

SUSPENSION OF DUTY ON CERTAIN FORMS OF NICKEL

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Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 6431]

The Committee on Finance, to which was referred the bill (H.R. 6431) to amend the Tariff Act of 1930 to provide that certain forms of nickel be admitted free of duty, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSES

The bill suspends through June 30, 1967, the duties on ferronickel, unwrought nickel, and nickel powder imported from non-Communist countries. It also authorizes the President to proclaim the continuance of such duty-free treatment after June 30, 1967, in order to carry out a trade agreement entered into under the authority of section 201 of the Trade Expansion Act of 1962.

GENERAL STATEMENT

DESCRIPTION OF PRODUCTS

Ferronickel is provided for in TSUS item 607.25, unwrought nickel in TSUS item 620.02, and nickel powders in TSUS item 620.32. The rate of duty applicable to these three forms of nickel is 1.25 cents per pound.

Unwrought nickel is refined nickel consisting largely of sheared electrolytic nickel cathodes and similar crude forms, and is often referred to as metallic nickel or nickel metal. It accounts for the largest volume of imports of products covered by the bill (over 90 percent of all imported nickel content in 1963). Canada is the principal producer of unwrought nickel and provides over 90 percent of United States imports. Norway is the only other supplier of consequence.

Nickel powders are another form of refined metallic nickel, and Canada is virtually the sole supplier of United States imports.

Ferronickel is defined in the TSUS as a "a ferrous alloy consisting essentially of iron and nickel and containing 10 percent or more, by weight, of nickel." This material is produced directly from ore smelted in an electric furnace and has a nickel content of from 30 to 50 percent. Because the present duty on ferronickel is based upon gross weight and due to the fact that the iron content of this product is from 50 to 70 percent, imports have been insignificant.

U.S. PRODUCTION AND IMPORTS

The United States is heavily dependent upon imports for its supplies of nickel. During 1960-64, annual U.S. consumption of nickel ranged between 108,000 short tons (1960) and 135,000 short tons (1964). Domestic mine production of nickel has amounted to 13,000 to 15,000 short tons per annum, which tonnage has been converted into ferronickel. Nickel recovered by reprocessing scrap materials has added 9,000 to 11,000 short tons per annum to the domestic supply. Domestic mine production plus secondary nickel from scrap has been equivalent to approximately one-fifth of annual nickel consumption in the United States.

Total imports of primary nickel in various forms amounted to about 129,000 short tons (nickel content) in 1964, 119,000 short tons in 1963, and 123,000 short tons in 1962.

Except for small quantities of nickel derived as a byproduct of copper refining, all primary nickel is produced in this country by a single company which operates a mine and smelter in Oregon. The domestic product is a high-grade ferronickel (45 percent nickel, 55 percent iron). Foreign ferronickel generally has less than a 30-percent nickel content.

Certain nickel materials other than those covered by the bill; viz., nickel oxide (including nickel oxide sinter), nickel ore, nickel matte, and other materials containing over 10 percent nickel, and nickel waste and scrap¹ are already free of duty.

USES OF NICKEL

Nickel is used principally as an alloying element in the production of stainless and other steels, accounting for 47.6 percent of the total annual consumption for 1964. Other major uses are: nonferrous alloys (16 percent), electroplating (19 percent), and high-temperature and electrical resistance alloys (10 percent). The balance is consumed for other uses such as catalysts, ceramics, and magnets.

DUTY SUSPENSION TO ASSIST U.S. INDUSTRY

Your committee is advised that the present duty on the products covered by the bill constitutes a significant cost burden on U.S. manufacturers, particularly producers of stainless steel and alloy steels, and removal of the duty would help to improve the competitive position in the domestic as well as the export market of U.S. products manufactured from imported nickel-bearing raw materials. Most

¹ The duty on nickel waste and scrap has been suspended since 1950, and under Public Law 89-81 the suspension will continue until July 1, 1967.

foreign producers obtain their nickel duty free. Domestic stainless steel producers have stated that their competitive position in the U.S. market and abroad would be considerably enhanced by the elimination of the duties on unwrought nickel, nickel powder, and ferronickel. From this, your committee understands that the saving accruing from the elimination of the duty on unwrought nickel, nickel powder, and ferronickel would be passed on to the consumer of such nickel products.

