in 1980. Consumption of color intermediates and color couplers has increased similarly.

The Subcommittee on International Trade requested comments on this provision on August 4, 1980. No objections to the provision were received from any source. The technical amendments made by the committee to this provision of the bill do not change the scope of the provisions as administered by the U.S. Customs Service.

SECTION 110.—DOXORUBICIN HYDROCHLORIDE

Present law.—Imports of doxorubicin hydrochloride are classified under TSUS items 437.32 (when imported in bulk form), 438.02 (when imported in ampoules, pills, or similar forms), and 411.76 (when derived synthetically from benzenoid chemicals), and are subject to MFN rates of duties, respectively, of 4.8 percent *ad valorem*, 4.8 percent *ad valorem* and 11.8 percent *ad valorem*. A previous suspension of duties, in effect since December 12, 1977, expired on June 30, 1980. The LDDC rate of duty for imports under items 437.32 and 438.02 is 3.7 percent *ad valorem*, and is 6.6 percent *ad valorem* for imports under item 411.76. Imports are eligible for duty-free treatment under the GSP if imported from beneficiary developing countries.

The bill.—Section 110 (originally introduced as H.R. 6269) amends item 907.20 of the Appendix to the TSUS to provide through June 30, 1982, duty-free treatment for imports subject to MFN rates of duty of doxorubicin hydrochloride. The duty-free treatment would apply to

articles entered, or withdrawn from warehouse, for consumption after June 30, 1980. The non-MFN rate of duty is not changed.

Reason for the provision.—The duty-free treatment provided by section 110 of the bill would permit the lowering of the price of the cancer pharmaceutical doxorubicin hydrochloride, which is not produced in the United States and for which no competitive domestically manufactured products are commercially available. The product is a red-orange crystalline power, sold domestically under the trade name of Adriamycin. Adrimaycin is an expensive drug, and it is anticipated that any duty savings resulting from section 110 will be passed on to consumers.

The U.S. patent for this drug, which prohibits its production by any other manufacturer, is held by an Italian pharmaceutical company, and all manufacturing is done in Italy. The importer and U.S. distributor of doxorubicin hydrochloride is Adria Laboratories, Inc., Columbus, Ohio, which is jointly owned by Hercules, Inc., Wilmington, Delaware, and Arethusa Trading Corporation, New York, New York, a wholly-owned subsidiary of Montedison S.p.A. in Milan, Italy. U.S. imports of Adriamycin in 1979 were about 33,000 grams valued at about $28 million, an increase from 11,000 grams valued at about $10 million in 1976.

The Subcommittee on International Trade requested comments on the provision on August 4, 1980. No objections to the provision were received.

SECTION 111.—LEVULOSE

Present law.—Imports of levulose are classified under TSUS item 493.66 and are subject to an MFN rate of duty of 19.4 percent *ad valorem.* This rate of duty was temporarily reduced to 10 percent *ad valorem* from June 29, 1978 until June 30, 1980. Under concessions granted in the MTN, this rate of duty will be reduced in annual stages to 15 percent *ad valorem* on January 1, 1987. This 15 percent *ad valorem* rate of duty is the LDDC rate of duty.

The bill.—Section 111 (originally introduced as H.R. 7145) amends item 907.90 of the Appendix to the TSUS to temporarily provide duty-free treatment for imports of levulose subject to an MFN rate of duty from June 30, 1980 through December 31, 1981.

Reason for the provision.—Levulose is a monosaccharide which, together with dextrose (glucose), represents a basic component of the disaccharide sucrose (sugar). Levulose, which is also known as fructose, occurs commonly in the juices of fruits and as a component of honey. There is no natural source of pure levulose; its separation from other substances requires manufacturing.

In the past, levulose could be produced only at a cost several times that of sucrose, and it was used primarily by pharamaceutical companies. In order of decreasing importance, it has been used in the preparation of intravenous solutions, orally administered products, and as a sweetener in specialty dietetic foods. The cost of producing levulose has been reduced somewhat, and it has new potential both as a general sweetener and as a dietetic food. But even with improved methods of production, levulose is significantly more costly to produce than sucrose or dextrose.

There is currently no U.S. production of pure levulose. The duty suspension is intended to enable Hoffmann-La Roche, Inc. the United States agent for marketing levulose imported from Finland, to continue to market levulose until the company begins domestic production of levulose in mid-1981, after which time importation will not be necessary. A plant is currently under construction in Illinois. It was anticipated that the construction of this plant would be completed by June 30, 1980, but this date could not be met because of a number of unanticipated construction problems.

Imports of levulose have increased steadily from 274,000 pounds valued at $175,000 in 1975 to 9.3 million pounds valued at $6.1 million in 1979. Finland supplies about 94 percent of total imports; West Germany is the second principal supplier.

The Subcommittee on International Trade requested comments on the provision on August 4, 1980. No objections to the provision were received.

SECTION 112.—FLAT KNITTING MACHINES

Present law.—Imports of power-driven flat knitting machines over 20 inches in width are classified under TSUS items 670.19 and 670.20, and are subject to MFN rates of duty of 7.6 and 6.7 percent *ad valorem*, respectively. Imports covered by both items are eligible for duty-free treatment under the GSP when imported from beneficiary developing countries. The present rates of duty will be reduced in equal annual stages under MTN concessions to 5.1 percent *ad valorem* (item 670.19) and 4.7 percent *ad valorem* (item 670.20) as of January 1, 1987; these rates are now the LDDC rates of duty.

The bill.—Section 112 (originally introduced as H.R. 7047) amends the Appendix to the TSUS to provide temporary duty-free treatment of imports of power-driven flat knitting machines over 20 inches in width subject to MFN rates of duty from the date of enactment through June 30, 1983.

Reason for the provision.—Flat-bed knitting machines are a major vehicle for producing knitted outerwear. They are regarded as more versatile than other types of knitting machines. With the application of new microprocessor technology, the importance of the machines to the industry will increase substantially. However, the high cost of computerized machines makes them inaccessible to the vast majority of companies. Removal of the duty would achieve an estimated $5,000 to $8,000 savings per machine.

The sole U.S. producer makes only narrow-bed V-bed flat machines for the manufacture of braiding, strapping, and trimming materials. At no time during the last 20 or more years has the producer made wide bed V-bad flat machines comparable to those presently being imported by U.S. knitting companies. This provision would not cover the narrow bed machines.

Total imports of V-bed flat machines have ranged since 1975 from a low of 435 units with an entered value of $7.0 million in 1976 to a high of 929 units with an entered value of $8.6 million in 1977, and were 868 units with an entered value of $3.1 million in 1979. In addition to the power-driven machines, fewer than 25 inexpensive manual devices are imported duty-free for educational use. During the 1975–1979

period, West Germany supplied between 47 and 67 percent of total imports and the combined West German and Swiss share accounted for 76 to 98 percent of the U.S. market.

Total imports of other knitting machinery, of which an estimated 30 percent consists of flat-bed machinery, have trended upward from $4.6 million entered value in 1975 to $17.8 million entered value in 1978 and $15.9 million entered value in 1979. Three West German and Swiss firms supply the bulk of imports; four Italian, one Japanese, and one British firm supply smaller amounts. Imports account for total U.S. consumption of these machines.

The Subcommitee on International Trade invited comments on this provision on August 4, 1980. No objections to the provision were received from any source.

SECTION 113.—WARP KNITTING MACHINES

Present law.—Warp knitting machines are classified under TSUS item 670.20 with an MFN rate of duty of 6.7 percent *ad valorem*, a non-MFN rate of duty of 40 percent *ad valorem*, and an LDDC rate of duty of 4.7 percent *ad valorem*. Imports from beneficiary developing countries are eligible for duty-free treatment under the GSP.

The bill.—Section 113 (originally introduced as H.R. 7004) amends the Appendix to the TSUS to provide temporary duty-free treatment for imports of warp knitting machines entered, or withdrawn from warehouse, for consumption on or after the date of enactment through June 30, 1983.

Reason for the provision.—There has been no domestic production of warp knit machinery since 1975 except for one firm with 10 employees building Raschel crochet machines, a minor type of warp knitting machine. West Germany is the largest producer in the world of warp knitting machines, one West German firm, Karl Mayer, accounting for an estimated 75 percent of world sales. U.S. imports of warp knitting machines have trended upward from $4.6 million in 1975 to $17.8 million in 1978, then declined to $15.9 million in 1979. West Germany's share of total U.S. imports ranged between 77 and 85 percent during the 1976–1979 period. Much smaller numbers of imports come from Italy. Switzerland, Japan, and East Germany.

