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REPORT
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TARIFF CLASSIFICATION ACT OF 1962

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

REPORT

[To accompany H.R. 10607]

The Committee on Finance, to whom was referred the bill (H.R. 10607) to amend the Tariff Act of 1930 and certain related laws to provide for the restatement of the tariff classification provisions, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. PURPOSE

The purpose of H.R. 10607 is to provide for the adoption and implementation of revised tariff schedules and to make certain amendments in existing law necessitated by the adoption of such revised schedules.

II. GENERAL STATEMENT

A. BACKGROUND

In the Customs Simplification Act of 1954, as amended, the Congress directed the U.S. Tariff Commission to—

make a complete study of all the provisions of the customs laws of the United States under which imported articles may be classified for tariff purposes * * *

and to—

compile a revision and consolidation of such provisions of the customs laws which, in the judgment of the Commission, will accomplish to the extent practicable the following purposes:—

(1) Establish schedules of tariff classifications which will be logical in arrangement and terminology and adapted to the changes which have occurred since 1930 in the character

and importance of articles produced in and imported into the United States and in the markets in which they are sold.

(2) Eliminate anomalies and illogical results in the classification of articles.

(3) Simplify the determination and application of tariff classifications.

The directive to the Tariff Commission called for the above to be accomplished without changing rates of duty other than those incidental rate changes which the Commission deemed necessary in order to accomplish the objective sought. When incidental rate changes were foreseen by the Tariff Commission as being involved in their proposals, the Congress directed that the Commission hold hearings and afford interested parties an opportunity to be heard with respect to the probable effect of any such suggested change on any industry in the United States.

The need for a complete overhauling of the tariff schedules of the United States was demonstrated in the Committee on Ways and Means unanimous report which accompanied the bill which was enacted as the Customs Simplification Act of 1954:

* * * Since the tariff classification descriptions were drafted in the light of the known commodities involved in international trade in the late 1920's, even experienced importers and administrative officials frequently find difficulty in deciding which tariff classification is correct.

These difficulties are complicated by the fact that the tariff classification schedules do not follow any systematic or uniform pattern or set of principles.

There was little disagreement among the witnesses who appeared before the committee that a restatement of tariff classifications to reflect changes which have occurred in imports since 1930, to simplify the methods of standards of classification, and to remove anomalies is desirable.

On March 15, 1955, in accordance with the requirement therefor in the Customs Simplification Act of 1954, the Tariff Commission submitted to the President and to the chairmen of the Committee on Ways and Means of the House and the Committee on Finance of the Senate an interim report on the study which had been initiated following the passage of the 1954 act. The interim report treated with some of the problems which the Tariff Commission hoped to resolve in the course of its study as well as the basic principles which the Commission would follow in performing the task assigned to it. The Commission also treated in this interim report with the then long-range question of how the revised schedules which would come out of the study should be implemented and placed into effect.

Following its first efforts at setting up new tariff schedules, the Tariff Commission released proposed new schedules dealing with all of the articles of commerce involved in U.S. trade. Public hearings were held at various times during calendar years 1958 and 1959 at which interested parties were given opportunity to appear and to present their views relative to such proposed schedules. Approximately 1 month's time was devoted to these public hearings. Further, the committee is advised that the Tariff Commission staff held many conferences both in Washington and outside the city with parties

interested in this matter from both a domestic producer and importer point of view. The Tariff Commission consulted also with other agencies of the Government and solicited and received assistance from such agencies.

In November of 1960, the Tariff Commission transmitted to the aforementioned chairmen the report of the results of its study. The proposed revised tariff schedules are set forth in the second volume of this report. The first volume of the report consists of the Tariff Commission's formal submitting report, together with reprints of related material having to do with the Commission's approach to this task. The remaining eight volumes of the report each cover (1) one particular proposed tariff schedule in question, (2) the Tariff Commission's explanatory notes, including explanation of any incidental rate change included in such proposed tariff schedule, (3) the provisions of existing law which are affected by such schedule, (4) the draft schedule on which hearings were based, and (5) the written statements received by the Tariff Commission from interested parties and the transcript of the testimony given at the public hearings held on such schedule. The proposed "Tariff Schedules of the United States"—the name of the composite proposed schedules—consists of eight new schedules. Public hearings were held, and interested parties were given an opportunity to be heard, with respect to all matters included within all eight proposed schedules.

The proposed new tariff schedules constitute a marked improvement over the existing tariff provisions governing imports into the United States. While the proposed schedules do involve some incidental rate changes, the Tariff Commission stated:

In general, it can be stated that, to the best of the Commission's knowledge and belief, the proposed revised schedules do not involve significant rate changes. By this it is meant that, where rate changes have been proposed, (1) the change itself is small and would not affect trade, or (2) that the change, even if large in absolute amount, is unimportant because of the unimportance of the article in international trade.

