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RUSSELL B. LONG, *Chairman*

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DESCRIPTION OF TARIFF BILLS ON THE COMMITTEE CALENDAR

H.R. 422

To amend the Tariff Schedules of the United States to provide duty-free treatment of any aircraft engine used as a temporary replacement for an aircraft engine overhauled within the United States if duty was paid on such replacement engine during a previous importation (Mr. Hughes of New Jersey)

Summary.—H.R. 422 would allow duty-free entry of previously imported foreign made aircraft engines used by aircraft engine repair companies to temporarily replace engines they are repairing in the United States. Aircraft engine repair firms must provide a replacement engine to an aircraft operator while repairing the original engine. In order to service clients who own foreign-made aircraft engines, these firms purchase comparable aircraft engines and pay duty on them when they are originally imported. When an aircraft experiences engine trouble overseas, the American firm will loan an engine to the distressed aircraft and bring the original engine to the United States for repair. When the repair work is completed, the original engine is returned to the aircraft and the loaned engine is reimported by the American repair firm. With most reentries, duty must be paid. Between 100 and 150 reentries, resulting in an estimated \$2 million in annual duty payments, are made each year in the course of these firms' operations.

The domestic industry engaged in aircraft engine repair consists of the following firms: Cooper Airmotive, Inc., Washington, D.C.; Airwork Division, Purex Corp., Millville, New Jersey; Pacific Airmotive, Purex Corp., Burbank, California; and United Aircraft, Southington, Connecticut.

Purpose of the bill.—It is claimed that the requirement of successive duty payments on reimportation of most "loaner" aircraft engines after duty has been paid on original importation serves no purpose. As a result of these duty payments, the firms involved estimate a loss in business each year of several million dollars to their foreign competitors in Canada, the United Kingdom, and Hong Kong. Enactment of H.R. 422 would make the U.S. repair firms more competitive with their foreign competitors.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 422 on July 14, 1977. Favorable testimony on the bill was heard. The Administration (Department of Commerce) favors enactment of H.R. 422.

Present law.—Imports of aircraft engines are dutiable at 4 percent ad valorem under column 1 (applicable to imports from countries accorded nondiscriminatory (MFN) tariff treatment) of Tariff Schedules of the United States (TSUS) item 660.44 (piston type engines) and at 5 percent ad valorem under column 1 of TSUS item 660.46 (nonpiston engines). Column 1 imports of aircraft engines produced in a beneficiary developing country are eligible for duty-free treatment under the Generalized System of Preferences. Aircraft engines imported from a non-MFN country (Most Communist countries) are subject to a column 2 rate of duty of 35 percent ad valorem.

House bill.—Adds a new item 801.20 to the TSUS permitting duty-free entry of an aircraft engine if:

- (1) The engine was previously imported and duty was paid on the importation;
- (2) The engine was used abroad as a temporary replacement for an aircraft engine being repaired in the United States;
- (3) The engine has not been advanced in value or improved in condition while abroad; and
- (4) The engine is imported by the person who previously exported the engine.

Effective date.—Date of enactment.

Revenue effect.—An annual loss of approximately \$2.5 million.

Previous bill.—H.R. 2181, 94th Congress, contained the same provisions as H.R. 422. It passed the Senate on October 1, 1976, with amendments and died in the House.

Senate bill.—S. 814, 95th Congress, is identical to H.R. 422.

H.R. 1550

To reduce temporarily the rate of duty on certain ceramic insulators used in spark plugs (Mr. Charles Wilson of Texas)

Summary.—H.R. 1550 would temporarily reduce (until June 30, 1980) to four percent ad valorem the existing 15 percent ad valorem duty on high alumina content ceramic insulators used in spark plugs. The bulk of all domestically produced ceramic spark plug insulators and spark plugs are of the automotive and aircraft variety. Specialty spark plugs are produced for use in gas, natural gas, propane, or LPG stationary engines, which are used in the gathering and transmission of natural gas, in water pumps, and in the crude oil industry. The high alumina content ceramic insulators affected by this bill are necessary only in specialty spark plugs.

There are two known domestic producers of high alumina content ceramic spark plug insulators, Champion Spark Plug Company and Diamonite Products Manufacturing. Champion, one of the three major firms accounting for about 90 percent of U.S. spark plug production, manufactures the high alumina content insulators for its own spark plugs only. Diamonite sells the insulators to other spark plug manufacturers.

Apparent domestic consumption of all types of ceramic spark plug insulators was approximately \$89 million in 1972. Imports of all types of ceramic insulators was \$1,244,000 in 1973 and \$2,787,689 in 1976.

Information on consumption and imports of the insulators covered by this bill is not separately available, but are both believed to be very small. All imports of high alumina content ceramic insulators come from the United Kingdom.

Purpose of the bill.—The duty reduction under H.R. 1550 is sought on behalf of Stitt Spark Plug Company, Conroe, Texas, which produces spark plugs for use in gas, natural gas, propane, and LPG stationary engines. The company imports a substantial portion of its high alumina content spark plugs. This bill would make it easier for the Texas firm to compete with Champion, which produces the specialty spark plug using its own insulators. The reduced rate of duty of four percent ad valorem would be same as the duty now imposed on imported spark plugs under column 1 of TSUS item 683.60.

Hearings.—The subcommittee on International Trade held hearings on H.R. 1550 on July 14, 1977. The Subcommittee heard no objections to the bill during the hearings. The Administration (Department of Commerce) opposes enactment of H.R. 1550 because "there is sufficient U.S. domestic production of like or comparable ceramic insulators used in spark plugs to meet domestic demand and there is no indication of a shortage which would make it advisable to lower the tariff to ease prices." Absent a "demonstrable need," the Administration favors tariff reductions only in the Multilateral Trade Negotiations where the President can seek reciprocal benefits for U.S. exports.

Present law.—Ceramic insulators for spark plugs are subject to a column 1 rate of duty of 15 percent ad valorem under TSUS item 535.14, unless they are produced in a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Adds new item 909.10 to the Appendix to the TSUS, reducing the rate of duty applicable to column 1 imports of ceramic insulators having an alumina content of not less than 96 percent, if used in spark plugs, to 4 percent ad valorem for imports entered before July 1, 1980.

Effective date.—Date of enactment.

Revenue effect.—Estimated to be a loss of a small portion of the annual customs revenues collected on imports of all types of ceramic insulators, which were approximately \$420,000 in a recent year.

H.R. 1904

To suspend until July 1, 1980, the duty on intravenous fat emulsion (Mr. Stark of California)

Summary.—H.R. 1904 would temporarily permit (until June 30, 1980) duty-free entry of intravenous fat emulsion. Intravenous fat emulsion is used as a source of calories and essential fatty acids for patients requiring intravenous nutrition for an extended period. It is especially valuable in treating infants and patients under cancer therapy or extensive burn treatment. Only one intravenous fat emulsion is marketed in the United States. The product has the trade name Intralipid and is produced in Sweden by Vitrum AB and imported and marketed against the United States by Cutter Laboratories, Berkeley,

California there has been no production of intravenous fat emulsion in the United States and in the last 5 years. Annual imports of Intralipid are valued at \$2.5 million.

Purpose of the bill.—H.R. 1904 would reduce the cost of Intralipid by suspending the existing 5 percent ad valorem duty.

Hearings.—The Subcommittee on International Trade held hearings on this bill on July 14, 1977. No objections to the bill were heard. The Administration (Department of Commerce) favors enactment of H.R. 1904.

Present law.—Imports of intravenous fat emulsion, used in intravenous nutrient solutions, are classified under TSUS item 440.00 with a column 1 rate of duty of 5 percent ad valorem and a column 2 rate of duty of 25 percent ad valorem. If produced in a beneficiary developing country, column 1 imports of intravenous fat emulsion are eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Adds new item 907.75 to the Appendix of the TSUS, providing duty-free treatment for column 1 and column 2 imports of intravenous fat emulsion entered before July 1, 1980.

Effective date.—Date of enactment.

Revenue effect.—Annual loss of approximately \$126,000.

H.R. 2692

To suspend until the close of June 30, 1980, the duty on wood excelsior (Mr. Dinan of Massachusetts)

Summary.—H.R. 2692 would temporarily permit (until June 30, 1980) duty-free entry of wood excelsior which is now dutiable at 8 percent ad valorem. Wood excelsior consists of thin, narrow, flexible strands of wood which tend to curl and form a loosely joined mass. It is produced by shredding wood blocks, generally of aspen, cottonwood, basewood, and southern pine. Among the important uses of excelsior are the following: Acoustical component in cement ceiling and wall panels, cushions for shipping fragile items, filling or padding material in low-price mattresses, athletic equipment and toys, filters for evaporative coolers, soil covering for erosion control, and in the filtration of crude oil and petroleum products.