The purpose of the duty suspension is to remove the unnecessary cost burden imposed by the duty on domestic warp knit fabric manufacturers in purchasing this needed new equipment. U.S. manufacturers of warp knit fabrics depend upon imaginative design and technical innovation in fabrication in order to remain competitive in domestic and world markets. A large number of domestic warp knit fabric manufacturers must acquire a new generation of warp knitting machinery which can only be purchased abroad, incorporating some of the most advanced technological innovations in many years. These machines are produced principally in West Germany at a cost ranging between $35,000–$50.000 per unit. There is little likelihood of U.S. manufacturers reestablishing domestic production.

During the committee's consideration of section 113, it came to the committee's attention that one U.S. producer obtains these machines from the German Democratic Republic, and that most imports come from one country. The coverage of the provision was therefore ex-

tended to cover imports subject to a non-MFN rate of duty to give all U.S. manufacturers equal access to machines free of duty and to insure maximum competition.

The Subcommittee on International Trade requested comments on this provision. Favorable comments were received, and no objections to the provision were received from any source.

SECTION 114.—CHIPPER KNIFE STEEL

Present law.—Imports of chipper knife steel, not cold formed, are classified under TSUS item 606.93 with an MFN rate of duty of 10.5 percent *ad valorem* plus additional duties depending on the amount of specified other materials contained in the steel ("chipper knife steel" is defined in the TSUS headnote 2(h)(viii) to subpart B of part 2 of schedule 6), so that the effective rate of duty is about 12 percent *ad valorem*. Imports are not subject to the GSP, but under concessions granted in the MTN, the MFN rate of duty will be reduced in annual equal stages to 6 percent *ad valorem* plus additional duties on January 1, 1987 (effective rate of about 7 percent *ad valorem*); the staging of this reduction will begin on January 1, 1982. Finished chipper knives are classified under TSUS item 649.67. The MFN rate of duty assessed under item 649.67 is 4.8 percent *ad valorem*. However, pursuant to tariff reductions negotiated in the MTN, the duty assessed under item 649.67 will fall to 4.7 percent *ad valorem* in calendar year 1981 and 4.5 percent *ad valorem* in calendar year 1982.

The bill.—Section 114 of the bill as amended by the committee (the original substance of section 14 of the bill as it passed the House is now contained in section 19 of the bill) contains the modified substance of H.R. 2535 as it passed the House. It temporarily reduces the MFN rate of duty on the alloy steel defined in the TSUS as "chipper knife steel" (not cold finished) to 4.6 percent *ad valorem* from the date of enactment through September 30, 1982. The non-MFN rate of duty would not be affected by this provision.

Reason for the provision.—The purpose of section 114 of the bill as amended by the committee is to equalize the duties on imported chipper knife steel with the duties on the imported finished product produced with such steel, chipper knives. (The 4.6 percent *ad valorem* duty provided is the approximate average of the duty on chipper knives for the period of reduction.) The reduction of the duty on chipper knife steel needed to equalize the duty treatment will result in lower costs to chipper knife manufacturers and improve their competitive position vis-a-vis foreign knife manufacturers. At the same time, the remaining duty maintains a measure of duty protection for U.S. producers of chipper knife steel, aiding them in their competition with imports of this product. The provision would be in effect for two years, thus giving Congress an opportunity at the end of that period to review whether to continue the reduction or take some other action; absent action at the end of the two-year period, the duty on chipper knife steel would revert to the higher duty applicable under the TSUS at that time.

There are several U.S. producers of alloy steel used in the manufacture of chipper knives. Domestic production, estimated at 700 to 1,000 tons per year, has in the past supplied approximately 25 to 33

percent of domestic consumption, with imports supplying the balance. Because chipper knife steel is classified in a basket category, precise import figures are not available. However, imports are estimated at 1,500 to 2,000 tons per year. Domestic producers are experimenting with new alloys and more efficient production techniques to gain a larger share of the domestic market.

There are numerous chipper knife manufacturers in the United States. The cost of chipper knife steel, their raw material, represents approximately 80 percent of the cost of their finished product.

The House of Representatives passed H.R. 2535 this Congress, which would have provided duty-free treatment for imports of chipper knife steel subject to an MFN rate of duty. Objections to this duty suspension were received from U.S. producers of chipper knife steel at hearings held by the Subcommittee on International Trade on H.R. 2535 on February 5, 1980. The committee amendment of section 114 takes into account these objections and balances the interests of the knife producers and steel producers. The Administration has no objections to the bill.

SECTION 115.—UNWROUGHT LEAD

Present law.—Imports of unwrought lead other than lead bullion are classified under TSUS item 624.03 and until January 1, 1980, were subject to an MFN rate of duty of 1.0625 cents per pound on the lead content. As of January 1, 1980, such imports became subject to an MFN rate of duty of 3.5 percent *ad valorem.*

The bill.—Section 115 of the bill as added by the committee contains the substance of H.R. 6089 as it passed the House. Section 115 amends the TSUS to reduce temporarily the MFN rate of duty for unwrought lead other than lead bullion to a rate of 3.0 percent *ad valorem* on the value of the lead content, but not less than 1.0625 cents per pound on the lead content. The non-MFN duty rate would not be changed by this provision. The temporary reduction in duty would be in effect from the date of enactment through June 30, 1983, but, upon timely request, also would be applied retroactively to imports entered, or withdrawn from warehouse, for consumption on or after January 1, 1980 through the date of enactment.

Section 115 provides that the temporary duty rate established under section 115 may not be modified by Presidential proclamation, except under the authority of title II of the Trade Act of 1974 (which provides for relief from injury caused by import competition); nor could additional duties or import fees be imposed on such unwrought lead, except those provided for under the amendments made by title I of the Trade Agreements Act of 1979 (pertaining to countervailing and antidumping duties).

Reason for the provision.—The purposes of section 115 are (1) to provide a stabilization of the rates of duty on unwrought lead to allow evaluation of the proper *ad valorem* equivalent of the pre-existing specific duty, (2) to assure domestic lead consumers of adequate supplies of lead at prices as reasonable as possible under world price conditions, and (3) to provide the Administration with leverage in international negotiations on tariff rates on lead.

In 1978 the President's Special Representative for Trade Negotiations requested the 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. The report was used as a basis for converting most specific rates to AVEs in the MTN in order to eliminate the significant erosion in their protective effect for domestic produces due to inflation. For most items, import data for the year 1976 were used as the most recent representative period for basing the conversions. The ITC investigation produced AVEs of 5.1 percent for the MFN rate of duty and 10.2 percent for the non-MFN rate of duty on unwrought lead based on a lead price then of 20.8 cents per pound. The 5.1 percent converted rate was reduced to 4 percent in the MTN, then further reduced to the present level of 3.5 percent in a U.S. bilateral agreement accepted in December 1979 with Mexico.

During the last two years, the price of unwrought lead rose greatly as general inflation and world demand increased. The actual AVE on unwrought lead dropped to 3.5 percent based on 1978 import values with prices ranging from 31 cents to 38 cents per pound and dropped further to about 2.2 percent based on 1979 values with prices rising as high as 65 cents per pound. As of March 1980 with lead priced at 50 cents per pounds, the current MFN rate of duty of 3.5 percent *ad valorem* had resulted in a 65 percent effective increase in duty over the specific MFN rate of 1.0625 cents per pound in effect prior to January 1, 1980. More recently, the price of unwrought lead has been declining to a level now of about 35 cents per pound, nearly equivalent to the new temporary duty established under the provision.

World demand for lead jumped to unexpected levels in the past two years. The Soviet Union has been purchasing greatly increased quantities of unwrought lead. The production of tetraethyl lead, used as a gasoline additive, has not declined as rapidly as expected. The use of larger amounts of antimony in combination with lead in batteries has made the recycling of lead less feasible given recycling costs and procedures. In recent months U.S. demand and prices for lead has been declining as domestic automotive production and purchasing has declined.

The reduction of the present rate of duty or unwrought lead was made temporary to give the Administration leverage in future negotiations on tariff concessions on unwrought lead. By making the duty reduction provided in the bill temporary, it leaves open the possibility of a trade negotiation to reduce permanently the duty to 3 percent or less, wherein the United States would receive compensation for such a reduction.

Lead is produced in seven grades differentiated by the presence or absence of certain other metals. Use in battery components accounts for 55 percent of domestic lead consumption, use in gasoline additives accounts for 15 percent, and use in many other products, such as pigments and cable coverings, each account for a small fraction of total consumption.

There are five domestic firms that produce primary unwrought lead; over 100 firms produce secondary unwrought lead, of which three account for over half of secondary production. Primary producers are

located in Missouri, Nebraska, Idaho, Montana, and Texas; the secondary producers have plants throughout the country to be near the source of their raw material, lead scrap. Prominent producers include Amax, Inc., Asarco, Inc., the Bunker Hill Co., a subsidiary of Gulf Resources and Chemical Corp., RSR Corp., and St. Joe Minerals Corp.