Following receipt of the Commission's report of November 1960, the House Ways and Means Committee issued an invitation to interested parties to submit comments on the proposals of the Tariff Commission, as well as on a bill then pending before the House which proposed a procedure whereby the tariff schedules would be implemented.

That committee received many endorsements of the Tariff Commission's proposals and the bill and some which raised questions with regard to specific classifications. The Tariff Commission was then requested to look into the matters raised in these objections and to reexamine those particular classes.

The Tariff Commission established contact with the interested parties in question and arranged for conferences with such parties where such an approach was indicated. In October of 1961 the Commission announced a hearing covering the matters raised by these parties and the hearings were held in November. Again, the Commission conferred at length with many of the parties and also held further conferences with officials of other Government agencies.

The results of the Commission's reexamination of the proposed schedules are reflected in a supplemental report of the Congress submitted in January of 1962. As a result of this reexamination the Commission made certain changes in its original proposals which are included in this supplemental report. In the main, the changes made reflect inadvertencies called to the Commission's attention during the course of this reexamination as well as certain changes made because information was then supplied to the Commission for the first time. Thus, the Tariff Schedules of the United States which would be adopted and implemented by H.R. 10607 consists of the original proposed tariff schedules as changed in part by the supplemental report of January 1962.

The Commission's proposed schedules are now in a form which warrants the Congress to take the steps necessary to allow their being put into effect and replacing our present outdated tariff schedules.

B. SUMMARY OF THE BILL

In the detailed, technical analysis of H.R. 10607 which follows, the procedure whereby the changeover from our present tariff schedules to the new Tariff Schedules of the United States is fully set forth. As soon after the present legislation is enacted as is practicable, the President will take steps which he deems necessary to bring the several trade agreement schedules of the United States into line with the new tariff schedules. This conforming process will not involve changes in the new tariff schedules; the trade agreement schedules will be changed to conform to the new tariff schedules. The only changes which can be made in the tariff schedules, after the enactment of the bill, will be those which the Tariff Commission finds are required to be made by virtue of legislation, court decisions, or authoritative administrative decisions, all of which necessarily must be reflected in the new tariff schedules. Certain other changes, such as those necessary to correct errors or inadvertent omissions or to clarify language cannot be made until reviewed by the Congress. The Tariff Commission will hold hearings and give interested parties an opportunity to be heard with respect to any proposed changes in the tariff schedules, and the Commission is required to transmit to the Congress the record of such hearings, including written statements received, oral testimony, and Commission comments on the matters involved. The same standards which governed the Commission in the preparation of the tariff schedules will apply to subsequent Commission action on these schedules.

The Commission's study did not generally embrace the administrative provisions of the customs laws. However, since there are changes made in the tariff treatment of certain metal-bearing materials and of certain metals in the proposed schedules, it is necessary that certain incidental revisions be made in the provisions of section 312 of the Tariff Act of 1930 relating to bonded smelting and refining warehouses. It is believed that these incidental revisions of section 312 will substantially clarify the existing provisions and generally facilitate customs administration.

As soon as the President has taken the action he deems necessary to bring the trade agreement schedules into conformity with the new tariff schedules, he is then required to proclaim the new schedules and the same will then become effective.

This bill does not in any way detract from or remove any of the existing provisions of law concerning judicial review of executive or administrative action. The present judicial review procedures will continue in force before and after the new tariff schedules are made effective.

The bill also provides that articles, the growth, produce, or manufacture of Cuba, imported on or after the date of enactment of H.R. 10607, are to receive the same customs treatment as is presently in effect pursuant to Presidential action under section 5 of the Trade Agreements Extension Act of 1951, as amended, with respect to products of other Communist dominated or controlled countries or areas. In general, this will result in Cuban products being assessed with the highest rate of duty applicable under existing law and this treatment of Cuban products will continue after the adoption of the proposed tariff schedules. The recent proclamation (Proclamation No. 3447; 27 F.R. 1085) of the President under section 620(a) of the Foreign Assistance Act of 1961 (75 Stat. 445; Public Law 87-195) imposed an embargo on Cuban imports. Nothing in H.R. 10607 in any way affects such embargo; the embargo will continue in full force and effect after the passage of this bill.