There are 12 known domestic plants producing the material. Five firms account for about 96 percent of U.S. production:

1. American Excelsior Company, with plants in Utah, Colorado, California, and Wisconsin.
2. Virginia Excelsior Mills, Virginia.
3. Taylor Fiber, Inc., Virginia.
4. Winters Excelsior Company, Inc, Alabama.
5. Southwestern Manufacturing Co., New Mexico.

Domestic production of wood excelsior averaged \$13.6 million annually in 1974–1976. Imports of wood excelsior have decreased sharply in recent years. Average annual imports in 1968–73 were valued at \$24,000. Since 1974, an average of about \$2,500 worth of wood excelsior has been imported annually. There were no imports in 1975. Imports accounted for less than .05 percent of domestic consumption in

1974-1976. Virtually all imports of wood excelsior come from Canada. Average annual exports of wood excelsior for 1974-1976 were valued at \$289,000.

Purpose of the Bill.—To reduce the cost of imported wood excelsior to consumers by temporarily removing the 8 percent ad valorem duty.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 2692 on July 14, 1977. During these hearings, the Subcommittee heard no objections to the bill. The Administration (Department of Commerce) opposes enactment of H.R. 2692 since U.S. producers supply virtually 100 percent of U.S. demand. In addition, the U.S. will probably seek reduction of the Canadian duty on wood excelsior, 15 percent ad valorem, in the MTN. Unilateral suspension of the U.S. duty on food excelsior would diminish U.S. negotiating leverage in the MTN necessary to obtain maximum reciprocal benefits for U.S. exports.

Present law.—Imports of wood excelsior, are dutiable at 8 percent ad valorem under column 1 of TSUS item 200.25.

House bill.—Adds new item 904.00 to the Appendix of the TSUS, providing for duty-free treatment for column 1 imports of wood excelsior entered before July 1, 1980.

Effective date.—Date of enactment.

Revenue effect.—An annual loss of less than \$1,000.

H.R. 2849

To suspend until July 1, 1978, the rate of duty on mattress blanks of rubber latex (Mr. Ottinger) and Mr. Richmond of New York

Summary.—H.R. 2849 would temporarily permit (until June 30, 1978) duty-free entry of mattress blanks of rubber latex which are currently dutiable at 15 percent ad valorem. Mattress blanks of latex rubber are a mixture of synthetic latex and natural rubber. Mattress manufacturers sew a quilted cover on the mattress blank to form a finished foam mattress. Approximately 15 percent of U.S. mattress consumption is foam mattresses.

Foam mattresses are made from rubber latex or polyurethane mattress blanks. The latter are domestically produced and sold at prices considerably below the f.o.b. price of imported rubber latex mattress blanks. Latex rubber mattress blanks account for a small portion of total foam mattress sales. Although the U.S. International Trade Commission reported that rubber latex and high density polyurethane are directly competitive, the Ways and Means Committee concluded that rubber latex mattress blanks are a higher priced premium product.

There are no domestic producers of rubber latex mattress blanks. The only producer, located in Shelton, Ct., was destroyed by fire in 1975. A new company, Latex Foam Products, Inc., has begun to produce pillows in Shelton and plans to produce mattress blanks in about 12 months. Latex Foam Products informed the Ways and Means Committee it has no objection to H.R. 2849, as reported.

Separate statistics on latex rubber mattress blanks are not available. An estimate of the value of 1976 imports is \$100,000. All imports were from Canada.

Purpose of the bill.—To reduce the cost of imported rubber latex mattress blanks to domestic mattress manufacturers. The duty is now about \$5.25 per unit on imports which vary in f.o.b. price from \$32 to \$38 per unit. The bill was introduced on behalf of Rite Foam, Passaic, N.J., which was subsequently acquired by GMS Sleepwear, New York, New York.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 2849 on July 14, 1977. No objections to the bill were heard. The Administration (Department of Commerce) has no objection to H.R. 2849 but would prefer that it be effective on the date of enactment, not May 10, 1977.

Present law.—Mattress blanks of latex rubber are dutiable at 15 percent ad valorem under column 1 of TSUS item 727.86, unless they are produced in a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Adds new item 912.07 to the Appendix of the TSUS, providing for duty-free treatment of column 1 imports of mattress blanks of rubber latex entered before July 1, 1978. The bill applies the duty-free treatment from the date of enactment, and upon request, applies retroactively to articles entered after May 9, 1977.

Effective date.—Date of enactment. Applies retroactively, upon request, to entries made after May 9, 1977, and before the date of enactment.

Revenue effect.—An annual loss of less than \$7,500.

Prior bill.—H.R. 11605, 94th Congress, was favorably reported by the Committee on Finance with amendments, passed the Senate, and died in the House.

H.R. 2850

To suspend until the close of June 30, 1978, the duty on certain latex sheets (Mr. Ottinger and Mr. Richmond of New York)

Summary.—H.R. 2850 would temporarily permit (until June 30, 1978) duty-free entry of certain latex foam rubber sheets which are now dutiable at 6 percent ad valorem. Sheets of molded pin core latex foam rubber, approximately 1 inch thick, are produced by slicing latex rubber mattress blanks which have been precut to sizes corresponding to twin, full, queen, and king-size beds. Pinholes of up to one-fourth inch in diameter extend through the latex sheet to enable it to breathe. Two latex sheets are used to form a sandwich with a polyurethane mattress blank core and, in this manner, a combination latex-polyurethane foam mattress blank is formed.

Foam mattresses account for approximately 15 percent of the mattresses sold in the United States, innerspring mattresses accounting for approximately 85 percent. Foam mattresses can be either polyurethane, latex, or polyurethane-latex. Polyurethane, which is domestically produced, dominates the foam mattress market with latex and polyurethane-latex taking up a small part of total mattress sales.

The only domestic producer of latex foam rubber, the Sponge Rubber Products Company, Shelton, Connecticut, was destroyed by fire in March, 1975. A new company, Latex Foam Products, Inc., has

purchased the burned facility and reestablished limited operations in the Shelton area. Presently, Latex Foam Products, Inc., is manufacturing only pillows, but the firm says it plans to start producing latex rubber mattress blanks within one year. The old firm did not and the new firm will not, within the foreseeable future, produce latex sheets.

Separate statistics on latex foam rubber sheet imports are not available. Total imports of flexible expanded, foam, or sponge natural rubber were \$1,160,000 in 1976. All imports of latex foam rubber sheets are from Canada.

Purpose of the bill.—To reduce the cost of imported latex foam rubber sheets to domestic mattress manufacturers. The bill was introduced on behalf of Rite Foam, Passaic, New Jersey, which was subsequently acquired by GMS Sleepwear, New York, New York.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 2850 on July 14, 1977. No objections to the bill were heard. The Administration (Department of Commerce) has no objection to the enactment of H.R. 2850 but would prefer that it be effective on date of enactment, not May 10, 1977.

Present law.—Imports of sheets of molded pin core latex foam rubber over 0.90 inch but not over 1.50 inches in thickness are dutiable under column 1 of TSUS item 770.70 at 6 percent ad valorem, unless imported from a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Adds items 912.12 to the Appendix of the TSUS providing duty-free treatment for column 1 imports of sheets of molded pin core latex foam rubber over 0.90 inch but not over 1.50 inches in thickness entered before July 1, 1978. The duty-free treatment would apply to imports entered after the date of enactment, and, upon request, to imports entered after May 9, 1977, and before the date of enactment.

Effective date.—Date of enactment. Applies retroactively, upon request, to imports entered after May 9, 1977, and before the date of enactment.

Revenue effect.—An annual loss of less than \$3,000.

H.R. 2982

To suspend until the close of June 30, 1980, the duty on synthetic tantalum/columbium concentrate (Mr. Drinan of Massachusetts)

Summary.—H.R. 2982 would temporarily permit (until June 30, 1980) duty-free entry of synthetic tantalum/columbium concentrate which is presently dutiable at 7.5 percent ad valorem. Tantalum/columbium concentrate is principally used as a raw material for columbium and tantalum ferroalloys used in producing steel. Columbium and tantalum steels are used in heavy equipment and machinery, oil and gas pipelines, structural members of buildings and bridges, and for architectural trim.

Synthetic tantalum/columbium concentrate is produced from low grade tin slag. There is no known domestic production of tantalum/columbium synthetic concentrate. The only known producer of this

product is located in West Germany. The West German company has recently purchased one of the domestic companies involved in the production of columbium/tantalum metals. Another domestic producer of columbium/tantalum metals has accumulated substantial inventories of low grade tin slag and has contracted with the West German producer to process the slag into synthetic concentrates.