Domestic production of unwrought lead has declined somewhat in quantity (lead content) from 1.4 million tons in 1976 to 1.3 million tons in 1979 but has more than doubled in value from $637 million to $1.4 billion during this period.

U.S. imports of unwrought lead are supplied primarily by Mexico and Canada, followed by Peru. Imports increased steadily in quantity from 99 thousand short tons in 1975 to 248 thousand tons in 1978, then declined to 204 thousand tons in 1979; in value terms imports have increased steadily from $46.7 million in 1975 to $209.4 million in 1979.

Domestic consumption of unwrought lead increased from 1.30 million tons in 1975, to 1.49 million tons in 1976 and 1.58 million tons in 1977, then declined to 1.43 million tons in 1978 and to an estimated 1.34 million tons in 1979. Imports traditionally account for about 15 percent of the domestic market.

The Subcommittee on International Trade held a hearing on February 5, 1980, on a Senate companion bill to H.R. 6089 as it had been introduced. This bill would have prohibited the conversion of the preexisting specific duty on unwrought lead to an *ad valorem* duty, retroactively to January 1, 1980. At that hearing, objections to the bill from U.S. lead producers were received. The present provision is a compromise provision acceptable to U.S. lead producers and consumers. The administration is not opposed to the provision.

SECTION 116.—TUNA PURSE SEINE NETS AND NETTING

Present law.—Section 466 of the Tariff Act of 1930 provides that the value of equipment purchased in a foreign country for, and repair parts or materials to be used and the repairs made in a foreign country upon a vessel documented under U.S. laws to engage in foreign or coastal trade, or a vessel intended to be employed in such trade, shall be liable on first arrival of the vessel in any U.S. port to entry for payment of a 50 percent *ad valorem* duty on the value in the foreign country, unless the vessel, in the course of a voyage, was compelled by some casualty to have repairs made in foreign port. The vessel, including its tackle, apparel and furniture, is subject to seizure and forfeiture if its owner or master willfully and knowingly neglects or fails to report, make entry, and pay the duties as required.

The bill.—Section 116 as added by the committee contains the substance of H.R. 6571 as it passed the House, and amends section 466 of the Tariff Act of 1930 by adding a new subsection (g) to provide that the 50 percent duty imposed under section 466 shall not apply during the period October 1, 1979 through December 31, 1981 to the cost of purchase of and cost of repair of tuna purse seine nets and netting for any U.S. documented tuna purse seine vessel of greater than 500 tons carrying capacity or any U.S. tuna purse seine vessel required to carry a certificate of inclusion under the general permit issued to the

American Tunaboat Association pursuant to section 104 of the Marine Mammal Protection Act of 1972.

Reason for the provision.—The purpose of section 116 is to allow the U.S. tuna fleet continued access to tuna purse seine nets and netting and repairs thereto in the Republic of Panama without payment of the 50 percent duty under section 466 of the Tariff Act of 1930. By being a temporary suspension of duties, it also would allow U.S. net manufacturers to develop products suitable for the needs of the U.S. tuna fleet. It thus reduces costs to a U.S. industry to make it more competitive, and does not injure any other U.S. industry.

Prior to October 1, 1979, vessels documented under U.S. law were permitted to purchase equipment and initiate repairs in the Panama Canal Zone without payment of the 50 percent duty under section 466 upon their return to the United States because U.S. Customs did not consider the Panama Canal Zone to be a "foreign country" within the meaning of section 466. Duty-free status of the Panama Canal Zone terminated on October 1, 1979, with the passage of the legislation implementing the Panaman Canal Zone Treaty.

Tuna net installation and repair still takes place in the former Canal Zone, adjacent to the historical tuna fishing grounds located in the eastern tropical Pacific Ocean, because additional fuel costs for travel to U.S. ports would be prohibitive. Further, the netting purchased in the former Canal Zone from Japan and Taiwan distributors is the only netting available which meets the requirements of the Marine Mammal Protection Act. The tuna industry, and no other fishing fleets, regularly obtained nets duty-free in the Canal Zone and were affected by the change in the Zone's status.

The Subcommittee on International Trade held hearings on February 5, 1980, on a Senate companion bill to H.R. 6571. Objections to that bill were voiced by U.S. net manufacturers. However, as modified by the House, H.R. 6571 is accepted by U.S. net manufacturers. No objections to section 116 (which contains the substance of H.R. 6571) have been received from any source.

SECTION 117.—WOOD VENEERS

Present law.—Imports of wood veneers are classified under TSUS items 240.00, 240.02, 240.03, 240.04, and 240.06, and are subject to MFN rates of duty ranging from 1 percent *ad valorem* to 7 percent *ad valorem*, with the LDDC rates of duty ranging from zero to 4 percent *ad valorem*. All five TSUS items were subject to tariff reductions in the MTN; three of them will become duty-free, and MTN reductions to 4 percent *ad valorem* and 3.2 percent *ad valorem* will also be implemented on the other two items. Imports of all five items enter duty-free from beneficiary developing countries under the GSP.

The bill.—Section 117 as added by the committee contains the substance of H.R. 6975 as it passed the House, and amends the TSUS to eliminate the MFN rates of duty on wood veneer classified under TSUS items 240.00, 240.02, 240.03, 240.04, and 240.06. The non-MFN rates of duty would remain unchanged.

Reason for the provision.—This provision would enable U.S. manufacturers of plywood, who rely on imported logs and veneers for the

manufacture of their product, to obtain veneers at a lower cost and thus compete more effectively with imported plywood. Restrictions on the export of logs by major supplying countries have forced U.S. manufacturers to rely more heavily on imported veneers. Most of the veneers covered by the bill are no longer competitive with domestic products. The most important veneer is Philippine mahogany, used for cores and backs of domestically produced hardwood plywood. The U.S. supply of high quality domestic hardwoods is insufficient to meet the needs of domestic furniture, cabinet, and plywood producers and the shortage must be alleviated by imports.

During the MTN, the wood industry sector advisory committee requested duty-free entry for all hardwood and softwood veneers as a negotiating goal. Elimination of duties of 5 percent or below plus maximum reductions in pre-MTN duties of 8 and 10 percent *ad valorem* were negotiated, but elimination of the higher duties was not possible because of the 60 percent reduction limitation in the negotiating authority (section 101(6)(1) of the Trade Act of 1974). Immediate implementation of duty elimination also was not possible because of statutory staging requirements.

There are about 600 plants in the United States producing wood veneers, of which approximately 300 manufacture plywood from these veneers. Hardwood veneers are produced in approximately 350 plants located primarily in the Southeastern United States. Softwood veneers are manufactured in about 250 plants located principally in the Western and Southern States. Oregon is by far the principal producing state.

The five largest producers of wood veneers, listed by estimated capacity, are Georgia-Pacific Corp., Champion Building Products, Weyerhaeuser Co., Boise Cascade Corp., and Willamette Industries, Inc. Together these five companies account for approximately 40 percent of U.S. production. The veneer production of these five companies is mainly softwood, but Georgia-Pacific Corp., Champion Building Products, and Weyerhaeuser Co. have significant hardwood veneer production.

Available production statistics are known to underestimate production to the extent that captive veneer production of plywood plants generally is not enumerated. Total veneer production is estimated to have increased from 65 billion square feet in 1974 to 80 billion square feet in 1978. Hardwood veneer production fell slightly from 8 billion square feet in 1974 to 7 billion square feet in 1978. Production in 1979 of both total veneers and hardwood veneers was probably equal to or slightly above that for 1978. A decline in housing starts in late 1979 and if continued through 1980 is likely to lead to reduced production in 1980. There have already been significant closings of softwood plants thus far this year.

Imports have remained fairly stable at approximately 2 billion square feet annually, with the exception of 1975 when imports fell to 1.5 billion square feet. Imports are comprised principally of hardwood veneers—54 and 75 percent by quantity in 1978 and 1979, respectively.

Canada and the Philippine Republic are the principal sources of U.S. imports, providing over 80 percent of all wood veneer imports in recent years. Canada provides significant quantities of hardwood

veneers, and over 90 percent of softwood veneers. Imports from the Philippine Republic are almost entirely of hardwood veneers. The principal U.S. importers include the Weyerhaeuser Company, Champion Building Products, and Russell Stadelman and Co.

Since 1974, U.S. exports have averaged about 1.2 percent of U.S. production. West Germany and Canada are the largest markets for U.S. wood veneers, purchasing 36 and 15 percent, respectively, of total U.S. exports in 1979.

Apparent U.S. consumption has increased from an estimated 65.5 billion square feet in 1975 to 80.6 billion square feet in 1978. Softwood veneers account for more than 90 percent of total veneer consumption. In recent years the ratio of imports to consumption for wood veneers has been about 2 percent. However, the ratio for softwood veneer imports has been consistently below 1 percent, and for hardwood veneers has been approximately 20 percent for the last few years. The ratio for hardwood veneers has been increasing slowly over the last 15 years.

