

## EXECUTIVE SESSION

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WEDNESDAY, APRIL 19, 1978

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United States Senate,  
Committee on Finance,  
Washington, D.C.

The Committee met, pursuant to notice, at 10:10 a.m.  
in room 2221, Dirksen Senate Office Building, Hon. Russell  
B. Long (Chairman of the Subcommittee) presiding.

Present: Senators Long, Ribicoff, Byrd, Gravel, Bent-  
sen, Matsunaga, Moynihan, Curtis, Hansen, Dole, Packwood,  
Roth and Danforth.

The Chairman. Let us call the Committee to order.

We have what is called what you lack in number you have  
in quality. I have a request that we not act today on the  
nomination of Don Lubick, so we will have to do that later  
on.

What is the first business, Mr. Stern?

Senator Curtis. Mr. Chairman, before we pass the  
Lubick matter, Senator Dole had some questions that he  
wanted submitted to Mr. Lubick and answered for the record.

The Chairman. We will send those to him. He is not  
here this morning. We will be happy to provide that informa-  
tion. We told Mr. Lubick that one of our members was not

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1 going to be here, so we will take it up later on.

2 All right, go ahead, Mike.

3 Mr. Stern. Mr. Chairman, I have one very small matter.

4 We have a request that somebody be able to quote from a  
5 1921 Confidential hearing held in the Finance Committee in  
6 which community property rules were discussed. Having that  
7 occur 50-some years ago --

8 The Chairman. Before I came to the Senate.

9 Mr. Stern. If it is all right with the Committee?

10 The Chairman. All right. Is there any objection?

11 Without objection.

12 Mr. Stern. The next item on the agenda is the Customs  
13 Procedural Reform Act of 1977. You had before you a brief  
14 document, Document A --

15 Mr. Cassidy. We will be working off this long sheet  
16 before you here.

17 The Chairman. Why not let everybody read this memo  
18 and then you discuss with us what you think the significance  
19 is.

20 Senator Ribicoff. I think it is a good idea. We did  
21 hold complete hearings on this, Mr. Chairman, with not only  
22 the Executive Branch, but we gave an opportunity for propo-  
23 nents and opponents of every provision who testified. The  
24 hearings were complete and lengthy. The staff has done a  
25 lot of work here, trying to reconcile some of the differences

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1 and going over the House proposals. I think we are in  
2 fairly good shape.

3 I would like to commend the staff of the Majority and  
4 Minority for their excellent work on this.

5 (Whereupon, at 10:15 a.m., the Committee proceeded to  
6 other business.)

7 - - -

8 (Whereupon, at 11:10 a.m., the Committee resumed in  
9 Executive Session.)

10 The Chairman. Now let us get back to the simplification  
11 bill.

12 Mr. Cassidy. Mr. Chairman, in the interests of time,  
13 I think I just should review the most important points that  
14 are on this legal-sized document for the Committee's consid-  
15 eration.

16 This is H.R. 8149, Customs Procedural Reform and  
17 Simplification. We reviewed this in considerable detail  
18 with Senator Ribicoff in the past few months. The first  
19 point in this is item number one, entry procedures.

20 The bill would establish new entry procedures for  
21 Customs and the principal advantage would be more efficient  
22 handling of the financial aspects of the Customs handling.  
23 There is a staff proposal that Customs needs time to draft  
24 regulations and we recommend that the effective date be  
25 delayed for 60 days.

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1 Senator Ribicoff. Mr. Chairman, I think here that  
2 Customs should submit a written description of their proce-  
3 dures. I think it is important that we have that.

4 Mr. Cassidy. We can include that in the record for  
5 future reference.

6 Senator Ribicoff. To keep in the record.

7 The Chairman. Without objection, we will see that you  
8 get that.

9 Senator Moynihan. Mr. Chairman, I have two amendments  
10 to the proposal, when you are ready.

11 Mr. Cassidy. Senator Moynihan, if those are amendments  
12 to this part of the bill, you might want to go ahead.

13 Senator Moynihan. Mr. Chairman, these are amendments  
14 which I believe there is no opposition to and considerable  
15 support. They have to do with two propositions.

16 The first is, they have to do with the accuracy of  
17 statistics that are collected. There is an arrangement for  
18 immediate delivery that Customs has worked out. Obviously  
19 it is a good procedure in terms of trade. It causes difficul-  
20 ty, however, in getting accurate data.

21 The amendment I would propose would insure that the  
22 follow-up from the immediate delivery declaration is accurate  
23 and satisfactory.

24 Secondly, I would direct, as a general proposition, the  
25 Secretary of the Treasury as to accuracy of statistics as to

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1 evaluation of imports collected under the new entry proce-  
2 dure.

3 In the Report of the Committee on Ways and Means there  
4 is a passage that suggests that something like this is  
5 necessary. The International Trade Commission has suggested  
6 that this would be desirable and I should make perfectly  
7 clear that the AFL-CIO has specifically asked for two  
8 amendments at this time. My understanding is that these are  
9 acceptable to the Committee and, with the permission of  
10 Senator Ribicoff, I would like to propose them.

11 Senator Ribicoff. I think they are very good amendments,  
12 Mr. Chairman, and I think they should be adopted.

13 The Chairman. Is there any objection?

14 Without objection, agreed.

15 Mr. Cassidy. The next item is item number three,  
16 penalties. The House bill substantially revises the fraud  
17 and negligence penalty under Customs law. The basic problem  
18 was, under existing law, if you made a negligent or fraudulent  
19 error in documents, the penalty was equal to the domestic  
20 value of the goods. In the case of minor errors, this could  
21 be a very significant penalty.

22 Sometimes, in one case at least, it was in excess of  
23 \$100 million which would show up on the books of a particular  
24 company as a contingent liability.

25 However, the actual collection will be substantially

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1 smaller than that. Thereby, the House bill imposes a  
2 maximum penalty ceiling according to the culpability of the  
3 offender. If it is fraud, the value of the goods; if it  
4 is gross negligence, it is a lesser penalty; if it is  
5 negligence, yet a smaller penalty.

6 There are also due process requirements incorporated  
7 into the penalty procedures. The staff recommends two  
8 changes here.

9 In the first change, the House bill has two bases for  
10 maintaining maximum penalties, that is to say, a multiple  
11 of domestic value. If there is gross negligence the maximum  
12 penalty can be no more than four times the underpayment of  
13 duties or the 40 percent of domestic value and -- excuse  
14 me, 40 percent of dutiable value -- and if it is fraud, it  
15 has to be domestic value, et cetera.

16 There is no rationale that we can see for using two  
17 different bases for determining the maximum penalty amount.  
18 Customs must determine dutiable value for all goods enter-  
19 ing the United States. However, it has to do the domestic  
20 value computation only for penalties.

21 The reason the House picked up this language is that as  
22 far as we can tell, it is based on the present Customs  
23 practice. There is no particular reason for it.

24 We would recommend, to avoid an additional evaluation  
25 by Customs, that the Committee use only dutiable value for

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1 computation of the maximum penalty amount, but we have to  
2 point out to you that this will have a theoretical effect  
3 of reducing the maximum penalties from the difference of  
4 resale value and domestic value so your theoretical maximum  
5 penalties may be smaller.

6 But we also understand, as a practical matter, Customs  
7 rarely, if ever, gets the maximum value of penalties, so  
8 this probably will not have a practical effect on the admin-  
9 istration.

10 Senator Ribicoff. To underscore that, to show how  
11 ridiculous the present practice is, let's take the year  
12 1975. Customs originally imposed penalties of \$505 million  
13 and the decisions collected \$16 million and that has been  
14 year after year that they ask for such outrageous penalties  
15 and then when they come to collect it, they settle for just  
16 a minimal amount, which causes complete confusion. Nobody  
17 knows where they stand.

18 The company has to carry during the course of the  
19 litigation, will have to carry this on their books as a  
20 liability and I think the staff has worked out a sensible  
21 proposal that does not do any harm.

22 The Chairman. Senator Hansen?

23 Senator Hansen. Senator Ribicoff, were these settlements  
24 arrived at in court; that you speak of?

25 Mr. Cassidy. No, Senator. They are arrived at

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1 administratively in a mitigation process. Treasury makes  
2 an offer.

3 Senator Hansen. They start with \$550 million and  
4 collect \$16 million?

5 Senator Ribicoff. Yes. These are many claims and  
6 these companies have to hire lawyers to go through very  
7 complicated processes and appraisals, but when the penalty  
8 is assessed, you have to carry it on your books as a contin-  
9 gent liability, which raises great problems to many of our  
10 business concerns.

11 The Chairman. If there is no objection, we will agree  
12 to that.

13 As a procedural matter, in view of the fact that we  
14 usually proceed on the theory that a quorum, the same rules  
15 as the rules of the Senate, a quorum is presumed present, I  
16 would like to suggest, in the absence of the quorum, and  
17 let Mr. Stern note down the Senators who are present and  
18 submit it to the reporter.

19 Mr. Cassidy. The second staff recommendation on the  
20 penalty issue, the House Bill would establish maximum penal-  
21 ties depending on the culpability of the offender, if it is  
22 fraud, negligence or gross negligence.

23 It was the intention of the House that these be ceilings  
24 and the staff recommends that the Committee direct Customs,  
25 either in the bill or in the report, that it examine the

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1 situation in each particular case to determine what the  
2 actual culpability was, how much underpayment of duties was  
3 involved, et cetera, and not automatically issue the  
4 maximum penalty amount prescribed by the statute.

5 The Chairman. Is there any objection? Without  
6 objection, agreed.

7 Mr. Cassidy. The next item is item 5 on page 2,  
8 penalties for errors in ships manifests. Under present law,  
9 if a ship's manifest does not accurately describe the cargo,  
10 the master or owner of the ship is penalized an amount equal  
11 to the value of the goods which are not described correctly.

12 The House changed this provision to make any person  
13 who is directly or indirectly responsible for the error in  
14 the manifest liable for the penalty. This would expand  
15 liability beyond the ship's master and owner to potentially  
16 the exporter or importer, broker etcetera.

17 The staff proposes a number of changes here. First of  
18 all, in light of the changing technology of cargo transfer,  
19 particularly the use of containers, it is difficult, if not  
20 impossible, for a ship's master to know what is inside a  
21 container.

22 Senator Ribicoff. On that, Mr. Chairman, you have  
23 the ridiculous situation, practically everything is shipped  
24 in containers and they are all sealed and yet there is no  
25 way that the ship's master can know what the accurate count

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1 is in a sealed container, yet if Customs found that the  
2 shipper was inaccurate or is guilty of fraud, the ship's  
3 master is the one who has to pay the penalty, and he probably  
4 is the most innocent of all of the people involved.

5 I think what the staff is trying to do is to get the  
6 liability where it really belongs, not on the ship's  
7 master,

8 Mr. Cassidy. We have discussed this problem with many  
9 experts and no one has really come up with a satisfactory  
10 answer so our first recommendation is that the Committee  
11 direct the General Accounting Office to investigate the  
12 problems that containerization is causing and have the  
13 recommendations back to the Committee in one year.

14 Secondly, in order to insure people who are potentially  
15 liable for these errors, that notice of the nature of the  
16 alleged error and the opportunity to discuss the matter  
17 quickly before there is a penalty issued, the Committee could  
18 require a pre-penalty notice on any proposed penalty greater  
19 than \$250. This would be a notice that described what the  
20 violation is and the individual who received it could come  
21 in to discuss the matter with Customs, and hopefully clear  
22 it up.

23 Senator Ribicoff. What you are dealing with, the amount  
24 of penalty claimed per case, the national average is  
25 \$29,974. What Customs actually collects is \$94, so we have

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1 that same situation of socking somebody with a huge  
2 penalty that has no relationship with what is involved and  
3 settling for a mere pittance, and we are trying to make  
4 some common sense out of this.

5 Mr. Cassidy. Thirdly, the staff recommends --  
6 The Chairman. Let me ask you, are we actually putting  
7 some language in here now to change the law? For example,  
8 it seems to me that the law says that the master of the ship  
9 is not responsible for it if he exercised due care and it is  
10 not his fault, but whoever is responsible for it is liable.

11 Do you propose that that be in the law?  
12 Mr. Cassidy. That was recommended by some of the  
13 shipping companies, specifically that they not be held  
14 liable for anything more than reasonable care as to what  
15 is inside a container, and they specifically not be held  
16 responsible if they have to break the seal to see what is  
17 in the container.

18 We discussed this with a number of people and it seems  
19 to us that until we get the GAO investigation recommendations  
20 that we should probably hold off on a total exclusion of  
21 liability because, as a practical matter, it is the ship's  
22 master who is probably in the best position commercially to  
23 get this information from the man who delivers the goods to  
24 him in a foreign country.