There has been no domestic mine production of natural columbium concentrate since 1969 and domestic deposits allegedly cannot be mined profitably at current prices. The domestic industry must rely totally on imports. Natural columbium concentrate is imported free of duty under TSUS item 601.21, while natural tantalum concentrate is imported free of duty under TSUS item 601.42. A significant percentage of the duty paid by importers on synthetic tantalum/columbium concentrate is believed to be returned under drawback provisions because the products which the concentrates are used to manufacture are often exported from the United States.

In 1974 the companies producing and processing tantalum and columbium metals were the following:

Allegheny/Ludlum Industries, Illinois, Pennsylvania, New York.

Fan Steel, Incorporated, Illinois, Oklahoma.

General Electric, Michigan.

Kawecki Division of Kawecki Beryleo Industries, Pennsylvania.

Kannametal, Incorporated, Pennsylvania.

Mallinckrodt Chemical Works, Missouri.

Mining and Metals Division of Union Carbide, Ohio, South Carolina.

Molybdenum Corporation of America, Pennsylvania.

Metals Division of Norton Company, Massachusetts.

Newcomer Products, Incorporated, Pennsylvania.

Reading Alloys Company, Incorporated, Pennsylvania.

Shieldalloy Corporation, New Jersey.

Wah Chang Albany (A Teledyne Company), Oregon.

Imports of synthetic tantalum/columbium from West Germany were valued at approximately \$1 million in 1975 and \$3 million in 1976. The increase is apparently attributable to a shortage of natural sources of tantalum and columbium.

Purpose of the bill.—To reduce the cost of imported synthetic tantalum/columbium concentrate to domestic consumers and to put them on an equal competitive footing with foreign and domestic consumers who use duty-free sources of tantalum and columbium.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 2982 on July 14, 1977. No objections to the bill were heard. The Administration (Department of Commerce) has no objection to enactment of H.R. 2982.

Present law.—Imports of synthetic tantalum/columbium concentrate are classified under TSUS item 603.70 (a basket provision for various metal-bearing materials) and are dutiable under column 1 at a rate of 7.5 percent ad valorem, unless imported from a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Adds new item 911.27 to the Appendix of the TSUS, providing for duty-free treatment of column 1 imports of synthetic tantalum/columbium concentrate entered before July 1, 1980.

Effective date.—Date of enactment.

Revenue effect.—An annual loss of less than \$238,000.

H.R. 3093

To provide duty-free treatment for certain copying lathes used for making rough or finished shoe lasts and for parts of such lathes (Mr. Burke of Massachusetts)

Summary.—H.R. 3093 would permit permanent duty-free entry of copying lathes and parts of such lathes used for making shoe lasts.

Copying lathes are used for making rough or finished shoe lasts from models of shoe lasts. The lathes can produce different sizes of shoe lasts by using different sized models. The duty on copying lathes for shoe lasts was first suspended in 1956 and the suspension has been renewed by subsequent enactment, the last suspension having expired on June 30, 1976. The duty suspension was enacted initially and has been continued to reduce the cost of highly specialized and expensive copying lathes for domestic shoe last manufacturers.

There is currently no domestic production of such lathes, domestic production having ceased during the mid-1950's. During the 5 year period from 1972 to 1976, Italy provided 96 percent of the imports and West Germany provided the rest. During 1974, the last year for which complete statistics are available, imports of lathes were valued at \$60,942 and imports of parts were valued at \$3,496.

Domestic companies producing shoe lasts include Balcan Lasts, Ohio, and Sterling Last, New York.

Purpose of the bill.—To make permanent the duty-free treatment of copying lathes used to make shoe lasts which has been in effect under temporary duty suspensions for 21 years.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 3093 on July 11, 1977. No objections to the bill were heard. The Administration (Department of Commerce) has no objection to the enactment of H.R. 3093.

Present law.—Imports of copying lathes used for making rough or finished shoe lasts are dutiable under column 1 of TSUS item 674.42 at 5 percent ad valorem, unless imported from a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences, and under column 2 at 35 percent ad valorem. Imports of parts and accessories for copying lathes are dutiable under TSUS items 674.50, 674.51, and 674.53 at column 1 rates ranging from zero to 7.5 percent ad valorem, and at column 2 rates ranging from 10 percent to 45 percent ad valorem.

House bill.—Adds new TSUS item 674.41, providing for duty-free treatment of column 1 and column 2 imports of copying lathes used for making rough or finished shoe lasts. Also adds new TSUS item 674.48, providing for duty-free treatment of column 1 and column 2 imports of parts and accessories for copying lathes provided for in

TSUS item 674.41. Repeals TSUS item 911.70, which provided for temporary duty-free treatment, until June 30, 1976, of products which would be granted permanent duty-free treatment under new TSUS items 674.41 and 674.48. Entries of copying lathes and parts would be duty-free if entered after the date of enactment of H.R. 3093, and, upon request, if entered after June 30, 1976, but before the date of enactment of H.R. 3093.

Effective date.—Date of enactment. Applies retroactively upon request to entries made after June 30, 1976, but before the date of enactment.

Revenue effect.—Annual loss of no more than \$3,300.

H.R. 3259

To continue to suspend for a temporary period the import duty on certain horses (Mr. Kemp of New York)

Summary.—H.R. 3259 would temporarily permit (until June 30, 1978) duty-free entry of horses, other than for immediate slaughter, which are presently dutiable at \$2.75 per head, if valued not over \$150, or 3 percent ad valorem. This bill would extend a suspension of duty which was first enacted in 1974. The duty on horses was originally suspended, in part, because the present tariff structure for horses operates discriminatorily among different breeds. For example, horses may be imported free of duty for breeding purposes under TSUS item 100.01. This rule applies only if the horse is certified by the Department of Agriculture as being of a recognized breed and duly registered on a book or record recognized by the Secretary of Agriculture for that breed. Since the American quarter horses does not qualify under these criteria, importers of such horses for breeding purposes are required to pay duty, usually under item 100.75 at 3 percent ad valorem, while other breeds may be entered free of duty.

The previous duty suspension also obviated problems at the border relating to valuation for customs purposes of foals and horses which had not yet raced. That suspension also obviated problems relating to temporary importation bonds posted by individuals who brought horses into the United States for claiming races. The majority of races in the United States are claiming races. Claiming races are designed to ensure that the horses in any specific race are of comparable ability by requiring that all horses in the race may be purchased at a price established for the particular race. For example, horses running in \$5,000 claiming races may be purchased for \$5,000. Absent a duty suspension, the importer of a horse sold in a claiming race which was not returned to the country of origin within the prescribed time limits had to forfeit his temporary importation bond.

About 85 percent of imported horses are race horses. Virtually all imported horses are valued over \$150 per head. The value of imported horses valued over \$150 per head was approximately \$43 million in 1976. Of this amount, Canada supplied 62.3 percent, the United Kingdom 8.1 percent, Argentina 6.7 percent and New Zealand 5.1 percent.

Purpose of the bill.—To temporarily end the tariff discrimination among breeds, avoid valuation problems, and avoid bonding problems for the benefit of U.S. horse traders and breeders, and race horse owners.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 3259 on July 14, 1977. The Subcommittee received favorable testimony on this bill. The Administration (Department of Commerce) supports enactment of H.R. 3259.

Present law.—Imports of horses valued at not over \$150 per head are dutiable under TSUS item 100.73 at a column 1 rate of duty of \$2.75 per head. Imports of horses valued at over \$150 per head are dutiable under TSUS item 100.75 at a column 1 rate of duty of 3 percent ad valorem. Column 1 imports under TSUS item 100.73 are eligible for duty-free treatment under the Generalized System of Preferences when they originate from designated beneficiary developing countries.

House bill.—Amends TSUS items 903.50 and 903.51, providing duty-free treatment of column 1 imports covered by TSUS items 100.73 and 100.75 entered before July 1, 1978. Items 903.50 and 903.51 now provide for such duty-free treatment for imports before July 1, 1976. Duty-free treatment would apply to horses entered after the date of enactment, and upon request, to those entered after June 30, 1976, but before the date of enactment.

Effective date.—Date of enactment. Applies retroactively, upon request, to entries made after June 30, 1976, but before the date of enactment.

Revenue effect.—Annual loss of no more than \$350,000.

Prior legislation.—H.R. 9401, 94th Congress was identical to H.R. 3259. It passed the Senate on October 1, 1976, with amendment but died in the House of Representatives.

H.R. 3373

To extend for an additional temporary period the existing suspension of duties on certain classification of yarns of silk (Mr. Sikes of Florida)

Summary.—H.R. 3373 would temporarily permit (until July 1, 1980) duty-free entry of single and plied silk yarn, which are now dutiable at column 1 rates of 8.5 percent and 12.5 percent ad valorem, respectively, and column 2 rates of 40 percent and 50 percent ad valorem, respectively. This bill would continue a duty suspension which has been in effect since 1959. The most recent suspension expired on November 7, 1975.