The Subcommittee on International Trade requested comments on H.R. 6571 (whose substance is contained in section 117) as it passed the House. No objections to the provision were received, and the administration and all private interests that commented favored enactment.

SECTION 118.—EPHEDRINE

Present law.—Under present law, imports of synthetic ephedrine, pseudoephedrine, racephedrine and their salts are classified under TSUS item 411.32 and are dutiable at an MFN rate of duty of 15.5 percent *ad valorem*, which is to be reduced in annual stages under MTN concessions to 7.6 percent *ad valorem* on and after January 1, 1987. The LDDC rate of duty is 7.6 percent *ad valorem*. Most imports of natural ephedrine, in contrast, are classified under TSUS item 437.20 and dutiable at an MFN rate of duty of 4.8 percent *ad valorem*, which is to be reduced in annual stages under MTN concessions to 3.7 percent *ad valorem* on and after January 1, 1987. The LDDC rate of duty on natural ephedrine is 3.7 percent *ad valorem*.

The bill.—Section 118, which contains the substance of H.R. 7802 as reported by the House Ways and Means Committee, amends the TSUS to abolish item 411.32; to establish new, reduced MFN rates of duty on synthetic ephedrine, racephedrine and their salts under new TSUS item 411.31; and to create new item 411.30, applicable to pseudoephedrine, and its salts that establishes rates of duty for those products that are the same as the rates of duty previously applicable to those products under former item 411.32. The new duty rates applicable under item 411.31 are to be equal to the MFN rates of duty applicable to natural ephedrine, that is, 4.8 percent *ad valorem* with respect to articles exported to the United States on and after July 1, 1980, to be further reduced in seven annual stages beginning January 1, 1981 to 3.7 percent *ad valorem* with respect to articles entered on and after January 1, 1987. Non-MFN rates of duty are not affected by section 118.

Reason for the provision.—Ephedrine and racephedrine are bronchodilators used to treat the wheezing and shortness of breath symptoms associated with asthma. They are also used as nasal decongestants

and in the treatment of allergic disorders, colds, low blood pressure, urticaria, and narcolepsy. Ephedrine and pseudoephedrine may be obtained by extraction from plant material or may be produced synthetically. Racephedrine is produced synthetically. The synthetic end products are pharmacologically identical to their natural counterparts.

In 1978, the latest year for which data are available, the sole domestic producer of ephedrine was the Upjohn Co., Kalamazoo, Mich. Upjohn reportedly stopped producing ephedrine in 1980. Pseudoephedrine hydrochloride was produced by Burroughs Wellcome Co., Research Triangle Park, N.C., and Gane's Chemicals, Inc., New York, N.Y. Pseudoephedrine sulfate was produced by Gane's Chemicals, Inc. There was no domestic production of racephedrine or its salts reported in 1978.

Imports of synthetic ephedrine, pseudoephedrine, racephedrine and their salts (on which data have been maintained only since 1978) were valued at $5.7 million in 1979. An estimated 75 percent of total imports consist of ephedrine, racephedrine, and their salts; the remaining 25 percent consists of pseudoephedrine and its salts. Trade sources state ephedrine and pseudoephedrine are produced from natural plant material in the People's Republic of China. Since MFN status has been granted to the PRC, imports in natural form from it are expected to increase. Data are not available on imports from the PRC to date.

The purpose of section 118 is to remove a disparity in duties and the resulting substantial competitive advantage currently granted imports of natural ephedrine from the PRC over synthetic ephedrine. The present duty disparity has made synthetic ephedrine uncompetitive with its natural counterpart, is likely to drive synthetic ephedrine from the U.S. marketplace, and could make the PRC the sole source of supply for this widely used pharmaceutical product, thereby eliminating sources of competition.

The bill leaves tariff treatment of pseudoephedrine and its salts, which are produced in the United States, unchanged. It also provides staging as proclaimed by the President for all these products, to be accomplished for new item 411.31 in accordance with the staging now set for natural ephedrine under item 411.20, and to be accomplished for new item 411.30 in accordance with the staging set for item 411.32 as in effect prior to its deletion by this provision. As modified by the committee, the provision permits the President flexibility to modify this staging in the future under existing authorities.

SECTION 119.—RETROACTIVITY

Section 119 is a provision applicable to sections 103, 104, 109, 110, and 111 of the bill whereby any entries of articles described in the provisions in those sections made after June 30, 1980 and before the date of enactment of H.R. 5047, as amended, would be liquidated or reliquidated upon request as if entry had been made when the provisions of those sections were in effect. Any duties paid on the subject entries would be refunded. The provision is unchanged from section 114 of H.R. 5047 as it passed the House.

SECTION 201.—SAME CONDITION DRAWBACK

Present law.—Under present law, unless provision is expressly made for drawback (refund) of duties, taxes, or fees paid on imported articles released from Government custody, a refund of the payment to the Government is not allowed on the destruction or exportation of imported goods. Section 313 of the Tariff Act of 1930 is one express provision for drawback of duties. 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 United States with the use of the imported goods, subject to certain limitations. Section 313 also provides for a refund as drawback of 99 percent of the duties paid on imported merchandise exported because the goods do not conform to sample or specifications as ordered, or are shipped to the United Sates without the consent of the consignee.

In essence, under present drawback provisions, imported merchandise must be used in manufacturing or production of an article or be rejected as nonconforming in order to receive a drawback of duties. If a firm wishes to import merchandise for anything other than manufacture or production, and wants to export the merchandise without absorbing the duty cost, it must resort to one of several other customs procedures, such as Temporary Importation Bonds (TIB's), customs bonded warehouses, or foreign trade zones.

The bill.—Section 201 of the bill (originally introduced as H.R. 5464) amends section 313 of the Tariff Act of 1930 by adding a new subsection (j). Subsection (j) would provide that if imported merchandise on which a duty, tax, or fee was imposed because of its importation is, before the close of the 3-year period beginning on the date of importation, exported in the same condition as when imported or destroyed under Customs supervision, then upon exportation or destruction 99 percent of the amount of each duty, tax, or fee paid would be refunded as drawback. New subsection (j) also provides that in order to be eligible for this drawback, the merchandise may not be used within the United States before such exportation or destruction. The section provides that the performing of incidental operations (including, but not limited to, testing, cleaning, repacking, and inspecting) on the imported merchandise itself, not amounting to manufacture or production for drawback purposes, are not to be located as a use of that merchandise. Subsection (j) would apply to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment of the act.

Reason for the provision.—Present law provides for drawback of duties in very limited circumstances. Additionally, the alternatives to drawback, such as TIB's, customs bonded warehouses, or foreign trade zones, all have substantial limitations associated with their use. For example, with respect to TIB's, at the time of importation the importer must identify precisely which goods in a particular import shipment will be exported. Second, the merchandise must be exported within the statutory time period, usually 1 year. Customs bonded warehouses and foreign trade zones present problems of limited access to the imported goods, expenses for rent and to pay the services of bonded warehousemen and Customs' employees to supervise all activities with respect

to the imports, and limited geoghaphical availability, particulary with respect to foreign trade zones.

Section 201 would give U.S. firms more flexibility in meeting customer demands, without having to pay nonrefundable duties on merchandise that is not used in the United States. It would be beneficial for U.S. exporters in such ways as increasing their capability for distribution of products to all markets, assurring uniform testing of a company's products, and giving maximum flexibility with cargo in order to meet deadlines or emergency orders. Importers would receive drawback in those instances in which the merchandise imported was not used, and they were unable to anticipate the need to export. Such would be the case when the importer discovers that there is little domestic demand for the imported product, that the merchandise cannot be disposed of commercially without financial loss, and that is desirable to return the merchandise to the foreign source or sell it in a foreign country. This provision would be particularly helpful in preventing "distress" sales of imported merchandise, which could have a disruptive effect on U.S. markets. The higher the duty rate and the lower the cost of the freight, the greater the probability would be of importers using this provision to return unused merchandise or to make sales in foreign markets.

Under the bill, this new drawback provision would allow for a refund of duties only if the merchandise was never used in the United States. Incidental operations (including, but not limited to, testing, cleaning, repacking, and inspecting) would not be considered a use. By the same token, such incidental operations would not disqualify a product from being considered as exported in the same condition as when imported in order to qualify for drawback. Such incidental operations are allowable if performed on the imported merchandise itself, as opposed to permitting the imported merchandise to be used while in the United States to, for example, test other materials.

SECTION 202.—INFORMAL ENTRIES OF CERTAIN U.S. PRODUCTS

Present law.—Under present law, formal entry of merchandise is generally required when the aggregate value of a shipment exceeds $250. When the value of a shipment does not exceed $250, informal entries of a shipment may be made.