25 It could be the result we want, but we are not absolutely

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1 sure at this point.

2 Senator Ribicoff. I think, Mr. Chairman, that the  
3 shipping company can get a letter of indemnity or a bond  
4 from the shipper to the effect that what is represented is  
5 correct.

6 I am very sympathetic to the problem of the ship's  
7 master because he appears to be innocent, but how do you get  
8 the connection from the shipper to the ship's master, to the  
9 importer, to make sure of the liability is going to require  
10 some study. That is what we are trying to work out here and  
11 have GAO come up with a complete review of this whole matter,  
12 Mr. Chairman.

13 Mr. Cassidy. The third recommendation is that the  
14 Committee prohibit any penalty from being issued for  
15 clerical errors in manifests. During the hearings, we heard  
16 testimony to the effect when one shipping company delivered  
17 five copies of a manifest to Customs, one page of one copy  
18 was missing and there was a penalty for that missing page.  
19 This sort of thing would not be a violation of the law.

20 Fourthly, the Committee could limit the penalty for  
21 manifest errors to the lesser of \$10,000 or the value of goods  
22 to stop the issuance of excessive penalty claims.

23 Again, in speaking with Customs, they tell us, as a  
24 matter of fact, they rarely if ever collect a penalty in  
25 excess of \$10,000. Most of these penalties are very small.

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1 However, if they assess the penalties for a couple of  
2 hundred thousand dollars, again, it is something that shows  
3 up on the books as a contingent liability, no matter what  
4 they actually pay. This would not change revenue collec-  
5 tions, but would stop the issuance of excessive penalty  
6 claims in this area.

7 The Chairman. What do you recommend? Do you recommend  
8 \$10,000?

9 Mr. Cassidy. The lesser of \$10,000 or the maximum  
10 value of the goods.

11 The Chairman. Not to exceed the lesser?

12 Mr. Cassidy. Right.

13 The Chairman. Without objection, agreed.

14 Mr. Cassidy. The last item in this part of the bill is  
15 item number 6. The bill requires that Customs brokers  
16 licenses issued by Treasury can be revoked or suspended  
17 for cause under present law. The House bill would require  
18 renewal of licenses every three years.

19 This provision was added by the House, they say, to  
20 enable Customs to collect information on the activities of  
21 Customs brokers. It is our opinion that this kind of  
22 information can be collected under present law and that  
23 this renewal requirement is likely to disrupt the business  
24 practices of brokers.  
25

On this particular point, I understand Senator Talmadge

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1 is very interested in an amendment.

2 The Chairman. He favors the amendment?

3 Mr. Cassidy. We recommend that it be deleted.

4 The Chairman. You recommend it be deleted?

5 Mr. Cassidy. Yes.

6 The Chairman. Without objection, it is deleted.

7 Mr. Cassidy. The next item is, number one, under  
8 Customs simplification, under a current Customs decision that  
9 high government officials are prohibited from bringing goods  
10 into the United States duty-free and permitted expedited  
11 entry. The House bill includes the language of this Treasury  
12 decision in the law, however, it is not technically correct  
13 and, furthermore, it only applies to government officials.

14 What we propose is the provision be rewritten to flatly  
15 prohibit duty-free entry for all individuals, but permit  
16 expedited entry for any individual in unusual circumstances  
17 including when a person is seriously ill, summoned home by  
18 affliction or disaster, accompanying the body of a deceased  
19 relative.

20 Senator Gravel. I do not know why we could not have  
21 expedited entrance for everybody. I come in as a Senator  
22 and I get the expedited treatment, and it is great. I have  
23 come many times, still a Senator, and just stood in line  
24 with everybody else and I am absolutely ashamed of the way  
25 we treat people coming into the United States.

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1 I have travelled around, as many of you have travelled  
2 around. I have seen situations where you get off the plane  
3 at Kennedy, or in Alaska, and everybody rushes to the booths  
4 that are there. You wait there ten minutes after a nine  
5 hour flight and out saunter these fellows with stamps,  
6 sauntering up to their booth, and all these people waiting  
7 to go through.

8 And they come in, get themselves all set, make you  
9 stand like a bunch of cattle behind a little yellow line  
10 there, and then they run you through like little school  
11 kids and just casually take their time. I cannot think of  
12 anything that frustrates me more as an American citizen,  
13 and what frustrates any American citizen, than the way we  
14 treat them.

15 I once stood in line in Los Angeles coming out of  
16 Mexico with a bunch of other citizens and foreigners for three-  
17 quarters of an hour while somebody went through some picayune  
18 search and kept the rest of us in line,

19 Intelligence would have dictated, if they wanted to  
20 pursue the labels of everything on the person's bag, they  
21 would have moved him inside. No. This was a complete  
22 abuse of bureaucratic authority. Everybody stood there and  
23 watched this person go through some of this.

24 I cannot tell you how mortified I was as a citizen.

25 The Chairman. Does anybody have a suggestion as to how



1 we might handle that?

2 Mr. Cassidy. There are a couple of provisions in this  
3 bill that are intended to speed up the arrival of visitors.  
4 The duty-free exemption will be increased to \$250, between  
5 \$250 and \$800. In other words, for an additional \$600  
6 there will be a flat rate of duty of 10 percent.

7 The Customs inspector does not have to go through each  
8 article saying the duty on this is 25, the duty on this  
9 thing -- both of those are designed to speed up the process  
10 considerably.

11 Customs, with their new entry procedure, will be instal-  
12 ling a computerized system that they hope will speed up this  
13 process also, but as to expedite entry, I do not think it  
14 would be possible to put everybody at the head of the line.

15 Senator Gravel. What does it accomplish, that line?  
16 They are looking to see if you are a citizen or not. That  
17 is one thing, and they stamp you, and the other is to deter-  
18 mine if you are bringing anything in. Why cannot we issue  
19 cards? This is an automatic society. Why does one person  
20 have to stand up and look at another person, look at his  
21 passport and then stamp?

22 Why can we not have some automatic society where you have  
23 a card you put through an electronic device? The private  
24 sector does something like that. So you come back in this  
25 country, put your card in and you go through this automated

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1 system and then you are automatically in this country. You  
 2 go to other countries and they do not subject you to this,  
 3 by and large. We are the worst, we truly are the worst. We  
 4 truly are the worst.

5 We are supposed to be the land of the free, the most  
 6 democratic, and it is an embarrassment to cross into these  
 7 borders, and I cannot buy it that we have to have this make-  
 8 work program. I would rather give them early retirement  
 9 than have these people stand there and subject us all to  
 10 bureaucratic harrassment.

11 A lot of it you cannot solve. You cannot go into the  
 12 attitude of these people, but they sit around all day long,  
 13 two flights come in a day, this is the only work they do,  
 14 so this is the only chance they get to exercise their  
 15 individual macho.

16 The Chairman. It seems to me that the best we could  
 17 do along these lines would be to require that the Service  
 18 shall establish procedures for the expeditious handling  
 19 of people coming into this country and that they would moni-  
 20 tor and report on each station, on each flight arrival, the time  
 21 it took to clear the last passenger +- when they started,  
 22 and when they got through.

23 So when people showed up that they expected to be there  
 24 when a plane arrives, or a ship arrives, they expect you to  
 25 be at that post and they expect you to promptly expedite all

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1 of this.

2 Of course, there may be some way you can do it better  
3 than that. There may be some way to have somebody inspect  
4 that baggage before it goes aboard, an American in Paris or  
5 somewhere, look at the stuff over there so when they get  
6 off they could stamp it has already been checked.

7 Senator Gravel. Mr. Chairman, you just put your finger  
8 on it. On a plane, about nine hours, you have time. Why  
9 could we not put an official on there would clear all  
10 the bags that go? Maybe you could add to your suggestion a  
11 study in addition to ascertaining the time that it takes to  
12 let people into this country so we get some competition  
13 between New Orleans and Anchorage as to how fast they get  
14 these people in the country, have a study as to what can  
15 be automated and other devices that would simplify it, so  
16 people that come into the United States, they feel like they  
17 are welcome and not treated like someone is coming with  
18 leprosy.

19 The Chairman. Senator Matsunaga?

20 Senator Matsunaga. That is the thought I was about to  
21 express, having the inspection at the point of boarding the  
22 plane rather than getting off. That is one suggestion.

23 The other one, I thought, have a separate line for those,  
24 like Senator Gravel, with French connections.

25 Senator Ribicoff. Mr. Chairman, I think these points are

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1 well-made and it would be my suggestion that the Committee  
2 request the GAO and Customs Bureau to cooperate with one  
3 another and report back to this Committee on February 1,  
4 1979 with a plan and suggestion for expedited Customs  
5 clearance.

6 Senator Gravel. May I add something which is an  
7 embarrassment?

8 The Chairman. Why do we not put on here that the  
9 Service shall adopt procedures for the expeditious processing  
10 of all baggage and all citizens, all people, entering in this  
11 country and put in this the authority that they may estab-  
12 lish inspection at the other side.

13 If you find somebody who is engaged in the serious  
14 breach of our law, suppose a person is peddling dope or  
15 something in the country, you cannot exercise your legal  
16 right against him on foreign soil. But you can tell the  
17 people, the pilot on the airplane, give me the manifest,  
18 check the person's baggage, because we found something that  
19 looks like a violation of the law. You can do that.

20 So if they can inspect the baggage on the other side,  
21 most people go out of the airport, they thought that they  
22 had to wait, while they are waiting, somebody could be  
23 inspecting that baggage and they would, to the extent that  
24 they have inspected it, they could put a seal on it. If  
25 they did not get a chance to inspect it all, all the parts

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1 that they have inspected, put the seal.

2 Usually there is about an hour spent from the time a  
3 person gets out to that airport and checks everything in,  
4 they have waiting time. During that time they could be  
5 checking the stuff.

6 Let us say you have managed to check half of it before  
7 the plane takes off. That half of it has been checked.  
8 You only have to look at the other half when you get to the  
9 other side.

10 Senator Moynihan?

11 Senator Moynihan. May I suggest that Senator Ribicoff's  
12 proposal include in our language a reference to some inter-  
13 national comparisons. These things are relevant. It is  
14 very clear that most European countries now have very easy  
15 Customs, having pretty bad ones. This is probably lack of  
16 experience in the Common Market.

17 We have other problems, drug traffic, which are of  
18 concern to us. In the main, this is only one person's  
19 impression, in the main travel is much easier now in European  
20 countries, entry is easier than it is in here.

21 We still have cops at the border and they make you feel  
22 that way. I do not know how much time it takes in London,  
23 Copenhagen, Rome and how much time it takes here. They could  
24 do a better job if they thought the Senate and the Congress  
25 wanted them to do it, and I think Senator Ribicoff's proposal

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1 is a very wise one.

2 Senator Curtis. When was the last management survey  
3 by the outside group had by the Customs Service?

4 Mr. Cassidy. I recall seeing within the last year a  
5 GAO study of Customs reception but it dealt primarily --  
6 I will have to find the study and I will show it to you --  
7 it dealt primarily with the problems of coordination of the  
8 Immigration and Naturalization Service. The passport people  
9 with Customs, the people inspecting the baggage.

10 To my knowledge, that was the only study done by any  
11 outside group. I know Customs itself has been monitoring  
12 the amount of time that it takes for travellers to enter.

13 Senator Curtis. I am not advocating an expensive  
14 survey, because sometimes people who are heralded as experts  
15 are not, but I think you could turn, for instance, to the  
16 Travel Bureaus and other people who live with this and  
17 citizens groups could be assembled that might be of very  
18 material help in this because the individual employee, he  
19 only sees his particular function and not the overall.

20 The Chairman. Why do we not say, just put in here, that  
21 the citizens groups shall be appointed and they shall make a  
22 study and report back to us so we could bring in, have some  
23 responsible people, many of whom travel around anyway, make  
24 a study of some of these comparative things and bring it back  
25 in to us.

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1 Mr. Cassidy. This would be in addition to the GAO  
2 investigation?

3 Senator Ribicoff. The only thought is that I think it  
4 would be expensive to have that kind of a survey. You are  
5 going to have to get staff.

6 I think GAO, Mr. Chairman, is competent to do this.  
7 They are the arm of Congress, and I think Congress is con-  
8 cerned with this problem, and I would like to see Customs  
9 and GAO work together and come back here by February 1st.  
10 I think they are competent to do the job, Mr. chairman.

11 The Chairman. I will settle for that. Without objec-  
12 tion, that is what we will do.

13 What is the next point, then?

14 Mr. Cassidy. The next point appears on the top of page  
15 3 of this document. It is Customs treatment of bulk containers  
16 of liquor. Under present law, Customs is required to inspect  
17 and stamp all bulk containers of instilled spirits, wine and  
18 malt beverages before their release from Customs custody.