As previously indicated, the duty on ferronickel has been a deterrent to the importation of this product, which competes with duty-free oxide. This is true despite cost and technical advantages which the use of ferronickel provides in steelmaking. Furthermore, under existing economic and technological conditions domestic reserves of nickel-bearing ores used in the manufacture of ferronickel are limited and may be depleted, at the present rate of production, within the next two decades.

EFFECT OF DUTY SUSPENSION ON GOVERNMENT STOCKPILE

Surplus U.S. Government stocks of nickel in all forms amounts to about 165,000 short tons, or 330 million pounds, having a present market value of between 75 and 79 cents per pound. Acquisition cost of this nickel averaged 64 cents per pound. While removal of the duties on the nickel products covered by the bill might have some depressing effect on the disposal price of Government surplus stocks, your committee is satisfied that such effect would be minor and that continued disposal of surplus Government stocks at a profit will be possible.

PROVISIONS OF THE BILL

The bill provides for duty-free treatment for the period beginning the day after enactment through June 30, 1967. Under the bill, duty-free treatment would be available only with respect to nickel, nickel powders, or ferronickel, imported from non-Communist countries. Such products imported from Communist countries would continue to be dutiable at the nonconcession rates of 3 cents per pound. The possibility of continuance of duty-free treatment beyond June 30, 1967, is provided for in section 2(b).

The first sentence of section 2(b) provides that duty-free treatment beyond June 30, 1967, shall not apply except pursuant to a trade agreement which is entered into under the Trade Expansion Act of 1962 before July 1, 1967.

The second sentence of section 2(b) gives the President the authority to grant an extension of the duty-free treatment beyond June 30, 1967, in a trade agreement, such as the one which is now being negotiated in the Kennedy round of trade negotiations in Geneva, in which the United States will obtain reciprocal concessions. These negotiations are being conducted on the part of the United States under the authority of the Trade Expansion Act of 1962. The second sentence of section 2(b) therefore provides, in effect, that the temporary duty-free treatment provided by the bill shall be considered permanent duty-free treatment for purposes of the President's authority under section 201 of the Trade Expansion Act. In the absence of a trade agreement with respect to the products concerned entered into prior

to July 1, 1967, the present U.S. duty on these products will be reinstated on that date.

In connection with any agreement for the continuance beyond June 30, 1967, of the duty-free treatment of the products covered by the bill, the pertinent provisions of the Trade Expansion Act of 1962 will apply, including the preagreement procedures in section 221 et seq. The staging requirements of section 253 would not apply, since they apply only to the reduction of a duty, as opposed to the continuation of duty-free treatment.

CHANGES IN EXISTING LAW

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

TARIFF SCHEDULES OF THE UNITED STATES

APPENDIX TO THE TARIFF SCHEDULES

PART 1. Temporary Legislation

Item	Articles	Rates of duty		Effective period
		1	2	
	<p style="text-align: center;">* * *</p> <p style="text-align: center;">SUBPART B—TEMPORARY PROVISIONS AMENDING THE TARIFF SCHEDULES</p> <p>Subpart B headnotes:</p> <p>1. Any article described in the provisions of this subpart, if entered during the period specified in the last column, is subject to duty at the rate set forth herein in lieu of the rate provided therefor in schedules 1 to 8, inclusive.</p> <p>2. Articles exempted under item 915.20 from the payment of duty shall be exempt also from the payment of any internal revenue tax imposed upon or by reason of importation.</p>			
911.21	<i>Ferronickel (provided for in item 607.25, part 2B, schedule 6)</i>	<i>Free</i>	<i>3¢ per lb.</i>	<i>On or before 6/30/67.</i>
911.22	<i>Unwrought nickel (provided for in item 620.02, part 2E, schedule 6)</i>	<i>Free</i>	<i>3¢ per lb.</i>	<i>On or before 6/30/67.</i>
911.23	<i>Nickel powders (provided for in item 620.32, part 2E, schedule 6)</i>	<i>Free</i>	<i>3¢ per lb.</i>	<i>On or before 6/30/67.</i>