Silk yarns are used in thread, decorative strippings for fine worsteds, lacing cord for cartridge bags, and, in combination with other fibers, apparel, upholstery, and drapery materials. The major manufacturers of silk goods who import the silk yarns in question employ between 3,000 and 4,000 workers in New York, New Jersey, Pennsylvania, and Virginia. There is no domestic production of silk yarns. Imports of plied silk yarns have varied from 244,000 pounds in 1966

to 6,000 pounds in 1975. There have been no imports of single silk yarns since 1966. Japan and the People's Republic of China are the principal suppliers of silk yarns.

Purpose of the bill.—To reduce the cost of silk yarns to domestic producers of fine silk fabrics and other silk products so that their products can be competitive with imported fine yarn products.

Hearing.—The Subcommittee on International Trade held hearings on H.R. 3373 on July 14, 1977. No objections to the bill were heard. The Administration (Department of Commerce) has no objections to H.R. 3373.

Present law.—Silk yarn singles (not bleached and not colored) are currently dutiable under TSUS item 308.40 at a column 1 rate of duty of 8.5 percent ad valorem and a column 2 rate of duty of 40 percent ad valorem. Plied silk yarns (not bleached and not colored) are currently dutiable under TSUS item 308.50 at a column 1 rate of duty of 12.5 percent ad valorem and a column 2 rate of duty of 50 percent ad valorem. Column 1 imports of both items from designated beneficiary developing countries are eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Amends TSUS items 905.30 and 905.31 to provide for duty-free treatment for imports of single and plied silk yarns (not bleached and not colored) entered under either column 1 or column 2 before July 1, 1980. TSUS items 905.30 and 905.31 provided for duty-free treatment for entries of silk yarns before November 8, 1975. Under the House bill, imports of silk yarns entered after November 7, 1975, but before enactment of the bill would be eligible, upon request, for duty-free treatment.

Effective date.—Date of enactment. Applies retroactively, upon request, to silk yarns entered after November 7, 1975, but before the date of enactment.

Revenue effect.—Annual loss of approximately \$17,000.

Prior bill. H.R. 7727, 94th Congress, was favorably reported by the Finance Committee with amendments on November 5, 1975. This bill did not pass the Senate.

H.R. 3387

To continue until the close of June 30, 1979, the existing suspension of duty on synthetic rutile (Mr. Waggoner of Louisiana)

Summary.—H.R. 3387 would temporarily permit (until June 30, 1979) duty-free entry of synthetic rutile which is now dutiable at 7.5 percent ad valorem. The bill would continue a duty suspension which was enacted in October 1974 and terminated June 30, 1977.

Synthetic rutile is derived from ilmenite, an ore of titanium containing about 55 percent titanium dioxide. The processing of ilmenite results in synthetic rutile with a titanium dioxide content approaching that of natural rutile, which contains about 96 percent titanium dioxide. The lower cost of synthetic rutile as compared to natural rutile is resulting in increasing quantities of ilmenite being upgraded to produce synthetic rutile.

Titanium dioxide pigments, coloring agents used in paint, paper, and plastics, comprise by far the largest single use of natural and synthetic rutile. Thus far, synthetic rutile has been used only in making titanium dioxide pigments, but it will probably be used in the future in making titanium metal, welding rod coatings, and in other current uses of natural rutile. Domestic consumers of the product include American Cyanamid Co., the New Jersey Zinc Co., and SCM Corp.

Before 1977 there was no domestic production of synthetic rutile. In early 1977 a single domestic producer, Kerr McGee Industries, began operations in Alabama and expects to produce 110,000 short tons annually. While that plant has the capacity to supply synthetic rutile for sale, the plant presently supplies only the needs of Kerr McGee Industries for synthetic rutile.

Total imports of synthetic rutile have increased steadily since 1973. In 1976, 83,421 short tons, valued at \$12,352,000, were imported. Australia supplied over one-half of the synthetic rutile imported in 1976. Japan, India and Taiwan also supply the U.S. market.

Reason for the bill.—To continue the elimination of an unnecessary cost of a raw material, synthetic rutile, which is not domestically produced in sufficient quantities and for which there is growing demand.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 3387 on July 14, 1977. Favorable testimony was received by the Subcommittee. No objection to the bill was heard. The Administration (Department of Commerce) has no objection to enactment of H.R. 3387.

Present law.—Imports of synthetic rutile are dutiable under TSUS item 603.70 at a column 1 rate of duty of 7.5 percent ad valorem. Column 1 imports of synthetic rutile from designated beneficiary developing countries are eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Amends TSUS item 911.25, which provided for duty-free treatment for column 1 imports of synthetic rutile entered before July 1, 1977, to extend such duty-free treatment for entries after June 30, 1977, but before July 1, 1979.

Effective date.—July 1, 1977.

Revenue effect.—Annual loss of \$926,000, based on 1976 import levels.

H.R. 3790

To suspend until the close of June 30, 1980, the duty on concentrate of poppy straw used in producing codeine or morphine (Mr. Schulze of Pennsylvania)

Summary.—H.R. 3790 would temporarily permit (until June 30, 1980) duty-free entry of concentrate of poppy straw, which is presently dutiable at rates ranging from 1.5 percent ad valorem to 14.4 percent ad valorem equivalent. Concentrate of poppy straw contains a much higher proportion of anhydrous morphine than raw opium. It is used to produce morphine and codeine for medicinal purposes.

Poppies are grown in Turkey, Yugoslavia, and India under the supervision of the United Nations International Narcotics Control Board. Processing of poppy straw is carried on principally in the Netherlands, France, and Hungary. Processing in the United States at this time is solely for research purposes.

Under the Controlled Substances Act, the Justice Department has authorized the importation of poppy straw and poppy straw concentrate to relieve shortages of raw materials—such as opium—used in the production of medicinal codeine and morphine. Three U.S. companies, the Mallinckrodt Chemical Works, Merck & Co., Inc., and S.B. Penick Co. (a division of CPC International, Inc.) process imported poppy straw into morphine and codeine. Penick plans to import poppy straw and produce poppy straw concentrate but currently produces only small amounts of the concentrate. The companies sell morphine and codeine and their derivatives in bulk form to various formulators (e.g., Eli Lilly, Co.). The formulators sell their products to distributors and directly to pharmacies, hospitals, or physicians.

According to statistics collected by the U.S. Customs Service and by the Drug Enforcement Agency, total imports of poppy straw concentrate were 2,301 pounds in 1975 and 41,913 pounds in 1976. The principal suppliers to the United States during the period July 1975 to December 1976 were the Netherlands, France, and Hungary. Poland, Yugoslavia, and Switzerland also supplied significant amounts of imports. During this period, U.S. imports were (1) dutiable at 1.5 percent ad valorem for imports from the Netherlands, France, Poland, Yugoslavia (in 1975 only), and Switzerland, (2) dutiable at 10 percent ad valorem or at 14.4 percent ad valorem equivalent for imports from Hungary, a non-MFN source, and (3) duty-free from Yugoslavia in 1976 as an eligible country under GSP.

The U.S. Customs Service collected, from 1975 through March 10, 1977, about \$523,000 in duties on imports valued at about \$15,040,000, for an overall weighted average duty of 3.8 percent ad valorem. About 71 percent, in terms of value, of all imports during the period were dutiable at 1.5 percent ad valorem and accounted for \$160,327 or only 30.7 percent of the total duties collected. Most of the remaining imports, or 22.9 percent, were dutiable at 10 percent ad valorem or 14.4 percent ad valorem equivalent, and accounted for \$362,216 or 69.3 percent of the total duties collected. Yugoslavia, a beneficiary developing country under the GSP was the source of the remaining 6.0 percent of the imports, which were duty-free.

Purpose of the bill.—To reduce the price to consumers of prescriptions containing morphine and codeine derivatives, assuming reasonable competition among the three producers.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 3790 on July 14, 1977. Favorable testimony on H.R. 3790 was heard. The Administration (Department of Commerce) has no objection to enactment of H.R. 3790.

Present law.—Imports of concentrate of poppy straw used for producing codeine or morphine are dutiable under TSUS item 439.30 at a column 1 rate of duty of 1.5 percent ad valorem and at a column 2 rate of duty of 10 percent ad valorem, or under TSUS item 437.14 at

a column 1 rate of duty of \$1.50 per ounce and a column 2 rate of duty of \$3.00 per ounce. Column 1 imports under item 439.30 from designated beneficiary developing countries are eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Adds new item 907.70 to the Appendix of the TSUS, providing for duty-free treatment under column 1 and 2 for imports of concentrate of poppy straw when imported before July 1, 1980, for use in producing codeine or morphine.

Effective date.—Date of enactment.

Revenue effect.—An annual loss of approximately \$450,000.