19 In addition, the Bureau of Alcohol, Tobacco and Fire-  
20 arms requires a stamp on any container of distilled spirits  
21 and in fact there is a redundancy here, because Customs is  
22 stamping the thing that Treasury or the Bureau of Alcohol  
23 is stamping.

24 In the House Bill, the Ways and Means Committee gave  
25 Customs or the Secretary of Treasury discretion to determine

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1 whether or not any Customs stamps were required for the  
2 protection of the revenue and furthermore, gave the  
3 Secretary of the Treasury discretion to determine whether or  
4 not the Bureau of Alcohol, Tobacco and Firearms stamps are  
5 required on bottles of distilled spirits.

6 The staff, with the Joint Committee on Taxation has  
7 reviewed this and we recommend to you that the Committee  
8 permit the Secretary to require by regulation any marks,  
9 stamps, brands or devices which he believes to be necessary  
10 for customs purposes, but remove the proposed authority to  
11 eliminate the Internal Revenue Code stamping requirement,

12 The Chairman. That is all fine. What strikes me as  
13 the procedure that we ought to have at some point, where  
14 people go places and come back hauling the liquor, we ought  
15 to find some way where someone gives you a certificate and  
16 you pick the stuff up at the international airports here,

17 Mr. Cassidy. I believe Senator Matsunaga has an amend-  
18 ment that goes to that problem. This has to do with revenue  
19 stamps.

20 Senator Ribicoff. Bulk containers.

21 The Chairman. Without objection, agreed.

22 What is the next point?

23 Mr. Cassidy. The last two items on this list, authoriza-  
24 tion of appropriations for the U.S. Customs Service. Appro-  
25 priations for the U.S. Customs Service are now permanently

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1 authorized as part of the appropriations made to the  
2 Department of Treasury. We recommend if you want to go this  
3 route, and we think it is a good idea because Customs needs  
4 oversight by the Committees, that we begin for fiscal year  
5 1980, beginning next October.

6 The Chairman. Without objection, agreed.

7 Mr. Cassidy. The last item is, the staff and the  
8 legislative counsel have reviewed the bill and we have  
9 identified numerous technical, clerical and conforming  
10 changes which should be made. We would like authority to  
11 make them.

12 I assume on the points which I did not discuss which  
13 are mentioned here that the staff proposals are adopted.  
14 We have done it in considerable detail with Senator Ribicoff.

15 Senator Gravel. If I could raise a point --

16 The Chairman. If there is no objection, we will do  
17 that.

18 Senator Gravel?

19 Senator Gravel. Going from \$100 to \$250 is really too  
20 small. Looking at the philosophy behind it, we obviously  
21 do not object to people coming into this country, Americans,  
22 and going abroad and buying something for their personal  
23 use. What we want to do is get a handle on the commercial  
24 operation.

25 I submit that the \$200 is still a far cry from a

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1 commercial operation, so you place Americans in the position  
2 of lying.

3 If you go abroad and buy one suit or buy two suits  
4 you have spent your \$200, so if you bought a doily or any-  
5 thing like that, it just does not work.

6 I would think the break should be \$1,000. This is  
7 not anything surprising. You know this little cards you  
8 fill out? You do it when you are sitting on the plane. You  
9 hand them out to you on the plane and you fill them out,  
10 they are all thrown away.

11 We pay storage; nobody reads them, that is the end  
12 of it. It is sort of a harrassment-type thing we do to  
13 ourselves thinking we are accomplishing something.

14 That card is turned in, it is stored. You are harrass-  
15 ing the individual filling out the card. It is turned to  
16 the bureaucrat, he massages it for awhile and you are paying  
17 the storage on that card for something that means nothing.

18 A thousand years from now someone is going to develop  
19 the cache where these cards are. They are going to say, this  
20 is interesting. What did these people do with all these  
21 cards?

22 It is ridiculous that we subject ourselves to that.

23 The Chairman. With the energy shortage, we could do  
24 away with all of this industrial waste.

25 Senator Gravel. All I am suggesting is that we do so

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1 many ridiculous things. They are never examined, they are  
2 taken as gospel and something worthwhile.

3 \$1,000 is still in keeping with the philosophy if we  
4 want to keep a handle on some thing that is commercial,  
5 that the individual goes abroad and buys a suit, a gift for  
6 the kids, and come back and still be within reasonable  
7 bounds.

8 The Chairman. I am a little afraid if you have a  
9 substantial revenue impact --

10 Senator Gravel. Mr. Chairman, they do not even know  
11 what they are collecting now. Ask the Customs people. They  
12 will tell you how much money they are getting now. They do  
13 not even know.

14 Mr. Cassidy. Two points. A rough estimate of \$1,000  
15 exclusion would be about a \$10 million revenue loss annually.  
16 To increase it from \$100 to \$1000.

17 The Chairman. From \$100 to \$1000 is \$10 million?

18 Mr. Cassidy. It is based on a multiplication of what  
19 Customs estimated of the increase we are recommending from  
20 \$100 to \$250.

21 Senator Gravel. It costs us that much in harassment.

22 Senator Ribicoff. What would it cost from \$100 to  
23 \$500?

24 Mr. Cassidy. They have given us an estimate. First,  
25 the bill does two things. It increases the existing \$100



1 exemption to \$250. That is an increase of \$150.

2 In the case of the Virgin Islands and the other U.S.  
3 possessions, it increases the exemption from \$200 to \$500  
4 so you always have twice the exemption for the U.S. posses-  
5 sions as you do anywhere else in the world.

6 Customs total revenue estimate for both of those  
7 revenue changes, and the vast majority of that change is  
8 not the U.S. possessions, is \$1.8 million revenue loss per  
9 year. So if you make a very rough multiplication and you  
10 would go up to \$1,000 based on the same assumptions, sitting  
11 right here, it would be about \$10 million.

12 Senator Bentsen. If that is the case, it would be  
13 even less, because a lot of those people would be coming  
14 in with five or six or seven.

15 Mr. Cassidy. Presumably very few people would go to  
16 \$1,000. As a matter of fact, as I understand it, very few  
17 people exceed \$100 right now.

18 Senator Gravel. We paid more than \$10 million storing  
19 those cards.

20 The Chairman. Let me ask you now, what would you like  
21 to do about the cards, Senator Gravel?

22 Senator Gravel. I think your suggestion is very good.  
23 New Orleans has a waste treatment plant. We will send them  
24 down to New Orleans and let them burn there and have people  
25 when they come to this country, if they have spent more

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1 than \$1,000, I would make the penalty stiff. If somebody  
 2 is playing a commercial game, that is what we want to get  
 3 our hands on. We do not want to harrass individual citizens  
 4 that go abroad and live a normal life that they would if  
 5 they went to Texas.

6 The Chairman. Would you still pass the cards and fill  
 7 them out with your name and address?

8 Senator Gravel. For statistics, that card has to go  
 9 into a computer to tell us something. Now it is not used  
 10 for anything. Why do it if it is not going to be used?

11 Senator Ribicoff. I think, if the Senator would yield,  
 12 in the GAO, Customs makes their study, they should also  
 13 include the problem of the forms and the advisability.

14 Senator Gravel. I would rely on that. I do not think  
 15 I have enough knowledge to know how to handle that.

16 Senator Ribicoff. That is a pretty big jump, Mr.  
 17 Chairman. If there is an inclination on the Committee's  
 18 part, I think \$500 per person would be more realistic, then  
 19 if the husband and wife went, it would be \$1,000 for a  
 20 couple, but \$2,000 is pretty high.

21 The Chairman. Without objection, we will make it  
 22 \$500, \$1,000 for the Virgin Islands.

23 Mr. Cassidy. This is for the study, or this is in the  
 24 bill?

25 The Chairman. This is proposed as an amendment to the

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1 bill.

2 All in favor, say aye.

3 (A chorus of ayes.)

4 The Chairman. Opposed, no?

5 (No response)

6 The Chairman. The ayes have it.

7 Senator Matsunaga. Mr. Chairman, in this connection,  
8 is this the right place to bring up my amendment?

9 Mr. Cassidy. Yes.

10 Senator Matsunaga. I have an amendment, Mr. Chairman,  
11 which would permit the U.S. citizens returning from U.S.  
12 possessions that is the Virgin Islands, Guam and American  
13 Samoa, to mail in to whatever they cannot bring in, with  
14 them on their person.

15 We allow this from countries which have come under  
16 the general system of preference, the GSP countries, but we  
17 do not allow it from U.S. suggestions. I think it is plain  
18 equity that we allow visitors to the U.S. possessions to  
19 mail whatever they purchase.

20 Of course, the Customs Service says that this might lead  
21 to much abuse. Again, I fall back to equity. We allow it  
22 from GSP countries but not U.S. possessions and secondly  
23 we can avoid any fraud by providing that whenever a visitor  
24 to U.S. possessions purchases anything that he must get, to  
25 begin with, a sales slip and secondly he could get an

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1 affidavit which would indicate that the merchandise which  
2 is being mailed, the package includes the merchandise  
3 which was purchased by the American visitor to the U.S.  
4 possessions, and then when the visitor returns to the United  
5 States, the resident will then present to Customs his  
6 declaration listing items accompanying him and items to  
7 follow by mail.

8 The sales slip and affidavit will be attached and the  
9 Customs Officer will compute duty and return a copy of the  
10 declaration to the traveller and the traveller will mail a  
11 copy of that declaration to the retailer in the U.S. posses-  
12 sions for mailing of the merchandise. And when the package  
13 is shipped to the United States proper, it will contain a  
14 copy of that sales slip, the affidavit, and the Customs  
15 declaration showing the duty assessed.

16 So that the declaration will assure that the proper  
17 duty has been paid before the package is even made.

18 In this way, I think that we can avoid any fraud, and  
19 I fall back to my initial reason. We permit it from GSP  
20 countries; why do we not permit it to U.S. possessions.

21 Mr. Cassidy, I think Customs would like to respond to  
22 that.

23 Mr. Lehman, Mr. Chairman, the GSP situation is a  
24 classification of if the merchandise is duty-free, that  
25 just comes in by mail, if it is accompanied or not. If it


1 is classified as duty-free merchandise, it can come in by  
2 mail. It is the source that determines the duty-free nature.

3 In the case of accompanying articles, it was in 1965  
4 that the articles-to-follow provisions was first dropped by  
5 this Committee through legislation. At that time, there  
6 were two reasons given. The one reason was that there was  
7 an enforcement problem, because we would have to follow the  
8 party after the merchandise arrived and we would have to go  
9 through a process in the alternative in dealing with the  
10 declaration and further slow down the lines for people  
11 coming in.

12 The other reason was at that time the balance of  
13 payments reason. This would encourage more dollar outflow.  
14 This was the time when we were reducing the exemption from  
15 \$500 back to \$100.

16 The Department, at this point, has taken the position  
17 on the articles-to-follow situation. I wanted to point out  
18 the background of why it was dropped.

19 Senator Curtis. Is it true that travellers from a  
20 foreign country can do this, but from our territories it  
21 cannot?



22 Mr. Lehman. No. Travellers cannot have merchandise  
23 treated as what we call articles to follow, but anybody can  
24 have merchandise mailed in from a GSP country, even by  
25 ordering it by mail.

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1 Senator Curtis. What kind of a country?

2 Mr. Lehman. By mail. They can order by mail from a  
3 GSP country, because of the Generalized System of Preferences  
4 merchandise coming in is duty-free automatically, so we do  
5 not have the question of determining duty liability.

6 Senator Curtis. You cannot do that in reference to  
7 one of our territories?

8 Mr. Lehman. In the case of merchandise coming from a  
9 territory, if it came originally from a duty-free country to  
10 a territory and was processed there into a different article  
11 it would be permitted to come in duty-free because it is  
12 coming in from the territories. If it is just brought in  
13 to the Virgin Islands for resale and then sold to a travel-  
14 ler, it cannot come in duty-free. It cannot come in that  
15 way from a GSP country either.

16 Hong Kong merchandise shipped to Mexico should not be  
17 bought by U.S. tourists in Mexico and brought in duty-free  
18 just because it originated in Hong Kong. There is a parallel  
19 treatment.

20 Senator Matsunaga. It could be mailed there.

21 Mr. Lehman. It could be mailed from Hong Kong to the  
22 United States.

23 Senator Curtis. It cannot be mailed from the Virgin  
24 Islands.

25 Mr. Lehman. It can be ordered from the Virgin Islands



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1 and brought in.

2 Mr. Cassidy. If it is a Virgin Islands product it can  
3 be mailed from the Virgin Islands, not if it is not a Virgin  
4 Islands product.