The general requirements for making formal entries are set forth in section 484 of the Tariff Act of 1930, as amended (19 U.S.C. 1484), and in part 141 of the Customs Regulations (19 C.F.R. 141). The entries must be prepared by an importer or his agent (most often a customs broker) and must be accompanied by a number of documents, such as an invoice, a bill of lading, or a carrier's certificate. In order to secure release of the merchandise from the Customs Service, the importer is required to obtain a bond. Thereafter, the goods must be formally appraised (the dutiable value of the merchandise ascertained), classified (the applicable free or duty provisions of the law determined), and finally liquidated (the amount of duty due, if any. ascertained). The amount of statistical information required under formal entry procedures is also significant.

In contrast, the procedure for making informal customs entry is much simpler. The general requirements for making informal entries

are provided in section 498 of the Tariff Act of 1930, as amended (19 U.S.C. 1498), and more particularly in sections 143.21 through 143.28 of the Customs Regulations (19 C.F.R. 143.21–.28). The informal entry document is usually completed by the importer or the Customs inspector for the importer at the place where the imported merchandise is examined and released by the inspector (for example, pier or airport terminal). Although a deposit of estimated duties due are required, there is no formal appraisement of the goods, few supporting documents are necessary, and the importer, under ordinary circumstances, is not required to obtain a bond for the release of the merchandise. Statistical data for informal entries are required at a more aggregated level than is the case with a formal entry.

Under TSUS item 800.00, imports of products of the United States, if imported without having been advanced in value or improved in condition by any process of manufacture or other means while abroad, are subject to duty-free entry. If the product has been advanced in value or improved in condition, the product is dutiable unless imported under TSUS item 864.05, which provides for the free entry under bond of articles to be repaired, altered, or processed (including processes which result in articles manufactured or produced in the United States). This latter provision, of course, applies to imported articles of foreign origin, as well as products of the United States.

The bill.—Section 202 of the bill (originally introduced as H.R. 5452) amends section 498(a) of the Tariff Act of 1930 (19 U.S.C. 1498(a)) by adding a new provision which would provide that the Secretary of the Treasury is authorized to prescribe rules and regulations for the declaration and entry of shipments of products of the United States when the aggregate value of the shipment does not exceed $10,000 and the products are imported for the purposes of repair or alteration prior to re-exportation or after having either been rejected or returned by the foreign purchaser to the United States for credit. This would permit the Secretary of the Treasury to prescribe procedures for the declaration and entry of such merchandise different than the formal procedures applicable to entries which must be made under section 484 and 485 of the Tariff Act of 1930.

Reason for the provision.—The provisions of section 202 are intended to permit the Secretary of the Treasury to prescribe informal entry procedures for the entry of products of the United States valued at $10,000 or less returned to the United States for the specified purposes. It is inevitable that some goods exported by U.S. companies will be returned to the United States from foreign purchasers for the specified purposes. The informal procedures which would be available to enter such returned goods, which are less costly, complex and time consuming than the formal entry procedures, would aid businesses, particularly small and medium sized businesses, in engaging in the exportation of merchandise. Whereas the formal entry procedure usually entails the services of a customs broker and requires the posting of bonds, a formal appraisement, and the like, the informal entry procedure generally requires no bond, no formal appraisement of the goods, and permits the entry documents to be filled out by the Customs officer, who examines, appraises, classifies, and releases the merchandise to the importer upon payment of duties and taxes.

The National Customs Brokers and Forwarders Association and individual brokers raised the only objections to section 202, asserting concern about increased opportunities for fraud and protection of the revenue. The Custom Service has testified that they do not foresee any diffculties in administering section 202. Of course, the Secretary of the Treasury still has the responsibility of adequately protecting against fraud and protecting the revenues of the United States, taking into account the purpose of this particular provision. In this respect, the Secretary has discretion to provide different requirements for entry of the merchandise covered by section 202, including different requirements based on the actual value of the shipment, if he deems it appropriate. For example, he may provide for lesser requirements for shipments of less than a certain value than for shipments valued above that.

Both the International Trade Commission and the Department of Commerce in their reports on this legislation have raised an issue of statistical reporting, since the collection of trade statistics is less rigorous under an informal entry procedure than under a formal entry procedure. Under the pertinent statutory and regulatory provisions concerning statistical information requirements, the Customs Service has sufficient authority to insure reasonably accurate and detailed statistical reporting for the entries which would be covered by section 202. It is understood that in administering this provision, the U.S. Customs Service will continue collecting at least the statistical information under the informal entry procedures now followed under the applicable regulations which require, *inter alia*, that the entry show the name of the country from which the articles were returned to the United States and the value of the articles. Other statistical information which is considered necessary by the U.S. Customs Service and by the Bureau of the Census can be required by the U.S. Customs Service without statutory direction. The committee has been informed that the Customs Service and the Bureau of the Census have agreed that they can collect the necessary statistical information with respect to the informal entries authorized by this provision.

SECTION 203.—TECHNICAL AMENDMENTS TO THE TRADE AGREEMENTS ACT OF 1979

Present law.—Section 852 of the Trade Agreements Act of 1979 was intended to change the method of duty assessment for alcoholic beverages from a wine gallon to a proof gallon basis. While section 852 modified all the rates of duty to a proof gallon basis, headnote 1 of subpart D of part 12 of schedule 1 of the TSUS was left unchanged.

Under the Trade Agreements Act of 1979, section 1107(g)(2) redesignates headnote 4 to subpart A, part 7, schedule 7 of the TSUS as headnote 3. This headnote is referred to in General Headnote 3(a)(i), but no conforming change was made in Headnote 3(a)(i) when headnote 4 was changed.

The bill.—Section 203 amends section 852 of the Trade Agreements Act of 1979 to delete headnote 1 to subpart D, part 12 of schedule 1 of the TSUS and substitute in lieu thereof a new headnote 1 which provides that the rate of duties assessed under the relevant subparts shall be assessed on a proof gallon basis. Section 203 also

amends section 1107(a) of the Trade Agreements Act of 1979 to make a conforming amendment to General Headnote 3(a)(i) of the TSUS by deleting the reference to headnote 4 to subpart A, part 7, schedule 7 of the TSUS and substituting in its place a reference to headnote 3 to subpart A, part 7, schedule 7 of the TSUS.

Reason for the provision.—Section 203 of the bill makes two technical conforming amendments to the Trade Agreements Act of 1979. Under the Trade Agreements Act of 1979, the method of assessment of duties on alcoholic beverages was changed from a wine gallon method to a proof gallon method. In making this change, no conforming amendment was made to headnote 1 to subpart D, part 12 of schedule 1 of the TSUS in the Trade Agreements Act. The first amendment in section 203 corrects this oversight and makes a conforming amendment. The amendment in section 203 with respect to section 1107(a) of the Trade Agreements Act corrects the wrong reference in headnote 3(a)(i) to a headnote in subpart A, part 7, schedule 7 of the TSUS.

SECTION 204.—FOREIGN-TRADE ZONE BOARD ANNUAL REPORT

Present law.—Under section 16 of the Act of June 18, 1934, as amended (19 U.S.C. 81a–81u), the Foreign-Trade Zone Board is required to make a report to Congress on the first day of each regular session of Congress, containing a summary of the operation and fiscal condition of each zone.

The bill.—Section 204 of the bill (originally introduced as H.R. 5827) amends section 16 of the act of June 18, 1934 to authorize the Foreign-Trade Zone Board to submit its annual report to Congress no later than April 1 of each year.

Reason for the provision.—Authority for establishing foreign trade zones is granted by the Foreign-Trade Zone Board under the authority of the act of June 18, 1934, as amended (19 U.S.C. 81a-81u). Foreign-trade zones are generally located in or near U.S. customs ports of entry. They are considered to be outside the customs territory of the United States and foreign and domestic merchandise may be stored, exhibited, assembled, manufactured, or processed in such zones without the usual customs entry procedure and payment of duty.

Section 204 of the bill would permit the Foreign-Trade Zone Board an additional three months in which to prepare its annual report to the Congress. The Board's reports have historically been based on a fiscal year basis. With the change of the federal government's fiscal year to end on September 30 rather than June 30, the Board has indicated that there is not adequate time in which to analyze information supplied by the various foreign-trade zones from which the Board complies its report if the report is required on the first day of each regular session of Congress.