The provisions of H.R. 10607 pertaining to Cuban imports do not apply to any Cuban products which are presently in the United States which have not been entered for consumption. When these products are released from customs custody, duties will be assessed at the rates prevailing at the time with respect to Cuban articles entered from customs warehouse for consumption. Thus, such products would continue to be admitted subject to preferential rates of duty where the same are applicable. These articles which are presently in the United States and which are owned by U.S. residents and which have been paid for should not be penalized by having to pay increased duties. Such action would not in any way benefit Cuba or the present Cuban Communist government.

Also, there are certain existing rates of duty applicable to products of the Republic of the Philippines and other countries which are either expressed in terms of percentages of present Cuban rates of duty or whose levels are controlled by present Cuban rates of duty. The bill would not in any way disturb this rate structure and such rates as are presently computed on, or controlled by, Cuban rates of duty would continue to be so computed and controlled as if this section of H.R. 10607 had not been enacted into law.

Finally, the bill would bring about the restoration of Cuban imports to the status to which they would have been entitled had this bill not been enacted, whenever the President determines and proclaims that Cuba is no longer a Communist-dominated nation.

The adoption and implementation of the Tariff Schedules of the United States will be a major step forward in the simplification of the U.S. customs laws. The new format of the schedules is expected to contribute materially to ease the work of those members of Government and the public who are concerned with international trade.

III. TECHNICAL EXPLANATION OF THE BILL

The bill is divided into five separate titles, as follows:

- Title I—Adoption of Revised Tariff Schedules.
- Title II—Administrative and Saving Provisions.
- Title III—Amendments and Repeals.
- Title IV—Tariff Treatment of Cuban Products.
- Title V—Effective Date.

The provisions in each of these titles are analyzed and explained below.

TITLE I—ADOPTION OF REVISED TARIFF SCHEDULES

Title I contains the provisions which establish the legislative method for bringing the Tariff Schedules of the United States (hereafter in this report referred to as the tariff schedules) into effect. In general, the tariff schedules consist of the following:

- (a) General headnotes and rules of interpretation;
- (b) Eight schedules, the first seven of which comprise the basic tariff structure and the last of which contains special classification provisions; and
- (c) An appendix of related temporary and collateral measures.

Under sections 101, 102, and 103 of the bill, the framework of the tariff structure—as embodied in the tariff schedules—retains its statutory status. The subordinate rate modifications under the trade-agreements legislation, as well as collateral restrictions, retain their status as executive action under delegated authority with certain unimportant exceptions.¹ An important difference, however, is that in the tariff schedules the statutory and proclaimed provisions are consolidated into a single formal document which will be subject to direct amendment by the Congress, and direct modification by the President pursuant to such delegated authority as is vested in him from time to time in other statutes. At the present time, rate modifications are made indirectly, i.e., the President's proclamations contain provisions the effects of which must be interpreted by administrative officers and set forth in an unauthoritative compilation for the use of interested persons. In the new schedules, general headnote 4 of the general headnotes and rules of interpretation spells out the differences between statutory rates of duty and proclaimed rates of duty.

The existing basic tariff structure is set forth in the Tariff Act of 1930, as amended and modified, title I, of which is the "dutiable list" and title II of which is the "free list." Section 101(a) of the bill repeals titles I and II, and substitutes therefor "Title I—Tariff Schedules of the United States." Inasmuch as the existing free list provisions have been assimilated in the tariff schedules with other provisions covering dutiable articles, there is no need for a counterpart to existing title II of the Tariff Act of 1930.

Section 101(b) of the bill describes the tariff schedules and incorporates them by reference. The tariff schedules consist of the proposed schedules included in the Tariff Commission's report of November 15, 1960, as changed by the First Supplemental Report of January 1962. Although the tariff schedules so described are in one sense final, it is important to note that sections 101(b)(4) and 101(c)(1) provide for

¹ The exceptions are a few existing rates proclaimed under the trade-agreements authority and pursuant to sec. 336 of the Tariff Act of 1930 (the so-called flexible tariff provision). Such rates are set forth in column No. 2 of the new schedules and would be treated as original statutory rates.

their correction and amendment by the Tariff Commission in supplemental reports to be made to the Congress and the President. This authority is included for the purpose of incorporating in the tariff schedules interim changes made by statute or under authority of law, for correcting error, and for making such other changes as are shown by continued review to conform to the purposes and standards of the tariff study, i.e., the purposes and standards the Tariff Commission "applied in its report of November 15, 1960."

Section 101(c)(1) contemplates that prior to the submission of any supplemental report to the President and the Congress involving any changes in the tariff schedules, the Tariff Commission afford interested parties an opportunity to submit written views and to be heard regarding any such proposed changes. In the Commission's supplemental reports, any such written views and any testimony would have to be included, together with the comments of the Commission thereon. It is expected that the Commission would solicit the assistance of other interested agencies during the course of the preparation of any supplemental report.