5 Senator Matsunaga. If it is a Virgin Islands product,  
6 there will not be any duty anyhow.

7 Mr. Lehman. These are not Virgin Islands products in  
8 most cases. They are products that are resold through the  
9 Virgin Islands, often by subsidiaries of foreign countries  
10 and not processed in the Virgin Islands itself.

11 I am saying with the facts and background, the Depart-  
12 ment has taken no position.

13 The Chairman. Let me bring up the question just sub-  
14 mitted to this Committee for a moment of consideration now.

15 Rather than us thinking of what is good for some  
16 merchants down there in the Virgin Islands, why do we not  
17 think for a moment or two about what is good for the American  
18 citizen by making it easier on them? When you get down to  
19 it, it costs about 50 cents, last time I looked at it, to  
20 make a gallon of whiskey and it carries about \$10 tax. The  
21 reason that people hold all of those cigarettes back is that  
22 you have a big tax on the cigarettes.

23 When I was in the service, we used to buy cigarettes  
24 without the tax and we bought them for 5 cents per pack.

25 It makes me wonder why do we not just do the thinking



1 not in terms of just subsidizing some merchants down there  
2 in the Virgin Islands, give a little break and say what is  
3 the savings? The savings is the tax.

4 So if you hauled all of that stuff under the seat with  
5 you, which people do, lugging all of these five gallons of  
6 whiskey and trying to squeeze your wife and you in there  
7 with that five gallons of whiskey, it is a great big pain  
8 in the neck.

9 Why do we not think in terms of saying, look. If you  
10 want to bring some whiskey back in, you have a tax savings  
11 of X number of dollars. For five gallons, it would be  
12 you would save -- how much tax would you save on five gallons  
13 of whiskey?

14 Mr. Lehman. Not very much.

15 The Chairman. Are you kidding? How much excise tax  
16 is there on five gallons of whiskey?

17 Mr. Lehman. Excuse me, sir. There is very little duty,  
18 but there is a substantial excise tax.

19 The Chairman. That is what I am talking about. How  
20 much excise tax is there on five gallons of whiskey?

21 Mr. Lehman. About \$50.

22 The Chairman. That is what I am talking about, \$50.  
23 If you want to give the American citizen a break along the  
24 lines that Senator Gravel has talked about, being pro bona  
25 publica, if you are eligible to haul the five gallons of

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1 whiskey back in, just give them a receipt and you would  
2 go take it there and use the \$50 to buy whiskey when he  
3 gets home.

4 He would not have to haul the five gallons, just put  
5 the receipt in his pocket, give it to somebody when he gets  
6 home.

7 Some years ago we had all of these bills to try to  
8 subsidize the watch industry down in the Virgin Islands. We  
9 are still trying to subsidize the industry down there.  
10 Mr. Lehman. We changed that. You only need 30 percent  
11 of the value added in the Virgin Islands.

12 The Chairman. Are they still making watches down there?  
13 Mr. Lehman. Yes, sir.

14 The Chairman. We were trying to subsidize the watch  
15 industry down in the Virgin Islands and the more I looked  
16 at it, they would have been a lot better off not to subsidize  
17 the industry, just send the people a check. It would be  
18 cheaper for us. Not buy all the watches, just send them the  
19 money.

20 The more you analyze this thing, if they have the  
21 privilege of saving \$50 on taxes by buying five gallons of  
22 whiskey, or whatever, I wish you people over there would  
23 give some thought about what the prospect is of saying, pick  
24 up the whiskey on the other end and you have a voucher;  
25 you can help pay for it.

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1 I began to feel sorry for people arriving and cramped  
2 up with all of that stuff squeezed on top of them and at  
3 some point we ought to think about the people that we rep-  
4 resent here, not that I am against those people in the  
5 Virgin Islands, we should do something for them, but they  
6 are doing so well down there.

7 If you find somebody to do some work, you know, a  
8 waiter, or somebody like that, he is not a Virgin Islander,  
9 he is from the BVI's, the British Virgin Islands. The  
10 locals are only interested in the government jobs, sit there  
11 and pass out a piece of literature or something like that  
12 to you. They do very well indeed.

13 Under the circumstances, we really ought to think bout  
14 eliminating the need of crowding all of that stuff under  
15 somebody's knees and all of that so that you fly back and  
16 forth with your knee-cap crushed right in the edge of your  
17 chin picking all of that junk up there when you can buy it  
18 at this end.

19 Mr. Lehman. If I may make one comment about the liquor  
20 situation, there is a prohibition of the mailing of liquor  
21 generally because of the local state laws that are affected.  
22 In the other words, at the time of people arriving in through  
23 Customs, we also enforce the local and state laws at the  
24 point of entry,  
25

The Chairman. We have an ancient Federal law going back

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1 to the time of the Volstead Act that you cannot ship  
2 whiskey through the mails, is that right?

3 Mr. Lehman. Yes.

4 At the time of the repeal, they specified it, then  
5 Customs enforce the local and state laws.

6 The Chairman. Do we have state laws that say that  
7 although the product can be purchased in the state that you  
8 cannot haul it either through the mails or across the  
9 state boundary?

10 Mr. Lehman. Some states require quantitative arrange-  
11 ments. Some permit it to be brought through in transit  
12 entry where they are taking it through out of the state to  
13 the state where it arrives.

14 The Chairman. If you are going in a state where you  
15 can buy the product, why should we have any law that says  
16 that the product cannot be shipped to you?

17 Mr. Lehman. In that case, there would be no reason not  
18 to. It is that there are variations among the states.

19 The Chairman. I wish that between now and the time that  
20 this thing comes up you people would put your thinking caps  
21 together and think about how we can eliminate this need of  
22 this poor soul going around with all of that stuff pushed  
23 under his seat, because to me, it is a fiasco. He ought to  
24 be able to pick it up on the other end.

25 I would like to offer such an amendment, but I would

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1 like to have some technical advice.

2 Senator Moynihan. Mr. Chairman, I would like to put  
3 as the first co-sponsor of the Long \$50 whiskey grant.

4 The Chairman. It may be that the five gallons -- how  
5 much whiskey can you bring in from the Virgin Islands? Can  
6 you tell me right now?

7 Mr. Cassidy. One gallon duty-free.

8 The Chairman. That \$50 would be \$20. Still, \$20, that  
9 ain't hay. I would appreciate it if the service would look  
10 into it and suggest to me how we may relieve some of the  
11 burden of carrying all of this stuff under your seat.

12 Senator Curtis. How do the Customs receipts collected  
13 from travellers compare with the costs of operating the  
14 Customs Service with respect to traffic?

15 Mr. Cassidy. Customs receipts for this fiscal year  
16 are \$6 billion.

17 Senator Curtis. Collected from travelers?

18 Mr. Cassidy. The Customs receipts do not totally  
19 cover the cost of processing the passengers. The most that  
20 Customs does now when passengers arrive is not done for  
21 revenue purposes. It is done for checking trademarks on  
22 merchandise coming in, marking as to country of origin,  
23 mislabelling of merchandise -- in other words, enforcing the  
24 laws that are really laws of other agencies.

25 Senator Curtis. Including unlawful articles such as

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1 narcotics?

2 Mr. Lehman. Yes. Regulatory, rather than revenue  
3 collecting.

4 Senator Curtis. We are spending more in an attempt to  
5 collect Customs from travellers than receiving?

6 Mr. Lehman. Oh, yes.

7 Senator Curtis. How much more?

8 Mr. Lehman. This year we will collect a total of \$7  
9 billion in duty.

10 Senator Curtis. Not from travellers?

11 Mr. Lehman. Totally. \$13 million from passengers.

12 Senator Curtis. How much do you spend on this?

13 Mr. Lehman. The total -- I do not have the amount. I  
14 will supply it for the record.

15 Senator Curtis. You think it is more than \$13 million?

16 Mr. Lehman. I would imagine that it is. Most of the  
17 money is spent for enforcement rather than revenue collec-  
18 tion.

19 Senator Ribicoff. I think, is it not true, sir, if  
20 we go with the Gravel approach and have the exemption up  
21 to \$500 it would, for all practical purposes, eliminate  
22 the problem? Very few couples would spend more than \$1,000.  
23 You do not have to go through the third degree as people  
24 come in. You can expedite the people coming through the  
25 lines, once you raise the amount,

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1 Mr. Lehman. We are hoping to do that where they  
2 follow through on many studies that we have undertaken  
3 during the past year to separate the bulk of passengers who  
4 could go through more quickly and isolate those who should  
5 be examined more effectively.

6 And this is under active study and it is in the pilot  
7 phase in various places, including Dulles Airport right  
8 now.

9 Senator Matsunaga. Mr. Chairman, as a teetotaler,  
10 I somewhat regret that the issue came up in the mailing,  
11 but liquor cannot be mailed. The amendment which I am  
12 proposing would not, in any way, affect liquor.

13 What I am proposing is that, within the exemption, that  
14 is, we would raise the exemption to \$500, and \$500 of goods  
15 to carry with you on your knee, as you say on the plane,  
16 is difficult.

17 Mr. Cassidy. We have agreed to raise it to \$1,000.

18 Senator Matsunaga. Oh, yes, \$1,000. That is even more  
19 of a problem.

20 Under my proposal, the visitor must himself personally  
21 mail it while in the Virgin Islands. He would then get a  
22 receipt or have a receipt for the goods and affidavit from  
23 the seller describing the goods and the value of the goods.  
24 We can avoid all the fraud which might otherwise creep up.

25 Senator Curtis. If the Senator would yield for a

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1 question, is what you are asking that they be permitted to  
2 mail in or express in whatever they would be able to carry?

3 Senator Matsunaga. Whatever they could purchase there  
4 and within the exemption, personal exemption.

5 Senator Curtis. Whatever it is, they would have the  
6 same right to mail in as they would have to carry in?

7 Senator Matsunaga. Right. If it goes beyond the  
8 personal exemption of \$1,000, they pay a flat rate of \$5.

9 Mr. Cassidy. 5 percent.

10 Senator Matsunaga. 5 percent and they pay that before  
11 it is even shipped to them.

12 Senator Curtis. I see.

13 The Chairman. All in favor, say aye.

14 (A chorus of ayes.)

15 The Chairman. Opposed, no?

16 (No response)

17 The Chairman. The ayes have it.

18 Senator Ribicoff. Mr. Chairman, there is an amendment  
19 I have, Mr. Chairman, which addresses itself to a real prob-  
20 lem, not only as our trade balance is in very bad shape, but  
21 we are now finding that we are innundated from abroad with  
22 complete counterfeit American trademarks and labels.

23 I will pass around here levis which have in from abroad,  
24 completely counterfeited labels, and I would challenge any-  
25 body here to tell the difference of which came in from

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1 abroad and which were American produced, and the present  
2 law is inadequate.

3 While Customs seizes the imports bearing United States  
4 owned and registered trademarks, the trademark owner is not  
5 informed by Customs of the imports that have been seized,  
6 there are no effective economic sanctions under present  
7 Customs practice. Goods bearing an unauthorized trademark  
8 are exported after seizure and sold on the market with the  
9 trademark obliterated, so it negatively affects American-  
10 produced goods.

11 I would offer an amendment that would require Customs  
12 to give notice to the United States' trademark owner upon the  
13 seizure of the import. The importer would not have the  
14 option of exporting the seized goods. The goods would be  
15 forfeited to Customs. Customs then would try to dispose of  
16 the goods in the following manner.

17 First, attempt to deliver them to a Federal state or  
18 local agency for government use. Second, if no government  
19 agency had any use for the seized goods, they could then  
20 donate them to a charitable institution. If, after one year,  
21 efforts had not been successful in delivering them to the  
22 government or charity, then Customs could sell the goods  
23 where obliterating the trademark when feasible.

24 There should be a provision that when the goods are  
25 deleterious to health, they could be destroyed. In other

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1 words, they are importing defective pacemakers, or the  
2 label of American manufacturer, and these pacemakers may  
3 be defective and you might go and think you are buying a  
4 pacemaker made in this country and the pacemaker is made  
5 that is completely defective.

6 Senator Curtis. If the Senator would yield right  
7 there, Senator Dole in his letter here has suggested, he  
8 supports you, that the Customs Service have the option to  
9 destroy them.

10 Senator Ribicoff. I think Customs would have the option  
11 to destroy. I sort of feel queasy about letting goods of  
12 value be destroyed if there are people who could really use  
13 them without affecting our businesses as a whole. I could  
14 see this being sent to prisons. Take levis. You could  
15 send them to prisons or state institutions or Salvation  
16 Army. There are many charitable organizations.

17 I think many of the manufacturers would like them to  
18 be destroyed. I do not advocate that because you would be  
19 destroying millions of dollars worth of goods that people  
20 could use and otherwise, you could not have them.