SECTION 205.—COUNTRY OF ORIGIN DETERMINATIONS FOR GOVERNMENT PROCUREMENT

Present law.—The Secretary of the Treasury (U.S. Customs Service) is responsible for determining the country of origin of articles imported into the United States for a number of diffrent purposes,

e.g., most-favored-nation status and the Generalized System of Preferences. In implementing the MTN Government Procurement Agreement in the Trade Agreements Act of 1979 (Public Law 96-39), country-of-origin rulings and determinations will be required under section 305(b) of the Trade Agreements Act (19 U.S.C. 2515(b)) in order to insure that articles for which waivers of the Buy America and other preferences are granted under the Trade Agreements Act are from countries eligible for such waivers. Under the Trade Agreements Act, these country-of-origin rulings and determinations were to be made by the Secretary of the Treasury. However, under subparagraph (1)(A) of subsection 5(a) of Reorganization Plan No. 3 of 1979 (93 Stat. 1381), which reorganized the trade fuctions of the Government, responsibility for these government procurement country-of-origin rulings and determinations was transferred to the Department of Commerce from the Secretary of the Treasury.

The bill.—Section 205 provides that, notwithstanding the transfer in Reorganization Plan No. 3 of 1979 of the country-of-origin rulings and determinations under section 305(b) of the Trade Agreements Act of 1979, the Secretary of the Treasury shall issue such rulings and determinations under section 305(b).

Reason for the provision.—The transfer under Reorganization Plan No. 3 of the conutry-of-origin ruling and determination function under section 305(b) of the Trade Agreements Act of 1979 to the Department of Commerce from the Department of the Treasury was inadvertent.

Country-of-origin determinations require prompt, yet complex and technical determinations. Officials make determinations on a case-by-case basis by looking at past practice, various administrative rulings, court decisions, and by exercising a considerable degree of independent judgment. This expertise now resides in the U.S. Customs Service, which as indicated is currently responsible for making country-of-origin determinations under a number of different statutes.

Given the U.S. Customs Service's expertise and the significant staffing and time, some of it duplicative, that would be required for the Department of Commerce to perform this function under the provisions implementing the Government Procurement Agreement, the transfer of country-of-origin rulings and determinations back to the Department of the Treasury is appropriate. The Committee is aware of no objections to such a transfer.

SECTION 301.—ROOFING TILES FOR THE CHINESE CULTURAL AND COMMUNITY CENTER OF PHILADELPHIA, PENNSYLVANIA

Present law.—Ceramic roofing tiles are classified under TSUS item 532.1 dutiable at an MFN rate of duty of 13.5 percent *ad valorem.*

The bill.—Section 301 of the bill (originally introduced as H.R. 5065) directs the Secretary of the Treasury to admit free of duty tiles purchased from the China National Arts and Crafts Import and Export Corporation for the use of the Chinese Cultural and Community Center of Philadelphia, Pennsylvania. If such tiles have already been entered by the date of enactment of the Act, the entry is to be reliquidated and the appropriate refund of duty made.

Reason for the provision.—The only tiles available for a necessary roof renovation for the Chinese Cultural and Community Center of Philadelphia, Pennsylvania have been purchased by the Center from the China National Arts and Crafts Import and Export Corporation of the People's Republic of China. The Chinese Cultural and Community Center is a nonprofit corporation. The committee is informed that the Center tried but was unable to obtain authentic and durable replacements for its present roof tiles from domestic manufacturers. The roof tiles are of authentic Chinese design consistent with the architecture of the Center's building in Philadelphia, the roof of which was suffering from adverse weather conditions for which the tiles now in place are not suitable. The Center did find an appropriate tile in the People's Republic of China.

The value of this importation is $17,000 compared with annual domestic shipments currently estimated at $26 million. No objections to this provision of the bill have been received from any source.

SECTION 302.—TRANSFER OF AMPHIBIOUS CRAFT

Present law.—Title III of the Liquor Law Repeal and Enforcement Act (49 Stat. 879) provides for the retention of forfeited property by the U.S. Government, or otherwise for disposition in accordance with law. There is no provision of law which enables the U.S. Government to dispose of forfeited property by transferring title to the property to a local political subdivision.

The bill.—Section 302 of the bill (originally introduced as H.R. 5442) authorizes and directs the District Director of U.S. Customs in Portland, Oreg., to convey to the Sheriff's Office of Coos County, Oreg. all right, title, and interest of the United States to three lighter amphibious resupply cargo craft (LARCs) seized by U.S. Customs Service officers and officers of the sheriff's office in a jointly conducted raid on December 31, 1977, at Bandon, Coos County, Oreg. In order to accomplish the conveyance, the Coos County Sheriff's Office would have to pay storage and other expenses which may have been incurred with respect to the craft from the date of seizure of such craft to the date of delivery to the sheriff's office.

Reason for the provision.—Three LARCs were seized on December 31, 1977 as a result of the interception of a marijuana smuggling operation near Bandon, Oreg. Seizure was a result of joint efforts of the U.S. Customs Service, the Coos County Sheriff's Office, and others. Since the seizure of the LARCs, storage costs of approximately $8,000 have been incurred by the U.S. Customs Service.

The Customs Service has no need for this type of conveyance. The Service does not believe the sale of the LARCs at auction would bring a price sufficient to cover their storage costs. However, the Coos County Sheriff's Office is willing to pay the storage costs in return for the transfer of the craft.

Section 302 of the bill would permit this conveyance subject to the payment of the storage costs and other related expenses by the sheriff's office. The bill would benefit local law enforcement authorities, make economic use of the forfeited vehicles, save the Customs Service added expense and recoup those expenses already accrued.

The Subcommittee on International Trade invited comment on this provision of H.R. 5047 on August 4, 1980. No objections have been received from any source.

III. Budgetary Impact of the Bill

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, section 308 of the Congressional Budget Act of 1974, and paragraph 11(a) of Rule XXVI of the Standing Rules of the Senate, the following statement is made with respect to the cost and budgetary impact of the bill. The bill would authorize no new budgetary authority. The committee estimates as follows with respect to the annual revenue losses resulting from the enactment of H.R. 3122, as amended:

(1)	Section 102 (Insular possessions)	No loss.
(2)	Section 103 (Silk yarns)	$16,000.
(3)	Section 104 (Poppy straw extract)	$300,000.
(4)	Section 105 (Field glasses and binoculars)	$5.0 million.
(5)	Section 106 (Certain valuable wastes)	No loss.
(6)	Section 107 (Water chestnuts and bamboo shoots)	$1.7 million.
(7)	Section 108 (Urethane curing agent (TMAB))	$3.5 million.
(8)	Section 109 (Color couplers and color intermediates)	$300,000.
(9)	Section 110 (Doxorubicin hydrochloride)	$1.6 million.
(10)	Section 111 (Levulose)	$650,000.
(11)	Section 112 (Flat knitting machines)	$550,000.
(12)	Section 113 (Warp knitting machines)	$650,000.
(13)	Section 114 (Chipper knife steel)	$180,000.
(14)	Section 115 (Unwrought lead)	$180,000.
(15)	Section 116 (Tuna purse seine nets and netting)	$2 million.
(16)	Section 117 (Wood veneers)	$5 million.
(17)	Section 118 (Ephedrine and racephedrine)	$400,000.
(18)	Section 202 (Informal entry of certain U.S. products)	No loss.
(19)	Section 203 (Technical amendments)	No loss.
(20)	Section 301 (Roof tiles)	$2,295.

IV. Regulatory Impact of the Bill

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the committee states that the provisions of the committee bill will not regulate any individuals or businesses, will not impact on the personal privacy of individuals, and will result in no additional paperwork. The provisions of the bill generally do not change the procedures by which the products covered enter the United States, changing only the duties applicable.

V. Changes in Existing Law

In compliance with paragraph 12 of Rule XXVI 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 italic, existing law in which no change is proposed is shown in roman):

* * * * * * *

GENERAL HEADNOTES AND RULES OF INTERPRETATION

* * * * * * *

3. *Rates of Duty.* The rates of duty in the "Rates of Duty" columns numbered 1 and 2 and the column designated LDDC of the schedules apply to articles imported into the customs territory of the United States as hereinafter provided in this headnote:

(a) *Products of Insular Possessions.*

. . .

[(ii) In determining whether an article produced or manufactured in any such insular possession contains foreign materials to the value of more than 50 percent, no material shall be considered foreign which, at the time such article is entered, may be imported into the customs territory from a foreign country, other than Cuba or the Philippine Republic, and entered free of duty.]

(ii) In determining whether an article produced or manufactured in any such insular possession contains foreign materials to the value of more than 50 percent, no material shall be considered foreign which either—

(A) at the time such article is entered, or

(B) at the time such material is imported into the insular possession,

may be imported into the customs territory from a foreign country, other than Cuba or the Philippine Republic, and entered free of duty; except that no article containing material to which (B) of this subdivision applies shall be exempt from duty under subdivision (i) unless adequate documentation is supplied to show that the material has been incorporated into such article during the 18-month period after the date on which such material is imported into the insular possession.

