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} REPORT
No. 425.

IMPORTATION OF COAL-TAR PRODUCTS.

FEBRUARY 13 (calendar day FEBRUARY 14), 1920.—Ordered to be printed.

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

REPORT.

[To accompany H. R. 8078.]

The Committee on Finance, to whom was referred the bill (H. R. 8078) to regulate the importation of coal-tar products, to promote the establishment of the manufacture thereof in the United States, and, as incident thereto, to amend the Act of September 8, 1916, entitled "An Act to increase the revenue, and for other purposes," having considered the same, report favorably thereon with the recommendation that the bill do pass with amendments.

Under the tariff act of September 8, 1916, the coal-tar chemicals are divided into three groups:

Group 1 comprises the crudes, which are on the free list;

Group 2 the intermediates, dutiable at 15 per cent and 2½ cents per pound; and

Group 3, finished products, dutiable in part at 30 per cent and part at 30 per cent and 5 cents per pound.

Before the Great War, Germany produced \$68,300,000 worth of artificial dyes, which was three-fourths of the world's consumption. In 1914 there were seven establishments in the United States engaged in this industry. There was \$3,000,000 capital invested and about 500 people employed, and the salaries and wages paid amounted to \$500,000. The production was valued at \$3,596,795.

The conditions brought about as a result of the war forced the people of this country to a full realization of their dependence upon Germany for dyes. They found that many industries needed these articles; that very little capital was invested in plants for the manufacture of either dyes or intermediates; and that prior to 1914, it had been deemed unwise by all manufacturers to engage in this industry, because it was universally believed to be impossible to compete with Germany in the manufacture of these products. But the war caused men in this country to engage in the industry for patri-

otic reasons. Old factories were enlarged; new companies were organized, and there was a great increase in the output as well as a steady improvement in the quality, uniformity, and variety of the dyes made in this country. The producers found many of the dyes covered by patents owned by citizens of Germany, which made it impossible to develop the industry here until the patents could be taken over by the Alien Custodian, which was done.

The consumption of dyes in the manufacturing establishments in the United States was about \$25,000,000 a year, but these dyes were absolutely necessary in industries producing \$3,000,000,000 worth of goods annually.

The Tariff Commission submitted a table of production of dyes in this country in 1918, and the amount produced by the 77 companies making finished dyes was 58,464,866 pounds of the value of \$62,026,390. This was a clear gain over the production of 1917, which amounted to 45,977,246 pounds valued at \$57,796,288, and when it is remembered that there was imported into this country in 1914 over 45,000,000 pounds, the change is wonderful, and it is the best evidence of what can be done in this country.

It is true that at this time there are many important dyes which are not produced in this country, but the men who have become interested in the industry believe that, in time and with proper protection and regulation, they will be able to supply the demand. More than 300 different dyes were made in the United States in 1918, and many dyes which were not produced in 1917 were on the list of American products in the year 1918. One of the large producers informed the committee that he was now producing several vat dyes, but he was not ready to put them on the market, and did not intend to offer them to the public until he was satisfied that they were equal to the foreign product.

The total production of the 127 companies producing intermediates in 1918, was 357,662,251 pounds, valued at \$25,382,892.

The development of the manufacture of synthetic drugs is of the greatest public importance. During the year 1918 there were 32 different drugs of coal-tar origin made by 31 firms in the United States, and the output was more than 3,500,000 pounds, valued at \$8,000,000. Three of these synthetic drugs were in great demand during the recent influenza epidemic.

The coke industry in the United States in 1918 amounted to 25,900,000 net tons by-product coke, and 30,480,000 net tons beehive coke. The by-products obtained in the manufacture of coke in 1917 were of the value of \$206,313,000. The total output of finished products of coal tar, exclusive of poison gases and explosives, was 75,494,00 pounds, valued at \$83,095,404. The research work in the coal-tar chemical industry gave employment to over 2,000 chemists, or technically trained men, and fully 25,000 men without technical training, and they were paid from \$10 to \$75 per week. Only 15.4 per cent received less than \$25 per week.

There are 11,037 establishments in the United States, employing 1,070,460 people, which are directly dependent on dyestuffs, and there are 56,949 establishments employing 1,037,183 people, which are indirectly dependent on dyestuffs, and there were various times in the early part of the war when 400,000 people might have been put out of work for want of dyestuffs.

In 1918 there were employed in the 187 different dye factories in the United States 27,000 people, and they produced 29,000 tons of dyes together with about 9,000 tons of photographic chemicals, flavors, perfumes, etc., and the intermediates needful for dyes and for other purposes, largely military.

Dyestuffs are directly related to several of the gases used in war, and for that reason the Chemical Warfare Service is deeply interested in the development of the dye industry in the United States, for the same crudes, or intermediates, that are used in making dyes are also outlined in making gases.

Now that the war is over and the dye industry of Germany is seeking a market for its products in this country, the producers in the United States will have many serious difficulties to meet if proper protection is not given them. If legislation is not enacted to protect and encourage the dye industry in this country, Germany will do as she did before the Great War. She will have her factories produce more than they can sell at home, and the surplus will be exported to this country and sold at a price which home producers can not meet. And the result will be that Germany will destroy the domestic manufacture and secure a monopoly of the dye industry, as she did prior to the war. Thousands of distinct dyes were produced in German factories, and over 900 of these were actually sold in large quantities in American markets before the war.