21 Senator Curtis. Would you give them the option of  
22 destroying articles that they thought were unsafe?

23 Senator Ribicoff. Without question, they should have  
24 that option.

25 Senator Curtis. Vaccine?

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1 Senator Ribicoff. Vaccine, pacemakers, other health  
2 devices, without question.

3 Mr. Cassidy. Merchandise which is unsafe could be  
4 destroyed.

5 Senator Ribicoff. Yes, a hazard to health of anything  
6 like that.

7 Senator Moynihan. Mr. Chairman, this seems to me a  
8 fine proposal. Could I simply ask, under the general  
9 heading of trademark, you would include a publisher's imprint?

10 Senator Ribicoff. I have no problem if that were faked.

11 Senator Moynihan. There is a very large --

12 Senator Ribicoff. Publications in print are trade-  
13 marked, films, records, everything else.

14 Senator Moynihan. Could the record show that under the  
15 notion of trademark, it extends to the publisher's imprint?

16 Senator Ribicoff. That is right. I have no problem  
17 with that at all.

18 The Chairman. Maybe you had better amend the language  
19 to say that that includes the publisher's imprint.

20 All in favor, say aye?

21 (A chorus of ayes.)

22 The Chairman. Opposed, no?

23 (No response)

24 The Chairman. The ayes have it.

25 Senator Byrd. Mr. Chairman, I have an amendment that I

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1 would like to offer. It deals with bonded warehousing  
2 and it would not cause a reduction in revenue to the  
3 government.

4 For the past 26 years, Customs has had the authority  
5 under the Korean War emergency decree of 1951 to grant  
6 extensions of the three-year limit for the storage of goods  
7 in Customs bonded warehouses, and Customs has routinely  
8 granted these extensions.

9 The authority to grant such exemptions would expire  
10 on September 14, 1978. Due to an oversight in the National  
11 Emergencies Act of 1976 a number of businesses, particularly  
12 the tobacco industry, make use of extensions and this  
13 procedure has been integrated into the normal flow of  
14 business operations.

15 To return to a firm three-year storage provision after  
16 some 26 years of utilizing unlimited annual extensions would  
17 cause an unnecessary disruption of normal business operations  
18 to affected firms. In light of this loss of authority to  
19 grant these frequently used one-year extensions, it is  
20 proposed that the Senate Finance Committee amend H.R. 8149,  
21 the Customs Procedural Reform Act, and change the current  
22 three-year limitation to goods stored in Customs bonded  
23 warehouses to five years, with no extensions.

24 This change, I understand, is agreeable to both industry  
25 and U.S. Customs.

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1           The amendment also provides that goods currently in  
2 bonded warehouses also be permitted the five year period. I  
3 understand that Customs proposes a more complicated proce-  
4 dure where goods that have been in the warehouse for three  
5 years or less, a five-year extension is granted. If goods  
6 are in the warehouse for more than three years, a two-year  
7 extension would be granted.

8           I do not see the need for such a complicated procedure.  
9 I would think that it would be satisfactory just to have  
10 a standard five years, no extensions, and that would  
11 certainly be in the interests of uniformity and simplicity.

12           As I say, this will not cause any loss in revenue to  
13 the government, as I understand it. Customs may want to  
14 comment on that.

15           Mr. Lehman. Senator Byrd, our purpose for that declin-  
16 ing formula was to make sure that everybody would get at  
17 least two more years beginning September 14. As of that  
18 date, if somebody had more than three years, we had a flat  
19 provision taking effect then, and some people perhaps had  
20 their merchandise in storage with the existing extension  
21 for four years they would get only one-year benefit out of  
22 the new five-year provision.

23           If we guarantee them at least two years, I think it  
24 would be more equitable for everybody concerned. That was  
25 the only purpose.

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1 Mr. Cassidy. If I understand what Senator Byrd's  
2 proposition is, if you have had your goods in four years  
3 as of the date of enactment, you would have an additional  
4 five years, which would be a total of nine altogether.

5 Senator Byrd. At that point --

6 Mr. Cassidy. You would start counting, so you would  
7 be in for nine altogether.

8 Senator Byrd. I do not know what you would lose. What  
9 would the government lose by it?

10 Mr. Lehman. We would have no problem with that. This  
11 was merely an attempt to counteract the effect of this  
12 statutory amendment.

13 Senator Byrd. You would have no problem with it?

14 Mr. Lehman. We would have no problem.

15 Mr. Cassidy. Any goods which are in the warehouse on  
16 date of the enactment will have five years.

17 Senator Byrd. Yes.

18 Mr. Cassidy. I understand Customs has an additional  
19 related amendment which has something to do with warehouses --  
20 not this specific warehouse problem.

21 Senator Byrd. Could we deal with this particular  
22 amendment first, Mr. Chairman.

23 The Chairman. All right.

24 Is there any objection to the amendment? All in favor,  
25 say aye.

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1 (A chorus of ayes.)

2 The Chairman. Opposed, no?

3 (No response)

4 The Chairman. The ayes have it.

5 Senator Matsunaga. I have another amendment which is  
6 somewhat similar.

7 I propose an amendment which would reject a Customs  
8 ruling which changes an old ruling that was fair and now  
9 makes that ruling patently unfair, and even arbitrary, I  
10 would say.

11 When an American importer buys designs or plans in the  
12 United States and then ships them abroad for execution, those  
13 designs or plans are called assists. I am talking about  
14 textile designs, now.

15 The American importer would hire American workers and  
16 have designs prepared and would ship designs to foreign  
17 countries, such as Japan, and the Japanese would put the  
18 American-made design on the textile and then the American  
19 importer would import the textile with the American design  
20 on it.

21 Up until recently, all that the American importer had  
22 to hand out to the value of the tax dollar was what he  
23 actually paid for the design.

24 For example, if that particular design cost him \$100,  
25 \$100 was added to the tax value and the American importer

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1 paid duty on that additional \$100.

2 Now, under the new ruling where the American importer  
3 hires a team of designers, and has all of them draw up 10  
4 designs, let us say 10 designs, one each and 10 designs, and  
5 he selects one of the 10 with the value of \$100, ships this,  
6 now he has to add on to the value of the textile importer  
7 \$1,000, another \$100. He has to add on the value that he  
8 paid to nine other designers and in order to come up with  
9 one good design.

10 And I think this is wholly unfair. What happens, the  
11 Customs will say, we are going to allocate that. If, after-  
12 wards, the U.S. importer has the second design, then the  
13 second design, instead of paying \$1,000 on it, will pay  
14 \$500. But then the earlier \$1,000 is not refundable.

15 This is so unfair. Then it is exporting American jobs  
16 to foreign countries.

17 But what the American importer will do is send the  
18 designs to be made in the foreign country where the textile  
19 is also made because this would surely add to the cost of  
20 doing business, where he now is in the case of Hawaii, where  
21 the textile industry was really growing. We have a company  
22 hiring a team of designers.

23 Under the new ruling of the Customs Service, what the  
24 Hawaii manufacturer of garments will do, heavens, I cannot  
25 afford this. I will just do away with my designers,

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1 have the design in the foreign country, like Japan or  
2 Korea.

3 On the one hand, the Administration is very concerned,  
4 as is the Congress, about increasing jobs, reducing unemploy-  
5 ment rates, and on the other hand, the left hand, is doing  
6 things that reduce jobs in America.

7 I think the change in ruling is totally contrary to the  
8 objectives of the Administration or the Congress.  
9 The Chairman. I do not see any objection to the amend-  
10 ment.

11 Senator Ribicoff. I think it is potentially a very  
12 dangerous amendment. One of the problems we have in this  
13 country, in the trade picture, is the sending out of this  
14 country of designs in lots where the goods are manufactured  
15 abroad and then brought back here. So you get the superior  
16 designs of the United States for goods and they come back  
17 here.

18 For the month of March the Japanese trade balance  
19 reached a new high with us. I think the trade balance was  
20 at a rate of \$4.5 billion which they have gone up about  
21 11 percent and we have gone down 24 percent.

22 This is happening all over the world. American designs  
23 are being sent to South Korea and being sent to Taiwan.  
24 They are being sent to Hong Kong and the goods are manufac-  
25 tured abroad at very low labor rates and then brought back

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1 to the United States.

2 I think that this is one of the biggest concerns that  
3 we have in our unfavorable trade balance, and I would proceed  
4 very cautiously. I think there is absolutely no knowledge  
5 of what impact this is going to have on the American economy.  
6 It sounds simple, but we have no figures, we have no infor-  
7 mation of what the implications of this amendment are.

8 On the face of it, it sounds good. I think the poten-  
9 tial to damage in our trade picture is very great. I am  
10 really worried about this amendment.

11 Senator Matsunaga. If I might say this --

12 Senator Ribicoff. This is a problem Senator Moynihan  
13 would have in the garment trades. I think that the local  
14 garment industry is deeply concerned about American garment  
15 design being sent abroad, then being brought back, which is  
16 an exact duplicate and copy of American designs, and it is  
17 almost like this levi thing that we are undertaking.

18 I do not think we realize the implication to our overall  
19 trade picture and I am deeply concerned we are going to be  
20 big sufferers by this amendment.

21 Senator Matsunaga. I do not know whether the Senator  
22 from Connecticut fully appreciates what I am talking about  
23 here. There was a firm in New Jersey that had the same  
24 problem and the New Jersey firm got a ruling from the Customs  
25 Service which accepted the old rule.

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1           Initially, Customs had proposed to do just what they  
2 are proposing to do now under the new rule and that was  
3 appealed by the New Jersey outfit, the Mayfair Infants  
4 Wear Company, and they, too, had hired designers, American  
5 designers, and they would display to the prospective  
6 customers, you have these designs, now a customer in New  
7 York would come in who would like, say, infantwear or certain  
8 designs and he would make a selection from the designs  
9 made by American designers.

10           I am talking about textiles. Then the American importer  
11 would take this design and ship this design to the mainland  
12 to a manufacturer of textile goods and then this is what  
13 would come in.

14           It could be done anyway if the American designer  
15 importers, they would have a design working in Korea or  
16 Japan and China. You cannot stop that.

17           Senator Ribicoff. That is another proposition, but if  
18 are taking key American designers of 7th Avenue garments  
19 who are internationally known and whose trademark means  
20 something and hire American laborers and if you take that  
21 design and send that design to South Korea or Taiwan and  
22 they come in at labor of 35 cents or 40 cents an hour  
23 against \$4, \$5, \$7 an hour here, we are taking, exploiting  
24 American designs abroad, to come back like American goods,  
25 and I think that this is where the trouble and all the furor

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1 that is caused by the textile industry in this country and  
2 the Garment Workers Union.

3 I think this is potentially very dangerous, Mr. Chair-  
4 man.

5 The Chairman. Of course, what we ought to do about  
6 trading with Japan is just to pass us a law saying that there  
7 will be a favorable balance of payments to Japan and say  
8 whatever they ship to us must be accompanied by a receipt  
9 that shows that they spent an equal amount over here.

10 If they want to ship us \$1,000 worth of anything, just  
11 attach a receipt. They could even attach their hotel bill  
12 if they spent \$1,000 as a tourist over in this country.  
13 Just a receipt that they spent that much money over here.

14 That would make it \$9 billion a year in our balance of  
15 payments and it would create just that many jobs. Let them  
16 have the choice, whether they want to save it in television  
17 sets or receivers. Send a receipt along with it.

18 When we get along to do ing that we will really make  
19 a real lick on this balance of trade, and the balance of  
20 payments. But I do not know we are going to do it. Just  
21 trying to do it on a trademark or design, it seems to me  
22 if you want to do something about it, you ought to hit it.

23 I am ready to vote, if someone wants to lead the charge  
24 for it. I have been thinking about it. I have made up my  
25 mind already. But others might want to think about it more,

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1 Senator Matsunaga. Mr. Chairman, I do not know whether  
2 the Senator from Connecticut has actually read the ruling  
3 or not. I wish he would and see the arbitrary nature of  
4 it.

5 Senator Ribicoff. Let's hear from the Customs man.

6 Mr. Lehman. If I may explain the change in the posi-  
7 tion, the original position that we took was that you would  
8 allocate both the cost of the particular design, and it was  
9 called to our attention that we were in conflict with the  
10 established accounting practices, that there was a differ-  
11 ence between a piecework approach where a design cost a  
12 certain amount and that cost would be added to the cost of  
13 merchandise when it later comes back to the country.

14 In a situation where you hired the person's talent on  
15 a flat rate, a salary basis per hour on a contract, when  
16 you hire a person's talent for a period of time, you are  
17 paying him a total amount for the usable designs that he  
18 will produce and in those circumstances and in our changed  
19 position we said fine. Take the full cost of what you paid  
20 him to have the use of the designs and have all of that  
21 to the cost of the assist that will later come back.