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SCHEDULE 2.—WOOD AND PAPER; PRINTED MATTER

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Item	Articles	Rates of duty 1	LDDC	2
	PART 3.—WOOD VENEERS, PLYWOOD AND OTHER WOOD-VENEER ASSEMBLIES, AND BUILDING BOARDS			
*	* * *	*	*	*
	Wood veneers, whether or not face finished, including wood veneers reinforced or backed with paper, cloth, or other flexible material:			
	Not reinforced or backed:			
240.00	Birch and maple	[1% ad val.] *Free.*	[Free]	20% ad val.
	Birch (*Betula* spp.)			
	Maple (*Acer spp.*)			
240.02	Philippine mahogany (almon (*Shorea almon*), bagtikan (*Parashorea plicata*), red lauan (*Shorea negrosensis*), white lauan (*Pentacme contorta* and *P. mindanensis*), mayapis (*Shorea squamata*), tangile (*Shorea polysperma*) and tiaong (*Shorea* spp.)); meranti (*Shorea* spp.); red seraya (*Shorea* spp.); and white seraya (*Parashorea* spp.)	[7% ad val.] *Free.*	[4% ad val.]	20% ad val.
240.03	Other	[2% ad val.] *Free.*	[Free]	20% ad val.
	Hardwood			
	Softwood			
240.04	Reinforced or backed: Decorative wood veneers, not face finished, or face finished with a clear or transparent material which does not obscure the grain, texture, or markings of the wood	[5% ad val.] *Free.*	[3.2% ad val.]	33¾% ad val.
	Hardwood			
	Softwood			
240.06	Other	[2% ad val.] *Free.*	[Free]	20% ad val.
	Hardwood			
	Softwood			
*	* * *	*	*	*

SCHEDULE 3.—TEXTILE FIBERS AND TEXTILE PRODUCTS

* * * * * * *

Item	Articles	Rates of duty 1	LDDC	2
	PART 1.—TEXTILE FIBERS AND WASTES; YARNS AND THREADS			
*	* * *	*	*	*
	Subpart D.—Silk			
*	* * *	*	*	*
	Yarns of silk wholly of noncontinuous silk fibers:			
	Singles:			
308.40	Not bleached and not colored	[8.1% ad val.] *Free.*	[5% ad val]	[40%] *Free*
	Bleached or colored:			
308.45	Not colored, measuring over 58,800 yards per pound	11.6% ad val.	5% ad val	50% ad val.
308.47	Other	9.4% ad val.	5% ad val	50% ad val.
	Plied:			
308.50	Not colored, measuring over 29,400 yards per pound	[11.6% ad val.] *Free.*	[5% ad val]	[50%] *Free*
*	* * *	*	*	*

SCHEDULE 4.—CHEMICALS AND RELATED PRODUCTS

* * * * * * *

Item	Articles	Rates of duty 1	LDDC	2
	PART 1.—BENZENOID CHEMICALS AND PRODUCTS			
*	* * *	*	*	*
	Subpart C.—Finished Organic Chemical Products			
	Products suitable for medicinal use, and drugs: Obtained, derived, or manufactured in whole or in part from any product provided for in subpart A or B of this part: Drugs:			
411.28	Sulfadiazine, sulfaguanidine, sulfamerazine, sulfapyridine, and salicylazosulfapyridine (Sulfasalazine)	26.8% ad val.	11.6% ad val.	7¢ per lb. + 128.5% ad val.
411.30	*Pseudoephedrine and its salts*	*15.5% ad val.*	*7.6% ad val.*	*7¢ per lb. + 60% ad val.*
411.31	*Ephedrine, racephedrine, and their salts*	*4.8% ad val.*	*3 7% ad val.*	*7¢ per lb. + 59% ad val.*
	Other: Alkaloids and their salts and other derivatives:			
[411.32	Ephedrine, pseudoephedrine, racephedrine, and their salts	15.5% ad val.	7.6% ad val.	7¢ per lb. + 59% ad val.]
*	* * *	*	*	*
	PART 3.—DRUGS AND RELATED PRODUCTS			
	Subpart A.—Natural Drugs, Crude or Advanced			
435.70	Opium Anhydrous morphine content	Free		$18 per lb. of anhydrous morphine content.
435.72	*Poppy straw extract*	*Free*		*Free*
435.75	Stramonium	Free		Free.

SCHEDULE 7.—SPECIFIED PRODUCTS; MISCELLANEOUS AND NONENUMERATED PRODUCTS

* * * * * * *

Item	Articles	Rates of duty 1	LDDC	2
	PART 2.—OPTICAL GOODS; SCIENTIFIC AND PROFESSIONAL INSTRUMENTS; WATCHES, CLOCKS, AND TIMING DEVICES; PHOTOGRAPHIC GOODS; MOTION PICTURES; RECORDINGS AND RECORDING MEDIA			
*	* * *	*	*	*
	Refracting or reflecting telescopes, whether monocular or binocular; astronomical instruments not specially provided for; frames and mountings for any of the foregoing articles, and parts of such frames and mountings: Telescopes: Not designed for use with infrared light:			
708.51	Field glasses and opera glasses (except prism binoculars)	[7.9% ad val.] *Free.*	[3.4% ad val.]	45% ad val.
708.52	Prism binoculars	[18.5% ad val.] *Free.*	[8% ad val.]	60% ad val.
	Other:			
*	* * *	*	*	*

SCHEDULE 8.—SPECIAL CLASSIFICATION PROVISIONS

Item	Articles	Rates of duty 1	Rates of duty 2
	PART 5.—SAMPLES; ARTICLES ADMITTED FREE OF DUTY UNDER BOND		
*	* * * * *	*	*
	Subpart C.—Articles Admitted Temporarily Free of Duty Under Bond		
	Subpart C headnotes: 1. (a) * * *		
*	* * * * *	*	*
	2. Merchandise may be admitted into the United States under item 864.05 only on condition that— (a) Such merchandise will not be processed into an article manufactured or produced in the United States if such article is— (i) alcohol, distilled spirits, wine, beer, or any dilution or mixture of any or all of the foregoing; (ii) a perfume or other commodity containing ethyl alcohol (whether or not such alcohol is denatured), or (iii) a product of wheat; and (b) if any processing of such merchandise results in an article (other than an article described in (a) of this headnote) manufactured or produced in the United States— (i) a complete accounting will be made to the Customs Service for all articles, wastes, and irrecoverable losses resulting from such processing, and [(ii) all articles and valuable wastes resulting from such processing will be exported or destroyed under customs supervision within the bonded period.] *(ii) all articles and valuable wastes resulting from such processing will be exported or destroyed under customs supervision within the bonded period; except that in lieu of the exportation or destruction of valuable wastes, duties may be tendered on such wastes at rates of duties in effect for such wastes at the time of importation.*		
*	* * * * *	*	*

APPENDIX TO THE TARIFF SCHEDULES

*	* * * * *	*	*

Item	Articles	Rates of duty 1	Rates of duty 2	Effective period
	PART 1.—TEMPORARY LEGISLATION			
*	* * * * *	*	*	*
	Subpart B.—Temporary Provisions Amending the Tariff Schedules			
*	* * * * *	*	*	*
903.45	*Water chestnuts or bamboo shoots, frozen (provided for in item 137.87 or 138.45, Part 8A, schedule 1)*	*Free*	*Free*	*On or before June 30, 1983*
903.50	*Water chestnuts (provided for in item 141.70, part 8C, schedule 1)*	*Free*	*Free*	*On or before June 30, 1983*
903.55	*Bamboo shoots in airtight containers (provided for in item 141.78, part 8C, schedule 1)*	*Free*	*Free*	*On or before June 30 1983*
*	* * * * *	*	*	*
	Yarns, wholly of noncontinuous silk fibers (provided for in part 1D, schedule 3):			
905.30	Singles, not bleached and not colored, measuring over 58,800 yards per pound (item 308.40)	Free	Free	On or before 6/30/80
905.31	Plied, not colored, measuring over 29,400 yards per pound (item 308.50)	Free	Free	On or before 6/30/80