There is another thing which the people of the United States must remember, and that is that all the most important explosives of the present day are either coal-tar products or the result of chemical processes requiring the use of coal tar, and in all dyestuff factories there is unavoidable production of large quantities of substances which are directly available for conversion into explosives, so that it is important that the Government aid the industry in every way possible.

When the importation of dyes from Germany was cut off by the war, it was encouraging to the people of this country to see the large number of people who went into the industry to serve the Government. There were large establishments and small ones, everyone doing its full part. They commenced with the dyes which were the easiest to produce, and gradually expanded the production until today they are producing about 90 per cent of the dyes needed in this country.

One who has read the story of the work of the German Government in the United States just prior to the war, knows that the chemical industry in this country which was under the control of the German Government was the center of espionage. German propaganda and direct Government activities. They prevented the use of coal-tar products in the munition industry. They undertook to corner the supply of phenol in the United States, and prevent its use in the manufacture of high explosives, and at the outbreak of the war they stopped its importation.

The United States is virtually independent of Germany so far as the dye industry is concerned, and it is our duty to keep it so. We know what Germany will do to regain her hold on the industry in this country. We know that she will resort to State aid, cartel, combinations, trade export premiums, dumping, bribery, espionage, and propaganda. She did this before, and she will do it again.

Your committee recommends that the sections of the House bill providing for the issuance of licenses to persons desiring to import foreign dyes for domestic consumption be stricken out, because we are opposed to a license system in the United States and do not desire to see the Government take the initial step in entering upon such a system. The reasons for this are as numerous as they are obvious, and we do not deem it necessary to enter upon any extended argument as to the merit of our contention.

Your committee further recommends that instead of the license system provided for in the House bill there shall be established an embargo on the admission of dyes to this country to be administered by the Tariff Commission in accordance with such rules and regulations as the commission may adopt within the limitations imposed by this act.

Section 504 provides that for three years after the approval of this act no dye or intermediate shall be admitted to entry into the United States, or any of its possessions, unless the Tariff Commission shall determine that such article or a satisfactory substitute therefor is not obtainable in the United States or any of its possessions on reasonable terms as to quality, price, and delivery; and, furthermore, that such article is required for use by an actual consumer.

Section 505 defines the term "reasonable quality"; section 506 defines the expression "reasonable terms as to price"; and section 507 defines "reasonable terms as to delivery," as used in section 504.

Section 508 provides that the Tariff Commission may make all rules and regulations necessary and proper for the accomplishment of the purposes of this act, provided that no article enumerated in either group 2 or group 3 of section 500 of the act shall be admitted to entry into the United States or any of its possessions in any case where the Tariff Commission shall determine that the actual consumer for whose use such article is intended has received or may obtain a six months supply of the article he seeks to import.

Section 508 further provides that no article enumerated in either of the above groups which may be useful both as a substitute for a domestic article and at the same time suitable for use for some other purpose for which the domestic article is not adapted shall be admitted to entry unless the Tariff Commission shall determine that such article is imported for such other purpose.

Section 509 provides that the Tariff Commission shall have exclusive jurisdiction of the distribution among the consumers in the United States of any of the articles which may be available under the treaty of peace with Germany.

Section 510 provides that notwithstanding the prior termination of the present war, the provisions of the trading-with-the-enemy act which prohibit or control the importation into the United States of dyes or intermediates are continued for a period of 90 days beginning with the date of taking effect of this act.

Sections 511 and 512 confer upon the Tariff Commission other powers deemed essential for the successful execution of this act, while sections 513 and 514 fix penalties for the violation of any of its provisions.

Section 518 declares it to be the intent of Congress in enacting this act to build up, develop, and protect the dyestuffs manufac-

turing industry in the United States and also thereby practically lays the injunction upon the Tariff Commission to so construe and effectuate such intent.

Without going into the details of the operation of this system your committee believe that will at once protect the manufacture of all those dyes and intermediates that are now being produced in the United States, will enable those who desire to manufacture those dyes and intermediates that are not now being produced in the United States to embark with confidence upon their production, will enable all the dye users in the country to obtain on reasonable terms as to quality, price, and delivery all the dyes needed for their purpose whether produced here or abroad, and will within the time limit fixed by the bill establish a complete dye industry in this country that will fully meet the demands of the American consumer, and permanently establish this great industry on an enduring basis.

Your committee believe that, inasmuch as this bill provides for a system of embargoes that will protect the manufacturers of dyes in such imports alone—those provided by the existing law—and therefore recommend that the rates provided in the House bill shall be amended by the insertion of those provided by the law approved on September 8, 1916.

Your committee believe that some import duties are necessary in order to protect those domestic manufacturers who desire to enter upon the production of those dyes and intermediates that are not now being made in the United States, and therefore by a majority vote recommend that the existing rates be retained. We therefore recommend the passage of the bill with these amendments.