H.R. 3946

To suspend for a temporary period the rate of duty on wool not finer than 46s (Mr. Quie of Minnesota)

Summary.—H.R. 3946 would temporarily permit (until July 1, 1980) duty-free entry of coarse improved wool and unimproved wool, which is now dutiable at rates ranging from zero to 44¢ per pound. Improved wool is from sheep improved by the breeding of merino or English sheep with other sheep. Coarse improved wool not finer than 46s (the grades range from 36s (very coarse) to 80s (very fine)) is used in blankets, upholstery fabrics, felts, and floor coverings. Coarse unimproved wool is used in carpets.

Domestically produced wool is almost entirely improved wool, of grades finer than 46s, used in the manufacture of wearing apparel. Less than 5 percent of the domestically produced improved wool meets the specifications of coarse wool, not finer than 46s. There is no domestic production of unimproved wool.

There are approximately 126,000 farms and ranches in the United States engaged in the production of sheep and wool. Iowa and Ohio have the most sheep farms—12,500 and 13,000 respectively. Texas, with 9,000 sheep operations, is the leading wool-producing State and accounts for 20 percent of total U.S. production. The western States in general are important wool growing areas while numerous farm flocks are kept in such States as Virginia, Pennsylvania, and New York.

Domestic manufacturing using the dutiable coarse wools is believed to be limited to relatively few firms engaged primarily in the production of blankets. The combined production of wool blankets of the Faribault Woolen Mill Company, Chatham Manufacturing Company, Pendleton Woolen Mills, Litchfield Woolen Mill Company, and the Pierce Blanket Company may account for about 90 percent of total U.S. output of wool blankets. These firms along with other manufacturers using these wools face intense competition from manmade fibers and imports of similar wool products.

New Zealand has been the leading source of U.S. imports of dutiable wools graded not finer than 46s, although Argentina, Australia, and the United Kingdom compete in this market. Iraq is the leading supplier of unimproved wools.

The elimination of the duties provided for in this bill would directly affect the level of accumulated payments made under the National Wool Act of 1954. The Act provides a price support mechanism for wool producers administered by the Secretary of Agriculture. Total program payments from the date of enactment in May 1954 may not exceed 70 percent of the cumulative gross receipts of import duties collected on and after January 1, 1953 on all wool and wool products. By reducing gross duty receipts, this bill could limit price support payments. This would be unlikely to occur in the near future, if at all, since annual program costs covering 1955-1974 averaged \$54 million, while 70 percent of total receipts from duty collections averaged \$75 million.

Purpose of the bill.—To improve the position of firms using coarse wool and unimproved wool in their competition with manmade fibers and imported woolen products.

Hearings.—The Subcommittee on International Trade held hearings on H.R. 3946 on July 14, 1977. Favorable testimony was received by the Subcommittee. No objections to the bill were heard. The Administration (Department of Commerce) favors enactment of H.R. 3946.

Present law.—Coarse improved and unimproved wool, is currently dutiable under TSUS items 306.00 through 306.24 and 306.30 through 306.34 at column 1 rates of duty ranging from zero to 33¢ per pound and column 2 rates of duty ranging from zero to 44¢ per pound.

House bill.—Adds new items 905.10 and 905.11 to the Appendix to the TSUS, providing duty-free treatment for imports of coarse improved and unimproved wool entered under either column 1 or column 2 before July 1, 1980. A new provision is also added to the Appendix to the TSUS to avoid any indirect effect upon the applicable rate of duty for imports of packages containing wool subject to different rates of duty.

Effective date.—Date of enactment.

Revenue effect.—Annual loss of approximately \$390,000.

H.R. 4018

To suspend until the close of June 30, 1980, the duty on certain doxorubicin hydrochloride antibiotics (Mr. Evans of Delaware)

Summary.—H.R. 4018 would temporarily permit (until June 30, 1980) duty-free treatment for imports of doxorubicin hydrochloride which are now dutiable at 5 percent ad valorem. Doxorubicin hydrochloride is a drug used in the treatment of many cancers, including breast and bladder cancers. There is no U.S. production of the drug. All imports, valued at \$10 million annually, are from a wholly-owned Italian subsidiary of Montedison USA of New York, New York, and are imported by Adria Laboratories of Wilmington, Delaware, and channeled to the ultimate consumer principally through the National Cancer Institute and hospitals.

Purpose of bill.—There is no domestic production of doxorubicin hydrochloride. To the extent that savings from the duty-free treatment provided by the bill are passed along to the ultimate consumer, a cancer patient receiving the drug could have his drug bill reduced by as much as \$50 to \$75 per course of treatment.

Hearing.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. Favorable testimony was received by the Subcommittee. No objections to the bill have been received from any source. The Administration (Department of Commerce) favors enactment of the bill.

Present law.—Imports of doxorubicin hydrochloride, used to treat cancer, are dutiable under either TSUS item 437.32 or 438.02 at a column 1 rate of duty of 5 percent ad valorem.

House bill.—Adds new item 907.20 to the Appendix of the TSUS providing duty-free treatment for imports of doxorubicin hydrochloride entered under column 1 before July 1, 1980.

Effective date.—Date of enactment.

Revenue effect.—Annual loss of approximately \$500,000.

H.R. 4654

To reduce until the close of June 30, 1980, the duty on unmounted underwater lenses (Mr. Wilson of California)

Summary.—H.R. 4654 would temporarily (until June 30, 1980) reduce to 7 percent ad valorem the rate of duty on unmounted underwater lenses which are now dutiable at 14 percent ad valorem. Unmounted underwater lenses are used in cameras for underwater photography, and imports are apparently used exclusively in the production of underwater viewers. Domestic producers of unmounted underwater lenses similar to the imported product include Bausch and Lomb, Kodak, and American Optical Co. The only known importer of the lenses is Seacor, Inc., San Diego, California. It imports less than \$100,000 worth of lenses per year, all from Japan.

Purpose of the bill.—Seacor, Inc. is the only domestic producer of complete underwater viewing units used in underwater photography and employs the imported unmounted lenses in such production. The only other manufacturer of underwater viewers is reported to be a Japanese firm, Nikon. Seacor claims that it has encountered difficulty in keeping its price for the unit competitive with Nikon because of the 14 percent duty on the unmounted imported lens it uses. Seacor believes it could be more price competitive and double production to about 100 units per month if H.R. 4654 were enacted.

Hearing.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. No objections to the bill were heard. The Administration (Department of Commerce) opposes

enactment of H.R. 4654 because the lenses are imported primarily from Japan, a major trading partner, and any duty reduction should be negotiated in the context of the multilateral trade negotiations so that the United States receives some trade benefit for such a reduction.

Present law.—Imports of unmounted underwater lenses, used in underwater cameras, are dutiable under TSUS item 708.03 at a column 1 rate of duty of 14 percent ad valorem, unless imported from beneficiary developing countries eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Adds new item 912.06 to the Appendix to the TSUS providing for a duty of 7 percent ad valorem on imports of unmounted underwater lenses entered under column 1 before July 1, 1980.

Effective date.—Date of enactment.

Revenue effect.—Annual loss of approximately \$7,000.

H.R. 5037

For the relief of Jack R. Misner (Mr. Kemp of New York)

Summary.—H.R. 5037 directs the Secretary of the Treasury to extend until September 18, 1977, the temporary import bond posted by Jack R. Misner of North Tonawanda, New York, on the British schooner *Panda*. Mr. Misner imported the *Panda* in September 1972 to renovate the yacht and posted a temporary import bond. The bond cannot be extended under present law. Without this legislation, Mr. Misner will forfeit the bond which is for twice the duty which would have been assessed when the *Panda* was imported.

Purpose of the bill.—Mr. Misner is renovating the *Panda* using U.S. labor and materials. Delays in delivery of materials have prevented completion of the renovation, now scheduled for completion by September 18, 1977. Enactment of H.R. 5037 would prevent forfeiture of the import bond posted by Mr. Misner due to the delays.

Hearings.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. No objection to the bill has been received from any source. The Administration (Department of Commerce) does not object to the bill.

Present law.—Under TSUS item 864.05, foreign articles may be entered duty free for renovation with the posting of a bond guaranteeing the articles will be exported within 1 year. The bond may be extended for not more than 2 additional years. Yachts are dutiable at the column 1 rate of 2 percent ad valorem under TSUS item 696.05 if their value is not over \$15,000 or, if their value exceeds \$15,000, at the column 1 rate of 5 percent ad valorem under TSUS item 696.10.

House bill.—Directs the Secretary of the Treasury to extend the expiration date of the temporary import bond posted by Jack R. Misner on the schooner *Panda* until September 18, 1977.

Effective date.—Date of enactment.

Revenue effect.—No loss.

Previous bill.—An identical bill, H.R. 4047, 94th Congress, which was reported favorably on September 22, 1976, by the Committee on Finance, received no Floor action in the Senate.