APPENDIX TO THE TARIFF SCHEDULES—Continued

Item	Articles	Rates of duty 1	Rates of duty 2	Effective period
*	* *	*	*	* *
907.05	*Bis(4 - aminobenzoate) - 1,3 - propanediol (trimethylene glycol di-p-aminobenzoate) (provided for in item 405.08, part 1B, schedule 4)*	*Free*	*No change*	*On or before 6/30/83*
907.10	Cyclic organic chemical products in any physical form having a benzenoid, quinoid, or modified benzenoid structure [provided for in item 403.60,] *(however provided for in item 402.36 through 406.63,* part 1B, schedule 4) to be used in the manufacture of photographic color couplers	Free	No change	On or before 6/30/80] *6/30/82*
907.12	Photographic color couplers (provided for in item [405.20,] 408.41, part 1C, schedule 4)	Free	No change	On or before 6/30/80] *6/30/82*
907.20	Doxorubicin hydrocholoride (provided for in item [407.85,] *411.76,* part 1C, or in item 437.32 or 438.02, part 3B, schedule 4, depending on source)	Free	No change	On or before 6/30/80] *6/30/82*
*	* *	*	*	* *
907.70	Concentrate of poppy straw (however provided for in part 3 of schedule 4) when imported for use in producing codeine or morphine	Free	Free	On or before 6/30/80
*	* *	*	*	* *
907.90	Levulose (provided for in item 493.66, part 13B, schedule 4)	[10% ad val.] *Free*	No change	On or before [6/30/80] *12/31/81*
*	* *	*	*	* *
911.27	Synthetic tantalum/columbium concentrate (provided for in item 603.70, pt. 1, schedule 6)	Free	No change	On or before 6/30/80.
911.29	*Chipper knife steel (provided for in item 606.93, part 2B, schedule 6)*	*4.6% ad val.*	*No change*	*On oe before 9/30/82.*
*	* *	*	*	* *
911.50	*Unwrought lead other than lead bullion (provided for in item 624.03, part 2G, schedule 6)*	*3% ad val. on the value of the lead content, but not less than 1.0625¢ per lb. on the lead content*	*No change*	*On or before 6/30/83*
*	* *	*	*	* *
912.07	Externally-powered electric elbow prosthetic devices for juvenile amputees (provided for in item 709.57, part 2B, schedule 7), and parts thereof, if imported solely for charitable therapeutic use, or distribution free of charge, by any public or private nonprofit institution established for educational, scientific, or therapeutic purposes	Free	No change	On or before 6/30/78
912.08	Mattress blanks of rubber latex (provided for in item 727.86, part 4A, schedule 7)	Free	No change	On or before 6/30/78
912.13	*Power-driven flat knitting machines over 20 inches in width (provided for in item 670.19 or 670.20, part 4E, schedule 6)*	*Free*	*No change*	*On or before 6/30/83*
*	* *	*	*	* *
912.14	*Warp knitting machines (provided for in item 670.20, part 4E, schedule 6)*	*Free*	*Free*	*On or before 6/30/83*
*	* *	*	*	* *

TARIFF ACT OF 1930

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TITLE III—SPECIAL PROVISIONS

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Part I—Miscellaneous

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SEC. 313. DRAWBACK AND REFUNDS.

(a) ARTICLES MADE FROM IMPORTED MERCHANDISE.—* * *

* * * * * * *

(j) SAME CONDITION DRAWBACK.—(1) If imported merchandise, on which was paid any duty, tax, or fee imposed under Federal law because of its importation—

(A) is, before the close of the three-year period beginning on the date of importation—

(i) exported in the same condition as when imported, or

(ii) destroyed under Customs supervision; and

(B) is not used within the United States before such exportation or destruction;

then upon such exportation or destruction 99 per centum of the amount of each such duty, tax, and fee so paid shall be refunded as drawback.

(2) The performing of incidental operations (including, but not limited to, testing, cleaning, repacking, and inspecting) on the imported merchandise itself, not amounting to manufacture or production for drawback purposes under the preceding provisions of this section, shall not be treated as a use of that merchandise for purposes of applying paragraph (1)(B).

[(j)] *(k)* REGULATIONS.—Allowance of the privileges provided for in this section shall be subject to compliance with such rules and regulations as the Secretary of the Treasury shall prescribe, which may include, but need not be limited to, the fixing of a time limit within which drawback entries or entries for refund under any of the provisions of this section or section 309(b) of this Act shall be filed and completed, and the designation of the person to whom any refund or payment of drawback shall be made.

[k] *(l)* SOURCE OF PAYMENT.—Any drawback of duties that may be authorized under the provisions of this Act shall be paid from the customs receipts of Puerto Rico, if the duties were originally paid into the Treasury of Puerto Rico.

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TITLE IV—ADMINISTRATIVE PROVISIONS

Part II—Reports, Entry, and Unloading of Vessels and VEH

SEC. 466. EQUIPMENT AND REPAIRS OF VESSELS.

(a) * * *

* * * * * * *

"(g) *The duty imposed by subsection (a) shall not apply to entries on and after Ocotber 1, 1979, and before January 1, 1982, of—*

"(1) *tuna purse seine nets and netting which are equipments or parts thereof,*

"(2) *repair parts for such nets and netting, or materials used in repairing such nets and netting, or*

"(3) *the expenses of repairs of such nets and netting,*

for any United States documented tuna purse seine vessel of greater than 500 tons carrying capacity or any United States tuna purse seine vessel required to carry a certificate of inclusion under the general permit issued to the American Tunaboat Association pursuant to section 104 of the Marine Mammal Protection Act of 1972.".

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Part III—Ascertainment, Collection, and Recovery of Duties

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SEC. 498. ENTRY UNDER REGULATIONS.

(a) AUTHORIZED FOR CERTAIN MERCHANDISE.—The Secretary of the Treasury is authorized to prescribe rules and regulations for the declaration and entry of—

(1) Merchandise, imported in the mails or otherwise, when the aggregate value of the shipment does not exceed such amount, not greater than $250, as the Secretary of the Treasury shall specify in the regulations, and the specified amount may vary for different classes or kinds of merchandise or different classes of transactions;

(2) Products of the United States, when the aggregate value of the shipment does not exceed $10,000 and the products are imported—

(A) for the purposes of repair or alteration prior to re-exportation, or

(B) after having been either rejected or returned by the foreign purchaser to the United States for credit;

[(2)] *(3)* Merchandise damaged on the voyage of importation, by fire or through marine casualty or any other cause, without fault on the part of the shipper;

[(3)] *(4)* Merchandise recovered from a wrecked or stranded vessel;

[(4)] *(5)* Household effects used abroad and personal effects, not imported in pursuance of a purchase or agreement for purchase and not intended for sale;

[(5)] *(6)* Articles sent by persons in foreign countries as gifts to persons in the United States;

[(6)] *(7)* Articles carried on the person or contained in the baggage of a person arriving in the United States;

[(7)] *(8)* Tools of trade of a person arriving in the United States;

[(8)] *(9)* Personal effects of citizens of the United States who have died in a foreign country;

[(9)] *(10)* Merchandise within the provisions of sections 465 and 466 of this Act (relating to supplies, repairs, and equipment on vessels and railway cars) at the first port of arrival;

[(10)] *(11)* Merchandise when in the opinion of the Secretary of the Treasury the value thereof can not be declared; and

[(11)] *(12)* Merchandise within the provisions of paragraph 1631 of this Act.

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TRADE AGREEMENTS ACT OF 1979

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TITLE VIII—TREATMENT OF DISTILLED SPIRITS

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Subtitle B—Tariff Treatment

SEC. 852. CHANGES IN RATES OF DUTY.

[So much of subpart D of part 12 of schedule 1 of the Tariff Schedules of the United States as follows headnote 1 is amended to read as follows:

[Aquavit:]

Subpart D headnote:

1. The rates of duty provided for the products enumerated in this subpart shall be assessed on a proof gallon basis (i.e., the rates shown indicate the amount of duty which shall be collected on each gallon of an imported product at 100 proof). The amount of duty which shall be collected for each gallon of a product which is imported at more than or less than 100 proof shall bear the same ratio to the applicable rate of duty as the proof of the imported product bears to 100 proof.

Aquavit:

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TITLE XI—MISCELLANEOUS PROVISIONS

* * * * * * *

SEC. 1107. TECHNICAL AMENDMENTS TO THE TARIFF SCHEDULES OF THE UNITED STATES

(a) GENERAL HEADNOTE CHANGES.—The general headnotes for the Tariff Schedules of the United States (19 U.S.C. 1202) are amended—

[(1) by inserting "and" after "subpart E" in headnote 3(a)(i), and]

(1) by inserting "and" after "subpart E,", and by striking out "headnote 4" and inserting in lieu thereof "headnote 3", in headnote 3(a)(i), and

(2) by striking out "Germany (the Soviet zone and the Soviet sector of Berlin)" in headnote 3(e) and inserting in lieu thereof "German Democratic Republic and East Berlin".

* * * * * * *

SECTION 16 OF THE ACT OF JUNE 18, 1934

AN ACT To provide for the establishment, operation, and maintenance of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes.

* * * * * * *

SEC. 16. (a) The form and manner of keeping the accounts of each zone shall be prescribed by the Board.

(b) Each grantee shall make to the Board annually, and at such other times as it may prescribe, reports containing a full statement of all the operations, receipts, and expenditures, and such other information as the Board may require.

(c) The Board shall make a report to Congress [on the first day of each regular session] *by April 1 of each year* containing a summary of the operation and fiscal condition of each zone and transmit therewith copies of the annual report of each grantee.

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