22 This does not prevent a smaller businessman that has  
23 a high cost from going into a piecework arrangement with his  
24 designer, making the allocation through his own efforts and  
25 it does not take legislation for that change. If you have a

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1 general rule that you allocate all costs, the shippers over-  
2 sees will have a windfall, because they have been allocating  
3 that total cost as the cost of assist. If they could make  
4 an allocation, they would get a windfall out of it.

5 Senator Ribicoff. Would this not encourage the sale  
6 of American designs abroad to be used for the manufacture  
7 of goods which are prototypes and similar to American goods,  
8 to encourage that to be brought back here? We have enough  
9 problems anyway with the imports.

10 Mr. Lehman. It would reduce the duty cost of bringing  
11 it back. A small amount would be added after the assist.

12 Senator Matsunaga. If I might answer the question,  
13 these U.S. importers provide the design which would be used  
14 only for that particular U.S. import.

15 Senator Ribicoff. That is exactly right. He uses it,  
16 but these U.S. importers are importing goods that put us in  
17 a trade deficit last year of some \$30 billion, which has caused  
18 some great problems. This is all part of it.

19 If we are to strike a balance, I do not see why we  
20 should encourage the shipping abroad and encourage giving  
21 breaks to people who are going to go out of their way to  
22 simulate American merchandise and send it back here without  
23 paying a price for it.

24 Senator Matsunaga. I think the very opposite is true.  
25 If we had to pay for the designs made by foreigners, you add

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1 to the deficit because you are paying additional not only  
2 from the textiles, but for the design as well, to foreigners  
3 whereas if you have this American design made in America and  
4 you send that to the foreign country to have it put on tex-  
5 tiles you do not pay for the design because the design is  
6 made here.

7 But the value of it is made dutiable. If it cost the  
8 American \$1,000 to produce that design, when it comes back  
9 with it imprinted, that we pay duty on the \$1,000 but we  
10 do not pay \$1,000 to the foreign country. That \$1,000 remains  
11 in our country.

12 The very opposite of what the Senator Connecticut fears  
13 would be true.

14 Senator Ribicoff. You are talking about trying to get  
15 a duty of \$1,000 for a design and I am talking about \$10  
16 million worth of merchandise coming back on that \$1,000  
17 design. That is what is worrying me in the overall trade  
18 picture.

19 Senator Matsunaga. If I may say to the Senator from  
20 Connecticut that that is happening anyhow. We do not have  
21 the textiles on which the designs will be put on.

22 Senator Ribicoff. We have got them, but we cannot  
23 compete with them. Tell anybody. One of the biggest prob-  
24 lems you are going to have in the whole trade negotiation is  
25 the problem of textiles. This is one of the great problems

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1 that the whole textile business is being destroyed worldwide  
2 because what is happening in South Korea and Taiwan and  
3 Hong Kong and I think this is going to be one of the knot-  
4 tiest problems, Mr. Chairman, that this Committee is going  
5 to have to deal with when we come to the GATT negotiations,  
6 the whole question of textiles.

7 I think what Senator Matsunaga is doing is encouraging  
8 the further deterioration of American textile businesses and  
9 the goods that come out of textiles.

10 The Chairman. Mr. Moynihan?

11 Senator Matsunaga. One point about the accounting  
12 practice. I think the accounting practice is just the oppo-  
13 site of what you said because the old ruling was within the  
14 year, normal accounting practice. What you proposed is  
15 contrary to general accounting practice. That is one of  
16 the reasons that we are putting forth in support of the  
17 amendment.

18 The Chairman. Mr. Moynihan?

19 Senator Moynihan. Mr. Chairman, the Senator from Hawaii  
20 knows of my affection and regard for him and we almost always  
21 vote together and I wonder if I could not invoke the Byrd  
22 rule here which I heard here earlier? A lot of things come  
23 out of this Committee rather too quickly and we really have  
24 not fully understood them.

25 I really feel that I do not have a feeling about this.

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1 It is the kind of thing that Senator Ribicoff's Subcommittee  
2 should look at it and I would like to hear from industry.

3 I just have to say I think Senator Byrd's rule is  
4 appropriate. The question is much too wide, much too deep,  
5 much too hollow. Learned men on either side use arguments  
6 that I cannot follow.

7 The Chairman. Why do you not withdraw your amendment  
8 at this time? You can offer it on one of these tariff bills.  
9 We have plenty of tariff bills you can offer it on. Mean-  
10 while, maybe we can reach a better understanding among  
11 Senators on this matter.

12 What we have here is simplification and it does not  
13 have to be on this bill.

14 Senator Matsunaga. Mr. Chairman, if I might ask  
15 permission that perhaps Senator Ribicoff and I could get  
16 together and maybe we might be able to assuage the Senator  
17 from Connecticut from the fears that he may have.

18 The Chairman. You can assuage those who are concerned  
19 about it to be no longer concerned.

20 Senator Matsunaga. When did we intend to report this  
21 out?

22 Mr. Cassidy. Hopefully today.

23 Senator Matsunaga. When I will reserve my amendment.  
24 I will ask for a vote and reserve my right to offer it.

25 The Chairman. All in favor of the amendment, say aye?

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1 (A chorus of ayes.)

2 The Chairman. Opposed, no?

3 (A chorus of nays.)

4 The Chairman. The nays appear to have it.

5 You can offer it on some other amendment, Senator. I  
6 suggest you do some missionary work on it.

7 Mr. Cassidy. Mr. Chairman, there is one additional  
8 matter. Customs has a matter they would like to recommend.  
9 We have no problem with it.

10 Mr. Lehman. Mr. Chairman, in the House bill there was  
11 a provision to reduce the so-called general order warehouse  
12 time, the time that merchandise is kept in a warehouse where  
13 it has not been properly entered from one year to six months  
14 before it would be sold at public auction as unclaimed and  
15 abandoned merchandise.

16 It has been brought to our attention since the bill  
17 passed the House that this would create a substantial amount  
18 of hardship that, in practice, very often there is good  
19 reason why, as much as a year might pass before a person  
20 may properly or rightly claim the merchandise and he might  
21 find that this kind of reduction in time, that his merchan-  
22 dise was sold out from under him.

23 A suggestion was made that we might provide an extension  
24 of time. It seemed simpler to us to delete the amendment and  
25 leave in the one-year provision.

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1 Senator Byrd. You prefer to leave it at one year?

2 Mr. Lehman. Yes. That would require deletion of the

3 provision in the bill.

4 Senator Byrd. It seems to me that that is more reason-  
5 able.

6 The Chairman. All in favor, say aye.

7 (A chorus of ayes.)

8 The Chairman. Opposed, no?

9 (No response)

10 The Chairman. The ayes have it.

11 Mr. Cassidy. Mr. Chairman, there is one last matter.

12 Senator Roth had to leave. He asked that I raise it.

13 This proposal in the bill, there is a provision which  
14 will deem any entry of goods which has not been finally  
15 settled within one year to have been settled at whatever the  
16 rate of duty asserted by the importer was when he entered  
17 the goods.

18 However, also under the bill it says that the Customs  
19 Service will not be required to send a notice to the importer  
20 when this one-year period expires.

21 The significance of that is that in order for an importer  
22 to maintain his legal rights, in order to go to court, he  
23 must file a protest within 90 days after the date of liquida-  
24 tion. If there is no notice, if he does not receive a notice  
25 of liquidation and does not file in 90 days, he loses his

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1 rights.

2 I understand that when a new system is in place in 1980  
3 that these one-year liquidations will result in a notice  
4 being sent to importers between the date of enactment and  
5 the implementation of the new entry process. Customs has  
6 agreed to send out what they call a courtesy notice. This  
7 means that, hopefully, every importer would have notice of  
8 liquidation. However, should Congress make a mistake and  
9 not send out this courtesy letter then the importer would  
10 lose his legal rights and could not file a protest because  
11 he did not know liquidation occurred.

12 What Senator Roth proposes is that Customs be required  
13 to issue a notice of liquidation after this one-year  
14 period.

15 The Chairman. Is there any objection?

16 Without objection, agreed.

17 Does that take care of it?

18 Mr. Cassidy. That takes care of the Customs bill.

19 The Chairman. All in favor of reporting the bill, say  
20 aye?

21 (A chorus of ayes.)

22 The Chairman. Opposed, no?

23 (No response)

24 The Chairman. The ayes have it.

25 Senator Bentsen. May I, at this time, bring up my meat

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1 import bill?

2 The Chairman. Senator Bentsen asked me to recognize  
3 him to call up his meat import bill. If there is no  
4 objection?

5 Senator Bentsen. Mr. Chairman, we have in effect now  
6 the 1962 Meat Import Act and that was one whose objective  
7 was to try to provide some stability to the cattle industry  
8 and to prices for the consumer.

9 Unfortunately, that has worked just to the contrary.  
10 The situation has been one when our cattle protection was up  
11 in this country, when we had high protection and, in effect,  
12 we have low prices, that is the time that we would have more  
13 beef imported and at another time when the herds were being  
14 depleted and prices were going up, that would be a situation  
15 where it would be restricted on beef imports.

16 What this piece of legislation, S. 28915 would do, it  
17 would put a countercyclical formula into effect and I have  
18 the statements of several very distinguished economists who  
19 state that it will definitely work in the short-run interests  
20 of the cattle producer and in both the short-run and long-  
21 run interests of the consumer.

22 Another one here, that a countercyclical beef import  
23 quota would have definite anti-inflationary effects during  
24 periods of cyclically low domestic beef production.

25 Harold McGrath of the Cornell Agriculture School, Ithaca,

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1 New York, Jane Pertrell, Professor of Economics, Iowa State  
2 Donald Ferris, Professor of Agriculture, Texas A&M; David  
3 Fittricks, Department of Agricultural Economics, Purdue  
4 University, giving us statements to that effect.

5 This bill is co-sponsored by Senators Matsunaga, Curtis,  
6 Hansen, Dole, Laxalt, Gravel and we have a whole list of  
7 bipartisan sponsors. In effect, I think we have brought  
8 forth very close to a consensus bill as a result of the hear-  
9 ing that we had on meat imports.

10 Senator Byrd. If the Senator would yield, I move the  
11 adoption and approval.

12 Senator Ribicoff. Mr. Chairman, I would like to take  
13 a position against the Bentsen proposal and point out that  
14 beef prices are headed for a record high level this year,  
15 up at least 12 percent, leaving general food and prices  
16 increased at 9 percent.

17 My understanding is the bill would reduce the volume  
18 of inflation restraining imports of Beef this year.

19 Senator Bentsen. Let me say to the contrary --

20 Senator Ribicoff. In 1977, the restriction would have  
21 meant an increase in consumer prices of between 10 and 15  
22 cents per pound and a cost to the consumer of over \$2.5  
23 billion. Most imports are in the lowest priced beef used  
24 for hamburger and pre-cooked dishes and restricting imports  
25 would affect the lowest income goods most severely.

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1 I am informed that the bill would force our major  
 2 suppliers from changing their production cycles to be  
 3 counter-cyclical to the United States cycle. In trade policy  
 4 under present law, it probably is illegal. Under GATT, it  
 5 would disrupt the United States efforts in the MTN to  
 6 regularize agricultural trade and could hinder U.S. beef  
 7 imports.

8 I am very pleased that Senator Bentsen will be coming  
 9 to Geneva at the end of May and I would hope that there  
 10 would be an opportunity to discuss this whole problem of  
 11 beef imports and the whole problem of agricultural problems  
 12 and I hope Senator Hansen will be able to come too, with the  
 13 countries involved in this problem. I think it is inter-  
 14 connected with the whole agricultural trade policy.

15 With what happened in the House with the agricultural  
 16 bill, I think that this is headed down that same way. I  
 17 think the President is going to have to veto it and you have  
 18 the same agricultural fight all over again, and I fear that  
 19 this is going to hurt our efforts to halt our inflationary  
 20 effort.

21 Senator Bentsen. Let me say, Mr. Chairman, in applying  
 22 the formula it does, to the contrary, it actually shows that  
 23 it would allow more beef in than the quota for 1979. Let  
 24 me further state that the figure was cited -- there was one  
 25 provided, I assume the one that I saw by the State Department,





1 that takes the very worst of all possible assumptions and  
2 we have been subjected to those kinds of figures in the  
3 past and it assumes that what we are trying to do in a  
4 counter-cyclical manner would not work and therefore has  
5 not applied those factors to the last ten-year average.

6 The Council figures that we had cited to us by these  
7 economists are directly to the contrary. One of the problems  
8 that you run into is that you get this boom and bust cycle  
9 in beef and the ones that can survive it are the large  
10 ranchers, the big, corporate ranchers, the people who have  
11 the funds to go through those cycles, but the smaller rancher  
12 cannot do so.