H.R. 5052

Providing for the temporary suspension of duty on photographic color couplers and coupler intermediates (Mr. Frenzel of Minnesota and Mr. Holland of South Carolina)

Summary.—H.R. 5052 would temporarily permit (until June 30, 1980) duty-free treatment for imports of color couplers and coupler intermediates which are now dutiable at rates ranging from 13.6 percent ad valorem equivalent to 19.3 percent ad valorem equivalent. Color coupler intermediates are chemicals used to make color couplers, which are chemicals used to make color photographic paper, film, and graphic arts materials. Color couplers and intermediates are produced in the United States only by Kodak and GAF, which do not offer the chemicals for sale. The Minnesota Mining and Manufacturing Co. (3M) imports the couplers and intermediates from an Italian subsidiary and accounts for the bulk of the imports. This bill would enable 3M to import the articles duty-free from its subsidiary for a temporary period in order to supply their photographic paper production at a Rochester, New York plant. 3M anticipates building a plant near its Rochester, N.Y., plant to produce these chemicals domestically; this plant is scheduled to be in place by mid-1980.

Hearing.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. No objections to the bill were received from any source. The Administration (Department of Commerce) does not object to the bill.

Present law.—Color intermediates are classified under item 403.60 of the TSUS at a column 1 duty rate of 1.7 cents per pound plus 12.5 percent ad valorem. Color couplers are classified under item 405.20 of the TSUS at a column 1 duty rate of 3 cents per pound plus 19 percent ad valorem. Column 1 imports of color couplers from designated beneficiary developing countries are eligible for duty-free treatment under the Generalized System of Preferences. The ad valorem duty rate for imports of color intermediates and couplers must be assessed on the American Selling Price of a similar competitive article if such an article is produced in the United States.

House bill.—Adds new items 907.10 and 907.12 to the Appendix to the TSUS, providing duty-free treatment for imports of color couplers and coupler intermediates entered under column 1 before July 1, 1980.

Effective date.—Date of enactment.

Revenue effect.—Annual loss of approximately \$550,000.

H.R. 5146

To provide for the duty-free entry of competition bobsleds and luges (Mr. McEwen, Mr. Conable, Mr. Pike, and Mr. Rangel of New York; Mr. Young of Alaska)

Summary.—H.R. 5146 would provide permanent duty-free treatment for imports of competition bobsleds and luges (small sleds) which are presently dutiable at a column 1 rate of 9 percent ad valorem and a column 2 rate of 45 percent ad valorem. There is no domestic production of competition bobsleds and luges. Imports are estimated at 10 to 20 units per year, and are mainly from Italy, Switzerland, and Austria.

Purpose of the bill.—There is no domestic production of the articles and because the end users, primarily amateur athletes, are the importers, duty-free entry would be directly beneficial to the consumer and will enhance the ability of U.S. competitors to participate in sports events using these articles.

Hearings.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. No objections have been made to the bill from any source. The Administration (Department of Commerce) favors enactment of H.R. 5146.

Present law.—Imports of bobsleds and luges are dutiable under TSUS item 734.97 at a column 1 duty rate of 9 percent ad valorem and a column 2 duty rate of 45 percent ad valorem. Column 1 imports from designated beneficiary countries are eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Repeals TSUS item 734.97 and adds new TSUS items 734.98 and 734.99. Item 734.98 would provide for duty-free treatment for imports of competition bobsleds and luges entered under either column 1 or column 2. Item 734.99 would continue present duty treatment on the remaining articles which are now classified under item 734.97.

Effective date.—Date of enactment.

Revenue effect.—Negligible revenue loss.

Senate bill.—S. 438 is identical to H.R. 5146, as it was introduced in the House.

H R. 5176

To lower the duty on levulose until the close of June 30, 1980 (Mr. Corman and Mr. Stark of California)

Summary.—H.R. 5176 would temporarily provide (until June 30, 1980) a duty of 1.9875 cents per pound (which has an ad valorem equivalent of about 3 percent) on imports of levulose which is presently dutiable at a column 1 rate of 20 percent ad valorem and a column 2 rate of 50 percent ad valorem. Levulose is a synthetic sweetener produced by an expensive manufacturing process and used primarily in special dietary preparations where the use of ordinary sugar must be avoided. There is no U.S. production of pure levulose, but the Finn-Cal Fruit Sugar Co. of San Francisco, California, is in the process of

building a plant expected to go into production in the early 1980's. Imports are primarily from Finland, and Finn-Cal along with the C & H Sugar Co. import levulose from the Finnish Sugar Co. of Helsinki, Finland, co-owner of Finn-Cal.

Purpose of the bill.—There is no domestic production of levulose, and levulose does not compete with sugar. The bill would temporarily reduce the present duty on levulose to the rate of duty currently applicable to sugar imports.

Hearings.—The Subcommittee on International Trade held a hearing on this bill on July 14, 1977. Favorable testimony was received by the Subcommittee. No objections were raised from any source.

Present law.—Imports of levulose are dutiable under TSUS item 493.66 at a column 1 rate of duty of 20 percent ad valorem and a column 2 rate of 50 percent ad valorem.

House bill.—Adds a new item 907.90 to the Appendix to the TSUS providing a column 1 and column 2 rate of duty of 1.9875 cents per pound on imports entered before July 1, 1980.

Effective date.—Date of enactment.

Revenue effect.—An annual loss of less than \$100,000.

H.R. 5263

To suspend until the close of June 30, 1980, the duty on certain bicycle parts (Mr. Rostenkowski of Illinois)

Summary.—H.R. 5263 would extend until the close of June 30, 1980, the duty-free treatment which expired at the close of December 31, 1976, on imports of generator lighting sets and caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers and multiple free-wheel sprockets. The bill also provides temporary duty-free treatment to imports of parts of generator lighting sets and coaster brakes, cotterless crank sets, rims, parts of the foregoing, and sets of steel tubing. The bill does not extend duty-free treatment of derailleurs. The present column 1 duties on the parts and accessories covered by H.R. 5263 range from 15 to 19 percent ad valorem.

U.S. production of bicycles relies heavily on imported parts, and the parts and accessories covered by H.R. 5263 are not available from United States sources except that caliper brakes are assembled by a North Carolina firm from complete kits imported from Japan. U.S. producers of bicycles include: AMF Wheel Goods Division, Olney, Illinois; Columbia Manufacturing Company, Inc., Westfield, Massachusetts; Huffman Manufacturing Company, Dayton, Ohio; LRV Industries, El Monte, California; Murray Ohio Manufacturing Company, Brentwood, Tennessee; and the Schwinn Bicycle Company, Chicago, Illinois. U.S. production of complete bicycles rose from 6.5 million units in 1971 to 10.1 million units in 1974, but decreased in 1975 and to about 21 percent (1.67 million units) in 1976.

Production increased to 6.4 million units in 1976. The share of the U.S. market accounted for by imported bicycles, which rose from 26 percent (2.3 million units) in 1971 to 37 percent (5.2 million units) in 1972, dropped steadily to less than 24 percent (1.72 million units) in 1975 and to about 21 percent (1.67 million units) in 1976.

Purpose of the bill.—U.S. bicycle manufacturers generally now pay a 15 percent ad valorem duty on the parts covered by H.R. 5263. The parts are generally not available from U.S. producers. In contrast, imports of 95 percent of all completed bicycles are dutiable at a rate of 5.5 percent ad valorem. This situation hinders U.S. bicycle manufacturers in competing with imported bicycles. H.R. 5263 would increase the competitive position of U.S. manufacturers by making certain needed parts duty-free.

Hearing.—The Subcommittee on International Trade held a hearing on July 14, 1977, on this bill. Mr. Stuart Northrop, speaking on behalf of the Bicycle Manufacturers Association of America, which represents manufacturers accounting for 80 percent of U.S. production, supported H.R. 5263 in its present form. Mr. Jay Townley of the Schwinn Bicycle Company also supported H.R. 5263. The American Association of Bicycle Importers, Inc., object to the bill because of the decline in the share of the U.S. market supplied by imports.

The Bendix Corporation testified against inclusion of coaster brakes in the duty suspension. Bendix produces coaster brakes in Mexico for sale to U.S. bicycle manufacturers. Bendix has not produced coaster brakes in the U.S. since 1973. Bendix alleges it must have the 15 percent ad valorem tariff advantage over imports of coaster brakes, largely from Japan, to stay in business. Bendix alleges that it buys several million dollars worth of materials from U.S. producers for use in its Mexican coaster brake production. Bendix supplies about one-third of the U.S. market, while competing Japanese brakes supply about two-thirds.

The bicycle manufacturers allege Bendix does not need a duty advantage to compete with Japanese imports. They point out that Bendix now has one-third of the U.S. market and allege Bendix is already underselling its Japanese competitors. They also allege that even with a tariff advantage, Bendix could only supply about 60 percent of U.S. demand for coaster brakes. This would mean U.S. bicycle manufacturers would still have to buy dutiable coaster brakes from Japan. Bendix has petitioned to have coaster brakes included on the list of articles eligible for duty-free treatment under the Generalized System of Preferences. If they are successful, imports from Mexico will be duty free.

Coaster brakes account for 20 to 30 percent of the revenue loss in the House bill.

The Administration (Department of Commerce) favors enactment of H.R. 5263, as passed by the House.

Present law.—Generator lighting sets for bicycles and parts of generator lighting sets are dutiable under TSUS item 653.39 at a column 1 rate of 10 percent ad valorem, unless they are produced in beneficiary developing countries which are eligible for duty-free treatment under GSP.

Derailleurs, caliper brakes, drum brakes, three-speed hubs not incorporating coaster brakes, three-speed hubs incorporating coaster brakes, click twist grips, click stick levers, multiple freewheel sprockets, coaster brakes, alloy butted frame tubing, alloy cotterless crank sets, alloy rims, and parts thereof are dutiable at a column 1 rate of 15 percent ad valorem under TSUS item 732.36.

House bill.—Adds parts of generator lighting sets to TSUS item 912.05, and coaster brakes, alloy butted frame tubing, alloy cotterless crank sets, alloy rims, and parts thereof to item 912.10 of the TSUS. It deletes derailleurs from item 912.10. The bill makes the preceding articles and generator lighting sets, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers, and multiple freewheel sprockets, and parts thereof, which had been duty-free (except parts) through December 31, 1976, duty-free when entered under column 1 before July 1, 1980. In addition, the articles would be eligible for duty-free treatment, upon request, if entered after December 31, 1976, and before the date of enactment of H.R. 5263.

Effective date.—Date of enactment. Applies retroactively, upon request, to entries made after December 31, 1976, and before the date of enactment.

Revenue effect.—An annual loss of approximately \$3.6 million.

Previous bill.—H.R. 12254, 94th Congress, was similar to H.R. 5263. The bill passed the Senate on August 26, 1976, with amendments not changing the scope of the tariff provisions. After passing the Senate, the bill was not acted upon in the House of Representatives.

H.R. 5285

To amend the Tariff Schedules of the United States with respect to the tariff treatment accorded to film, strips, sheets, and plates of certain plastic or rubber (Mr. Lederer of Pennsylvania)

Summary.—H.R. 5285 would provide that in order for film, strips, sheets, and plates of certain plastic or rubber to be classified as “processed”, they must be “usefully” processed in a commercial sense. The vast majority of imports covered by this bill consist of either flexible sheets of acrylic resin, used for magnetic tape, photographic film, and clothing, and nonflexible sheets of acrylic resin, used as a substitute for wood, metal, and glass. Current customs practice permits such imports, even if “processed” only by drilling superfluous holes in the border of the sheet, which is discarded upon final processing, to enter under a duty for processed sheets. The duty on processed sheets is often less than the duty which would be charged for imports of such sheets if they were not processed.

Four U.S. manufacturers account for about 90 percent of domestic production of acrylic sheet: (a) Rohm and Haas Co., with plants in Louisville, Kentucky; Knoxville, Tennessee; Bristol, Pennsylvania; (b) American Cyanamid Co., with a plant in Sanford, Maine; (c) Swedcast Corp., with a plant in Florence, Kentucky, and (d) Polycast Technology Corp., with plants in Stamford, Connecticut, and Hack-

ensack, New Jersey. Japan is the principal foreign supplier of acrylic sheet imports into the United States in recent years. The share of U.S. consumption of acrylic sheets supplied by imports is estimated at about 12 percent.

Purpose of the bill.—Non-commercially useful processing of imports of acrylic sheet often results in such imports being assessed lower duties than imports of such sheets would be assessed if they were not considered processed. H.R. 5285 would permit imports of acrylic sheet to be classified as processed only if the sheets were usefully processed in a commercial sense.

Hearings.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. Favorable testimony on the bill was heard.

Present law.—Imports of flexible sheets of acrylic resin are dutiable under TSUS item 771.42 at a column 1 rate of duty of 6 percent ad valorem and a column 2 duty rate of 25 percent ad valorem. Imports of nonflexible sheets of acrylic resin are dutiable under TSUS item 771.45 at a column 1 rate of duty of 8.5 cents per pound (approximately equivalent to an ad valorem rate of 6.9 percent based on 1976 imports) and a column 2 rate of duty of 50 cents per pound. Sheets of acrylic resin which have been "processed" are dutiable under TSUS item 774.60 at a column 1 rate of duty of 8.5 percent ad valorem and at a column 2 rate of 80 percent ad valorem. Column 1 imports of acrylic resin from designated beneficiary developing countries are eligible for duty-free treatment under the Generalized System of Preferences.

House bill.—Amends an interpretive headnote applicable to TSUS items 771.42 and 771.45 to require that sheets of acrylic resin be classified under one of those items, rather than item 774.60, unless they have been "usefully" processed.

Effective date.—Date of enactment.

Revenue effect.—An increase or decrease in revenue, depending upon fluctuating product prices and foreign currency values.

H.R. 5289

For the relief of Joe Cortina of Tampa, Florida (Mr. Gibbons of Florida)

Summary.—H.R. 5289 would provide that 29 entries of musical instruments made in the name of Joe Cortina be liquidated or reliquidated at MFN rates of duty and at the invoice price to relieve Mr. Cortina of an unanticipated duty obligation. Joe Cortina, a customs broker, is the importer of record of musical instruments entered between October 1971 and October 1973. The instruments were imported from a West German firm for a Tampa company which is now defunct. The individual who owned both firms is now dead. After entry, the dutiable value and hence the duty payable on the instruments was increased when the Customs Service discovered that, without Mr. Cortina's knowledge, commissions were paid on the shipments.

which should have been included in the value of the imports for duty purposes. Further, the Customs Service discovered that although the goods were recorded as being exported from West Germany, the country of origin was in some cases East Germany. Because imports of musical instruments from East Germany are subject to a higher rate of duty (40 percent ad valorem) than imports of musical instruments from West Germany (5 to 17 percent ad valorem), the duty payable by Mr. Cortina was again increased. Mr. Cortina became subject to an additional \$46,000 in duties as a result of circumstances unknown to him at the time of entry, and it is alleged that this would financially ruin him because he apparently has no insurance and no recourse against either the domestic firm he represented, now dissolved, or against the owner of the firm, now deceased.

Purpose of the bill.—H.R. 5289 would relieve Mr. Cortina of an unexpected duty obligation incurred because of matters unknown to Mr. Cortina or the Customs Service at the time the entries were made.

Hearings.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. Favorable testimony was received by the subcommittee. No objections to this bill have been received from any source.

Present law.—Sales commissions paid to agents of foreign exporters by U.S. purchasers are included in determining dutiable value for U.S. customs purposes. Imports of musical instruments from East Germany are subject to non-MFN tariff treatment and hence subject to a 40 percent ad valorem duty, as opposed to imports of musical instruments from West Germany which receive MFN tariff treatment and are subject to duty rates of from 5 to 17 percent ad valorem.

House bill.—Provides for the liquidation or reliquidation of 29 entries of musical instruments made in the name of Joe Cortina. The entries are to be appraised at invoice unit prices, net, packed, and are to be subject to the rates of duty applicable to imports from West Germany.

Effective date.—Date of enactment.

Revenue effect.—One-time loss of approximately \$46,000.

H.R. 5322

To provide duty-free treatment for istle (Mr. Frenzel of Minnesota)

Summary.—H.R. 5322 would provide permanent duty-free treatment to imports of crude and processed istle fiber. Imports of crude istle now enter duty-free. Imports of processed istle are now duty-free under a suspension which expires in 1978. Without the suspension, processed istle would be dutiable at 20 percent ad valorem. Istle is a plant fiber used in its crude form for cordage and as upholstery padding and in its processed form for bristles in a variety of brushes and brooms. There is apparently no U.S. production of istle in its crude or processed forms. Virtually all imports are from Mexico, which receives GSP duty-free treatment on such imports. The value

of istle imports in 1976, virtually all of which were processed istle, was \$4.2 million.

Purpose of the bill.—There is no domestic production of crude or processed istle fiber; all domestic uses must be supplied by imports. Imported products made from processed istle, such as brushes, are subject to a lower duty rate than the processed istle fiber itself. Domestic producers of brushes claim that duty-free treatment of processed istle is needed to remain competitive with imported brushes. The duty has been suspended for nearly 20 years. Because istle is duty-free under GSP, the major effect of this bill would be to end the requirement that importers file GSP forms.

Hearing.—The Subcommittee on International Trade held a hearing on the subject bill on July 14, 1977. Favorable testimony was received by the subcommittee. No objections were received from any source. The Administration (Department of Commerce) favors enactment of H.R. 5322.