13 If you can get some stability in the market where you do  
14 not have these big jumps in prices and in turn do not have  
15 these precipitous drops, you can see the kind of technology  
16 and the investment into increased productivity in long-term  
17 investments and past year improvements in the kinds of equip-  
18 ment that would lead to improved production in this country  
19 and will give you more stability in beef prices.

20 As to the point of the question of locality, you have  
21 quotas now. This is talking about making them counter-  
22 cyclical. Under the '64 Act, quotas are in the law. So we  
23 are not coming up with something new in the way of saying  
24 quotas or no quotas. We are saying that they be counter-  
25 cyclical so that we can see that the housewife and the

00000060579  
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1 consumer is not subjected all of a sudden to great abbera-  
2 tions in price that go through, and in the next couple of  
3 years, that you find that the cattle rancher, when he has  
4 tried to increase his herds to take care of that situation  
5 all of a sudden you have an overproduction and you have a  
6 bust in the market and he is foreclosed and put out of  
7 business.

8 So I would strongly encourage the passage of this,  
9 The Chairman. Senator Danforth?

10 Senator Danforth. I would like to ask Senator Bentsen  
11 a question or two, if I could, Mr. Chairman.

12 It is my understanding under the '64 Act that the quota  
13 level is 7 percent of domestic production.

14 Senator Bentsen. The quota level works out at approxi-  
15 mately that. It is at 724 million pounds. It works out  
16 effectively to be that.

17 Senator Danforth. Let me ask you this. Are you, over  
18 a ten-year cycle -- I know you cannot predict in any given  
19 year exactly what the quota would be in the countercyclical  
20 approach, but is your effort over a ten-year cycle to reach  
21 an average quota which is greater, less than, or the same  
22 as the present level?

23 Senator Bentsen. It would work out between approximately  
24 5 and 6 percent. I believe that those are the numbers that  
25 we have.

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1 Senator Danforth. So that the quota would average  
2 about 5 to 6 percent instead of about 7 percent which it is  
3 now?

4 Senator Bentsen. That is right.

5 Senator Danforth. On your proposal for reducing, under  
6 certain circumstances, reducing to 2 percent, I am not  
7 sure how that exactly works out, but it is my understanding -

8 Senator Bentsen. That is when you get to an 80 percent  
9 factor and that is when you have the most serious problems  
10 in your domestic market.

11 Senator Danforth. In your opinion, does that feature  
12 of the bill have the effect of raising this average level  
13 of quotas? Would it still, even considering that, would the  
14 design of this be about 5 to 6 percent average level?

15 Senator Bentsen. I think it would go down some below  
16 that.

17 Senator Danforth. That would increase the quotas, as  
18 I understand it.

19 Senator Bentsen. That is the most burdensome part.

20 Mr. Cassidy. The 2 percent quota would decrease the  
21 aggregate quota.

22 Senator Danforth. So that the combination of the 2  
23 percent and the rest of the Bill is to decrease the quota, is  
24 that right?

25 Senator Bentsen. That is right.

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1 Senator Danforth. 7 percent to 5 or 6 percent?

2 Senator Bentsen. That is general. Until you get to  
3 the 80 percent factor. If your industry gets in that much  
4 trouble, then it would drop to 2 percent.

5 Senator Danforth. As I understand the position of the  
6 Missouri beef producers, they are very concerned, as are a  
7 lot of people in the agricultural field about trade and what  
8 they want to do is to increase American markets abroad and  
9 what they are concerned about is the fact that what we do at  
10 one end of the trade picture might have some adverse effect  
11 on the other side. And if you were reducing quotas by a  
12 1 or 2 percentage points in cattle, would that be offset, or  
13 would there be retaliatory measures taken, do you think?

14 Senator Bentsen. I think the problem we are running into  
15 now in the lack of access to some of the markets, such as  
16 Japan, just citing the very thing that the Chairman was  
17 talking about earlier, that we have practically no access to  
18 some of these markets. We have to have some defense for  
19 stability in our domestic production.

20 Senator Curtis. If the Senator would yield briefly  
21 on that point, also I do not think that this would result  
22 in a reduction of the pounds or tons that anybody could send  
23 in there because of the growth of the market, because of the  
24 growth of population. While it would drop percentagewise  
25 a little bit, it would not be taken away from anyone, a

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1 quantity of imports that they are producing now.

2 Senator Bentsen. The only time that they would drop  
3 to 2 percent, of course, is when we had very substantial  
4 overproduction in this country and overproduction that would  
5 take up any slack in the question of imports,

6 Senator Danforth. You say, factoring in the 2 percent  
7 figure, your projection of the next decade would be that  
8 quotas would be reduced from 7 percent to about 5 or 6  
9 percent of domestic production?

10 Senator Bentsen. No. I said that on the countercyclical  
11 formula, it would work between 5 and 6 percent and then in the  
12 most unusual conditions in this country when you got down to  
13 an 80 percent factor, that you would drop it down to not more  
14 than 2 percent imports, and that would be a value that I  
15 could not give you the number on. I do not have a number on  
16 that,

17 Senator Hansen. Mr. Chairman?

18 The Chairman. Senator Hansaen,

19 Senator Hansen. I appreciate the concern expressed by  
20 Senator Ribicoff. I think that it is important to understand  
21 in this bill that, as you compare this measure for the 1964  
22 law, the quotas that were authorized and which have been  
23 invoked a few times -- not very often -- actually, the two  
24 go hand in hand. As production in this country increases, the  
25 amount of beef that can be imported into this country, fresh,

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1 chilled or frozen, increases. When beef production drops  
2 in this country, the amount that can be brought in drops.

3 The great merit in this approach is that it takes  
4 precisely the opposite attack and wins the prize, although  
5 in this country, and consequently you see rapidly rising  
6 market prices which is exactly where we are now, Senator  
7 Ribicoff.

8 Instead of prohibiting excess supplies to come in,  
9 this would, right now, increase more supplies to come in.  
10 It would tend to balance out and work to the advantage of  
11 consumers in providing them with more imported beef that  
12 can tend to lower the prices.

13 There is one other factor that has to be borne in mind,  
14 and that is the beef business is the business that reacts  
15 very slowly to the signals given in the marketplace. It  
16 takes about four years from the time that someone decides  
17 to go into business before he is actually contributing  
18 significantly to any production in the supermarket in the way  
19 of steaks, hamburger, whatever it may be.

20 What we have seen happen here, in the past four years,  
21 the supplies got greatly built up because of the signals that  
22 had been given back in 1973 when prices reached an all-time  
23 high. Everybody wanted to get into the business and a lot of  
24 people who were not farmers or ranchers got into the business  
25 and the cows that would normally have gone into slaughter and

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1 would have been providing hamburger went out on the range.  
2 Bankers and lawyers, and some politicians even, went into  
3 the business, and you saw withholding of supply and a price  
4 rise and then the whole roof fell in and when, in a year's  
5 time, the price dropped 50 percent.

6 Just to give you some figures, in 1973, the average  
7 income for farm and ranch in Wyoming was \$14,788, just  
8 under \$15,000. In 1976, that figure had dropped down to  
9 \$241. These guys are in trouble. They are all broke, and  
10 they would be out of business excepting that the bankers  
11 cannot find anybody, competent as they are, to replace  
12 them, so they are staying along with them.

13 We can stand competition. I am in the cow business,  
14 along with my banker. We can stand competition when prices  
15 are high. It is devastating when you have more beef than  
16 can be sold in order to return a profit to the rancher. To  
17 have that same thing being an occurrence for more beef.

18 This countercyclical approach works to the advantage of  
19 the rancher that is producing cattle and works, as well, to  
20 the benefit of the consumer, because when prices go high,  
21 reflecting a shortage of supply, more beef can come in, and  
22 that is when we can stand the competition. When we cannot  
23 stand it is like we have had it in the last two or three  
24 years when everybody was going broke.

25 I think it has great merit and I hope that you would

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1 go along with it.

2 Senator Ribicoff. I understand there is somebody here  
3 from the Department of Agriculture. If they could comment  
4 on this -- is there someone here from the Department of  
5 Agriculture who would like to comment on this?

6 Mr. Shul. Yes, sir. I am Deputy Assistant --

7 Senator Hansen. Before we welcome you to the Committee,  
8 which side are you on?

9 Mr. Shul. I am the Deputy Assistant Secretary of  
10 Agriculture. I am new around here.

11 The Department supports the principle behind the counter-  
12 cyclical meat import act. We are concerned about its limiting  
13 the imports to what present legislation does and if it does  
14 do that, we think we are subject to threat from the other  
15 countries in the Multilateral Trade Negotiations, so that is  
16 our position on it.

17 Senator Bentsen. Let me comment on that in response,  
18 Mr. Chairman, and what I am willing to do, if the other co-  
19 sponsors go along with it and in talking with Senator Danforth  
20 as to his concerns, I am willing to accept an amendment to  
21 take out the 2 percent factor.

22 And, in addition, to change the quarterly limitation of  
23 27 percent in any one quarter to a six-months one. That would  
24 be 54 percent. Because there was also an objection that  
25 going to quarters was too much of an administrative problem.

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1 So, if the other co-sponsors are willing, I am willing  
2 to take out the 2 percent and make it six months.

3 Senator Hansen. Mr. Chairman, as one of the co-sponsors  
4 with Senator Bentsen, let me say this is no mean concession.  
5 The fact is that, in the past, merely the entire year's  
6 quota will come over a very short period of time and the  
7 effect that it has on the market pricewise is devastating.  
8 It just plummets it.

9 So our idea to have it on a quarterly basis was to make  
10 a little more regular and uniform the importation of meat  
11 into the country and I say that because it is a concession  
12 that I do appreciate the relief that it would bring adminis-  
13 tratively in trying to adjust these quotas.

14 Senator Bentsen. I know Senator Moynihan was also  
15 concerned about the 2 percent. With those two changes  
16 then, I would like to move the adoption, Mr. Chairman.

17 The Chairman. Let me just suggest, if it all the same,  
18 that we simply have one vote. Here is what I have in mind.

19 I think yours is the next numbered bill, is it not?

20 Senator Bentsen. Yes.

21 The Chairman. That should be on a revenue bill. That  
22 being the case, I would suggest that we just report, that  
23 you offer that as an amendment to H.R. 5052, which is a bill  
24 that has already been enacted in the House, just strike  
25 everything after the enacting clause.

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That being the case, we could report a revenue bill that has been passed by the House to satisfy the constitutional questions.

Senator Gravel. What is the House bill?

Mr. Stern. The House bill deals with color couplers, the duty on color couplers, the chemical used in making color photographic paper.

The Chairman. The text of that bill has already been enacted, so we will just strike everything after the enacting clause.

Senator Dole. I do not have any objection to the removal of the 2 percent limit. I introduced a somewhat similar bill and co-sponsored this one. Mine did not contain the limit. I wanted to point out for the record that Senator Bellmon had asked me to at least call attention to his proposal, it is a somewhat different proposal. It is geared to parity and has some great appeal from that standpoint, it also covers drive cattle, except dairy and breeding stocks, and that is becoming a big factor, particularly live cattle coming through Mexico.

I do not want to belabor the Committee at this point, but I would suggest that Senator Bellmon may be having an amendment when it reaches the Floor because he feels strongly about the importation of live cattle as a way to circumvent the law.

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1 Senator Bentsen. Senator Dole, I understand that and  
2 I share his concern about live cattle, but frankly, we have  
3 tried to put together here a consensus bill.

4 Senator Curtis. A minimum bill.

5 Senator Bentsen. That is right.

6 Senator Ribicoff. Mr. Chairman, I think that the amend-  
7 ment is an improvement. I am going to vote against it. I  
8 would suggest for Mr. Cassidy, in setting up our meetings  
9 in Geneva, that this whole problem, because agriculture is  
10 such an important part of the trade negotiations, that there  
11 be a definite time set aside with those who will be on that  
12 trip and who are interested to discuss the overall agricul-  
13 tural problem, the Bentsen bill and proposal.

14 And I think that the implication -- and I think that  
15 it would be worthwhile if Senator Bentsen feels to meet  
16 with the Australian and New Zealand representatives to dis-  
17 cuss this. I think that one of the problems, as I see it,  
18 if it is going to be truly counter-cyclical, are they going  
19 to manipulate to play upon what is cyclical in the United  
20 States?

21 I think this is very complex. I think it is a matter  
22 that should be discussed in Geneva. I doubt whether it will  
23 go through the House and the Senate by the time we are over  
24 in Geneva.