Present law.—Imports of crude istle fiber receive duty-free treatment under column 1 and column 2 of TSUS item 192.65. Imports of processed istle fiber are dutiable at 20 percent ad valorem under column 1 and column 2 of TSUS item 192.70, unless the istle is imported from a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences. Most imports come from Mexico, which is eligible under GSP for duty-free treatment. Under TSUS item 903.90, the column 1 and column 2 rates of duty on processed istle are suspended until July 1, 1978.

House bill.—Repeals TSUS items 192.65, 192.70, and 903.90. Adds a new TSUS item 192.66 which provides for duty-free treatment under column 1 and column 2 of istle fibers whether crude or processed.

Effective date.—Date of enactment.

Revenue effect.—No loss of revenue

S. 843

To permit the free entry of Canadian petroleum (including reconstituted crude petroleum) and crude shale oil, provided that an equivalent amount of the same kind and quality of domestic crude petroleum and crude shale oil has been exported to Canada. (Mr. Anderson and Mr. Humphrey)

Summary.—S. 843 would provide for duty-free treatment for Canadian crude petroleum and crude shale oil if an equivalent amount of the same kind and quality of domestic or duty-paid foreign crude oil or crude shale oil has been exported to Canada from the United States during the 30-day period preceding the date of entry. The duty on such imports is now 0.125 cents or 0.25 cents per gallon.

The U.S. refiners who depend most heavily on the crude petroleum now imported from Canada for their refining are the priority one northern tier refiners:

Refiner and location :	Crude petroleum capacity (barrels per calendar day)
Ashland Oil, Inc., St. Paul Park, Minn.....	67, 143
Consumers Power Co., Exxexville, and Marysville, Mich.....	37, 635
Continental Oil Co., Billings, Mont.....	52, 500
Wrenshall, Minn.....	23, 500
Exxon Co., U.S.A., Billings, Mont.....	45, 000
Farmers Union Central Exchange, Inc., Laurel, Mont.....	33, 650
Koch Refining Co., St. Paul, Minn.....	124, 300
Lake Superior Power Co., Ashland, Wis.....	125
Murphy Oil Co., Superior, Wis.....	45, 400
Thunderbird Co., Keven, Mont.....	4, 658
Total	447, 788

Source: Export Administration, U.S. Department of Commerce.

Total crude petroleum imports from Canada for 1976 equalled 157,045,704 barrels.

Purpose of the bill.—S. 843 is intended to assure a continued Canadian crude petroleum supply at the lowest cost to U.S. refiners located near the Canadian border. Because of lack of pipelines and other factors, northern tier U.S. refiners do not have economical access to sources of crude petroleum except from Canada. The Canadian government has established export quotas on crude petroleum which would severely curtail exports to the United States, but has agreed to supply crude petroleum to the U.S. in excess of export quotas in exchange for exports to Canada of an equivalent quantity of domestic crude petroleum. Duty-free treatment for imports of Canadian crude petroleum as provided by S. 843 would remove one economic barrier to such exchanges.

Hearing.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. Favorable testimony on S. 843 was heard.

The Administration (Department of Commerce) favors enactment of S. 843 if it is amended as follows:

(1) Delete the requirement that the crude petroleum which is exported from the United States be "of the same kind and quality" as the imported Canadian petroleum, because this would create administrative problems by requiring careful chemical analyses of each shipment (both imports and exports) and the maintenance of separate records for many different qualities of crude petroleum.

(2) Provide that a U.S. importer of Canadian petroleum need not provide documentation with respect to exports to Canada during the preceding 30 day period in order to demonstrate he qualifies for duty-free treatment. The documentation is normally required of such an importer under the general rule that importers provide sufficient documentation to the U.S. Customs Service to show that they are eligible for a particular duty treatment. The Federal Energy Administration, Department of Commerce, and the U.S. Customs Service could maintain records which would permit a customs officer to determine the

proper duty treatment for Canadian crude petroleum imports while permitting normal fluctuations in the timing of commercial shipments.

Present law.—Imports of crude petroleum and crude shale oil are dutiable under column 1 of TSUS item 475.05 and 475.10 at 0.125 cents or 0.25 cents per gallon, respectively, depending on viscosity. In addition to these duties, about half of crude petroleum imports are subject to a license fee of 21 cents per barrel which is administered by the Federal Energy Administration. For such imports, the TSUS duty is, in effect, deducted from the license fee. License fees have not been applicable to imports from Canada since May 1, 1976.

Senate bill.—Amends the TSUS by adding new item 475.12 providing for duty-free treatment for Canadian crude petroleum (including reconstituted crude petroleum) and Canadian crude shale oil if an equivalent amount of the same kind and quality of domestic or duty-paid foreign crude oil or crude shale oil has been exported to Canada from the United States during the 30-day period preceding the date of entry.

Effective date.—Date of enactment.

Revenue effect.—Some Canadian crude petroleum imports which are now dutiable would be duty-free under S. 843, resulting in a loss of revenue. Total duties on all imports of Canadian crude petroleum in 1976 were approximately \$16 million. For each barrel imported duty-free from Canada, the bill would require a barrel of similar crude petroleum, some of which could be foreign duty-paid petroleum, to be exported from the United States to Canada. Sufficient data to estimate revenue effect are not available.

S. 1302

To provide a temporary suspension of the duty on chlorendic acid (Mr. Huddleston)

Summary.—S. 1302 would temporarily permit (until December 31, 1978) duty-free treatment for imports of chlorendic acid which are now dutiable at a column 1 rate of 1.7 cents per pound plus 12.5 percent ad valorem and a column 2 rate of 7 cents per pound plus 40 percent ad valorem. Chlorendic acid imparts a flame retardant quality when used in certain polyester resin products, e.g., aircraft and electrical components. The only U.S. producer of chlorendic acid ceased production in 1976 and does not plan to resume production. Prior to 1977, chlorendic acid was imported only in 1974. Future imports will come largely from Belgium, and could approach 10 million pounds annually within the next two years.

Purpose of the bill.—There is no U.S. production of chlorendic acid, and duty-free treatment could result in lower consumer costs.

Hearing.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. No objections to the bill have been received from any source.

Present law.—Imports of chlorendic acid made from benzene are dutiable under TSUS item 403.80 at a column 1 rate of duty of 1.7 cents per pound plus 12.5 percent ad valorem and a column 2 rate of

duty of 7 cents per pound plus 40 percent ad valorem. Articles classified under TSUS item 403.80 are subject to valuation on the basis of American Selling Price (ASP). Imports of chlorendic acid made from butane are dutiable under TSUS item 425.99 at a column 1 rate of duty of 6 percent ad valorem and a column 2 rate of duty of 25 percent ad valorem.

Senate bill.—Adds new item 906.00 to the Appendix to the TSUS, providing duty-free treatment for imports of chlorendic acid entered under column 1 or column 2 on or before December 31, 1978.

Effective date.—Day after the date of enactment.

Revenue effect.—Annual loss of approximately \$400,000.

S. 1519

To suspend until the close of December 31, 1978, the duty on certain field glasses, opera glasses, binoculars and other telescopes (Mr. Matsunaga)

Summary.—S. 1519 would temporarily permit duty-free treatment for imports of field glasses, opera glasses, prism binoculars, and other telescopes which are now dutiable at rates ranging from 8.5 percent to 20 percent ad valorem, unless imported from a beneficiary developing country eligible for duty-free treatment under GSP. There is no U.S. production of most of the imported articles. U.S. producers use imported prisms for high quality, expensive spotting scopes and telescopic sights for rifles for a limited market. The bulk of imports are from Japan. During 1976, the value of imports was \$36 million.

Purpose of the bill.—S. 1519 would remove the present duty permitting savings to consumers.

Hearing.—The Subcommittee on International Trade held a public hearing on this bill on July 14, 1977. Favorable testimony on the bill was heard. The Departments of State, of the Treasury, and of Commerce oppose enactment of S. 1519, citing the desire to maintain the existing GSP preference and a desire to secure in the Multilateral Trade Negotiations concessions from Japan in return for reduced duties on these articles. The U.S. International Trade Commission suggested one clarifying amendment.

Present law.—Field glasses, opera glasses, binoculars and telescopes are dutiable under TSUS items 708.51, 708.52, and 708.53 at column 1 rates ranging from 8.5 percent to 20 percent ad valorem. Column 1 imports under all three items are eligible for duty-free treatment if imported from a designated beneficiary developing country under the Generalized System of Preferences.

Senate bill.—Adds new item 912.06 to the Appendix to the TSUS providing for duty-free treatment for imports of field glasses, opera glasses, prism binoculars, and other telescopes not designed for use with infrared light, entered under column 1 before January 1, 1979.

Effective date.—Date of enactment.

Revenue effect.—Annual loss of approximately \$3 million.