25 The Chairman. Call the roll.

398 7TH STREET, S.W. REPORTERS BUILDING, WASHINGTON, D.C. 20024 (202) 554-2345

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1 Mr. Stern. Mr. Chairman, this is a vote to report  
2 out H.R. 5052, striking everything after the enacting clause  
3 and putting Senator Bentsen's bill with two modifications he  
4 made as an amendment to it.

5 The Chairman. That is right.

6 Senator Bentsen. Let me also say that it also raises  
7 the question about a technical provision in my bill about  
8 allocations between ports and I would like to change that  
9 technical provision to a study?

10 The Chairman. Without objection, agreed. Call the  
11 roll.

12 Mr. Stern. Mr. Talmadge?

13 The Chairman. Aye.

14 Mr. Stern. Mr. Ribicoff?

15 Senator Ribicoff. No.

16 Mr. Stern. Mr. Byrd?

17 Senator Byrd. Aye.

18 Mr. Stern. Mr. Nelson?

19 Senator Bentsen. Mr. Nelson votes aye by proxy.

20 Mr. Stern. Mr. Gravel?

21 Senator Gravel. Aye.

22 Mr. Stern. Mr. Bentsen?

23 Senator Bentsen. Aye.

24 Mr. Stern. Mr. Hathaway?

25 (No response)

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Mr. Stern. Mr. Haskell?

(No response)

Mr. Stern. Mr. Matsunaga?

Senator Bentsen. Aye, by proxy.

Mr. Stern. Mr. Moynihan?

Senator Moynihan. Aye.

Mr. Stern. Mr. Curtis?

Senator Curtis. Aye.

Mr. Stern. Mr. Hansen?

Senator Hansen. Aye.

Mr. Stern. Mr. Dole?

Senator Dole. Aye.

Mr. Stern. Mr. Packwood?

(No response)

Mr. Stern. Mr. Roth?

(No response)

Mr. Stern. Mr. Laxalt?

Senator Curtis. Aye.

Mr. Stern. Mr. Danforth?

Senator Danforth. Aye.

Mr. Stern. Mr. Chairman?

The Chairman. Aye.

Mr. Cassidy. The staff has discussed some technical changes with Senator Bentsen's staff and would like authority to make them under the bill.

1 The Chairman. If there is no objection, the staff  
2 will be authorized to make technical changes.

3 Thirteen yeas, one nay. The motion is agreed to.

4 Senator Byrd. Mr. Chairman?

5 The Chairman. I believe Senator Dole sought recognition.

6 Senator Dole. If it is in relation to the meat imports?

7 Senator Byrd. No, it is not.

8 Senator Dole. Mr. Chairman, I would like to call up  
9 Senate Con. Res. 73. It has to do with the imposition of  
10 import fees. It is just a sense of the Congress resolution  
11 that the import fee on imported oil should not be imposed  
12 by the President as a way to reduce imports of crude oil.  
13 It has been acted on previously by the Committee, but since  
14 that action was taken, there has been statements to the  
15 Press that the President has been thinking about a \$5 to \$7  
16 import fee and it would seem to me that it might be well for  
17 us to suggest, at least to alert the Administration, that  
18 that was not a position shared by members of this Committee,  
19 in fact, by 29 Senators who are co-sponsors of the Resolution.

20 The Chairman. It is my understand that the Administra-  
21 tion has sought to communicate to Senators that if the  
22 President exercised his authority, and he has been thinking  
23 about it, that if he decides to exercise his authority that  
24 steps would be taken to ease the impact or reduce the burden  
25 on the part of the nation particularly affected.

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1 We do have your amendment along that line in the Energy  
2 Conference. It is in conference. The question is whether  
3 we, in addition to that, have a sense of the Senate resolu-  
4 tion.

5 Senator Dole. My only point, Mr. Chairman, is that  
6 it is in the conference but, since that action was taken,  
7 there has been more discussion.

8 I do not think the attitude of those Senators who voted  
9 at that time is changed. It would be a reaffirmation of our  
10 feeling about the import fee.

11 Mr. Cassidy. Assistant Secretary Bergston from the  
12 Treasury Department would like to comment.

13 Mr. Bergston. Mr. Chairman, I would simply say that  
14 the President has reiterated time and again that his prefer-  
15 ence is to deal with the oil import problem through Congres-  
16 sional action. Nevertheless, he has also taken the position  
17 that, in the absence of such action, that administrative  
18 measures would be necessary to deal with the problem which  
19 in turn, of course, was decisive on its impact on the dollar  
20 in the foreign exchange markets, in terms of our overall  
21 economic posture at this particular time, as well as questions  
22 of U.S. vulnerability and dependence on foreign supply.

23 Since Section 232 does provide the legal basis for such  
24 action and it has been used in the past, both in 1959 and  
25 1975, it certainly would be our hope that that authority

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1 with the range of alternatives that it permits, would  
2 remain on the books.

3 We fully recognize that what is proposed here is a  
4 sense of the Congress resolution. It would not have the  
5 force of law. At the same time, it would obviously have  
6 great impact in terms of thinking, both within the Administra-  
7 tion and, more broadly, about the willingness and ability  
8 of the country to move decisively to deal with this question  
9 of oil imports.

10 Senator Dole. It is going to cost about \$15 billion  
11 a year. How much energy are we going to save?

12 Mr. Bergston. It would clearly depend on how high the  
13 fee were. If that were to apply, a fee --

14 Senator Dole. If it were \$100 a barrel?

15 Mr. Bergston. But if it were roughly equal, if it had  
16 the effect of equalizing domestic production and imports  
17 to about the world level, in short, if it had the same net  
18 effect as the proposed crude oil equalization tax then it  
19 is our estimate that, over the longer run, it would save  
20 something like a half a Billion barrels a day, which is  
21 up in the \$2.5 Billion to \$3 billion range in terms of  
22 import savings and would be quite a significant factor in  
23 dealing with our trade deficit and the problems with the  
24 dollar.

25 Senator Dole. I think that the Budget Committee says

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1 a quarter of a billion barrels a day, which is not very  
2 much.

3 Senator Hansen. Mr. Chairman, two things occur to  
4 me. First, I am aware of President Carter's concern. I am  
5 not sure which side it comes on. He was opposed to deregula-  
6 tion of natural gas and then he wrote two or three letters  
7 saying he favored it and then he was later reported to be  
8 opposed to it, and Senator Abourezk was telling me yesterday  
9 he thought he might shift his position again. I do not know  
10 where the hell he is, but that is his problem, not mine.

11 Secondly, I have to say that I think that there is a  
12 good case to be made that if the American public is willing  
13 to pay an extra \$5 or \$6 on imported crude that the OPEC  
14 nations may very well say that we are underpricing our  
15 product.

16 When you talk about inflation, when you talk about  
17 balance of payments, I would like to know what the position  
18 of the Administration is as regards the possibility that  
19 the OPEC nations may, indeed, not raise their prices. They  
20 are suffering right now because of the decline in the value  
21 of the dollar and I am not persuaded at all that the argument  
22 that has been made by the Administration is all that good,  
23 and I say that with all respect. I do not mean any disrespect  
24 at all.

25 Senator Bentsen. Mr. Chairman, I am one who has not

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1 been favorable to the approach that we have seen on crude  
2 oil thus far and if we deny the President that particular  
3 approach that he has offered, I would think that it would  
4 certainly be most limiting on his options, if we follow  
5 the sense of this particular resolution.

6 Frankly, I would like to leave the option with him  
7 and would have to close the resolution.

8 Senator Byrd. Can I ask Treasury a question?

9 What is the Treasury's view in regard to the crude oil  
10 equalization tax? Is it inflationary, or not inflationary?

11 Mr. Bergston. It would clearly, Senator, raise the price  
12 of oil.

13 Senator Byrd. Clearly inflationary?

14 Mr. Bergston. We believe in the short run it would be  
15 inflationary but in the long run, both by cutting back demand  
16 in the country for energy and by inducing additional output  
17 domestically it would reduce inflation, even in the short  
18 run, by strengthening the dollar in the exchange market.  
19 It would reduce one of the sources of inflationary pressure  
20 we have had.

21 Senator Byrd. In the short run, it is inflationary?

22 Mr. Bergston. Yes.

23 Senator Byrd. In the long run, you would expect the  
24 crude oil equalization tax to save a half a billion barrels  
25 a day?

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1 Mr. Bergston. I said a measure on imports had the same  
2 effect, we would estimate half a billion barrels a day,  
3 \$2.5 billion to \$3 billion a year of imports at the current  
4 prices.

5 Senator Byrd. That is peanuts compared to the total  
6 consumption.

7 Senator Hansen. That is what we are dealing with these  
8 days.

9 The Chairman. That is a lot of oil. The Alaskan pipe-  
10 line can deliver a billion a day.

11 Senator Hansen. Out of fairness, it should be pointed  
12 out -- am I not right in this -- I say to the Treasury  
13 representative that the long-range plan is to put the tax  
14 on and then to phase the tax out and to let the price  
15 domestically approach the world market price. Is that not  
16 the idea?

17 Mr. Bergston. That is right.

18 Senator Hansen. That is the only way that you are going  
19 to give encouragement to increasing domestic production, am  
20 I not right about that?

21 Mr. Bergston. That is right. The objective is to  
22 provide the price incentives.

23 Senator Hansen. Letting domestic prices lie by  
24 imposing a tax on imported oil does not give any encouragement  
25 to the domestic man.

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1 Mr. Bergston. Could I answer Senator Hansen's earlier  
2 question about the OPEC response? It is an important  
3 question.

4 The OPEC countries, along with other countries in the  
5 world, have urged us to take decisive action in this country  
6 to reduce our consumption of oil and to reduce the pressure  
7 on the world oil market. That view has been taken by OPEC  
8 countries as well as other consuming countries.

9 Therefore, action of the type we are talking about would  
10 meet the exact kind of proposal that has been made to us by  
11 OPEC as well as other countries.

12 Senator Hansen. If I could interrupt right there, are  
13 the OPEC countries on record in favor of a tax?

14 Mr. Bergston. They have not presumed to tell us how  
15 to go about it.

16 Senator Hansen. I think that is a pretty self-serving  
17 statement, then, to imply because they recognize that we  
18 have an energy problem that whatever proposal we may have  
19 come forward with would have their endorsement. I do not  
20 find anything at all to incline me to believe that any OPEC  
21 country is saying put a tax on the crude that we import  
22 to the United States. If they have, I am not aware of it.

23 The Chairman. Let us hear from Senator Moynihan.

24 Senator Moynihan. I just wanted to offer an amateur  
25 comment to Senator Byrd's question about what is inflationary.

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1 on that at this time.

2 Senator Hansen. I think with elections coming up, I  
3 think we could dream up a few ideas, Senator Byrd.

4 Senator Dole. Would this not be a signal to the OPEC  
5 countries that we are willing to pay more for oil, if you  
6 are going to slap on a \$5 or \$7 more per barrel, why should  
7 they not just raise it to \$20 a barrel?

8 Mr. Bergston. Because we would explain to them -- and  
9 I think they would fully understand -- that this was some-  
10 thing that we did because our preferred course of action,  
11 the crude oil equalization tax, had not been able to be put  
12 into effect.

13 Senator Dole. If you have two bad choices, do you have  
14 to take one of them?

15 Mr. Bergston. We do feel it is essential, Senator, to  
16 get that price up, to thereby begin to deal with the excess  
17 consumption in the country.

18 Senator Dole. You are talking about 200,000 to 300,000  
19 barrels a day according to the Congressional Budget Office,  
20 which is not very much, and it is going to cost \$15 billion,  
21 an average of \$100 to \$150 a barrel to save a barrel of oil.  
22 That is a lot of cost.

23 The COET, it is only \$47 a barrel of oil. Under this it  
24 costs about \$150 to save a barrel of oil. I do not know if  
25 we can afford to save under those circumstances.

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1 The Chairman. Let me raise a procedural question.  
2 It is now 1:15. I do not believe we have a quorum here at  
3 this point.

4 Senator Curtis asked me about calling another meeting  
5 so we can consider the remaining items on this agenda, plus  
6 some other things, and I would like to accommodate him and  
7 to call it as soon as practicable. Perhaps we could meet  
8 again tomorrow.

9 I would be happy to make this the first order of  
10 business when we come in.

11 Senator Dole. That is fine with me.

12 The Chairman. Then why do we not stand in recess and  
13 then check to see if we can get a quorum here tomorrow. If  
14 we can, we will meet tomorrow.

15 Senator Byrd. Would the Chairman make H.R. 7320 the  
16 next order of business tomorrow?

17 The Chairman. Yes.

18 (Thereupon, at 1:15 p.m., the Committee recessed to  
19 reconvene on Thursday, April 20, 1978.)

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