Section 101(c)(2) of the bill provides that no changes submitted by the Tariff Commission under section 101(b)(4)(B) will become effective unless, following the date on which the supplemental report was submitted to the Congress and before the date on which the tariff schedules are published pursuant to section 101(d), a period of 60 calendar days of continuous session of the Congress has elapsed.

Section 101(c)(3) of the bill provides that no changes included by the Tariff Commission in supplemental reports submitted after the date of enactment shall become effective unless included in the Tariff Schedules of the United States published by the President pursuant to section 101(d).

Section 101(c)(4) of the bill provides that with respect to any proposed revision of existing law in the new schedules as to the withdrawal of which the Commissioners voting were equally divided, the Commission shall make changes to insure that existing law will apply to such articles. Thus, when the Commissioners voting divide equally on the question of withdrawing a proposed revision of existing law, the Commission is obliged, in its supplemental reports submitted in accordance with section 101(b)(4) and (c), to change the proposed provision to insure that existing law will apply to such articles.

Section 101(d) requires the President to cause a complete text of the Tariff Schedules of the United States to be published at the earliest practicable time prior to their effective date. This text will combine the material previously published in the original and supplemental reports of the Tariff Commission, except that the President is not required to include changes proposed by supplemental reports submitted after the date of the enactment of the bill. In addition, any change submitted pursuant to section 101(b)(4)(B) cannot be included unless a period of 60 calendar days of continuous session of the Congress has elapsed following the date on which the supplemental report containing the change was submitted to the Congress.

Mention is made above of the fact that the present tariff structure is comprised of statutory provisions, together with subordinate and collateral provisions proclaimed by the President under delegated authority. Sections 102 and 103 of the bill are designed to retain this distinction in the tariff schedules. At the present time, the pro-

visions under which the bulk of the import trade of the United States is classified for tariff purposes are "modified" provisions subject to concessions made by the United States in foreign trade agreements and proclaimed by the President under authority of trade-agreements legislation. The existing U.S. schedules annexed to foreign trade agreements are expressed in a format which exactly parallels the format of the Tariff Act of 1930, and related tariff provisions. The conversion of these trade-agreement schedules into the new format will require the President to enter into negotiations with the other contracting parties. The President is directed by section 102 to take such action as he deems necessary to conform the trade-agreement schedules to the tariff schedules at the earliest practicable date.

Section 102 authorizes the President to proclaim four different types of provisions in the tariff schedules. Paragraph (1) relates to the rates of duty and other permanent provisions of the schedules which are required or appropriate to carry out foreign trade agreements of the United States. Paragraph (2) relates to the temporary modifications of the new schedules proclaimed pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended (the escape-clause procedure), or other trade-agreements legislation and set forth in part 2 of the appendix to the new schedules. Paragraph (3) relates to the additional import restrictions proclaimed pursuant to section 22 of the Agricultural Adjustment Act, as amended, and set forth in part 3 of the appendix to the new schedules. Paragraph (4) relates to the lists of countries set forth in general headnote 3(d) of the new schedules whose products have been denied the benefits of trade-agreement concessions under section 5 of the Trade Agreements Extension Act of 1951, or under section 350(a)(5) of the Tariff Act of 1930, as amended.

Section 103, in conjunction with sections 101 and 102, provides explicitly for the retention in the tariff schedules of the essential distinction between the statutory provisions and the subordinate or collateral proclaimed provisions. Under section 103 of the bill, all the provisions of the new schedules will have the status of statutory provisions, except (1) the reduced rates in column No. 1 of schedules 1 to 7, inclusive, (2) the names of countries in general headnote 3(d), and (3) the proclaimed provisions in the appendix. The excepted provisions will have the status of proclaimed, or nonstatutory, provisions.

Section 104 is designed to insure an orderly transition from the existing tariff provisions into the new tariff schedules with respect to investigations which are instituted under existing law and on the basis of which modifications in the tariff schedules may be proclaimed on or after their effective date.

Section 104(1) relates to investigations, such as the peril-point and escape-clause investigations under section 3 and section 7, respectively, of the Trade Agreements Extension Act of 1951, as amended, and the investigations under section 22 of the Agricultural Adjustment Act, as amended. Notices and findings or recommendations made in connection with such investigations after the date of enactment of H.R. 10607 will be required to be expressed in terms of the tariff schedules, as well as of the existing provisions.

Section 104(2) relates to peril-point findings which have already been made by the Commission and reported to the President under section 3 of the Trade Agreements Extension Act of 1951, as amended.

The Commission will, upon request of the President, restate any of its peril-point findings so as to conform them to the tariff schedules to the fullest extent practicable.

Section 104 also specifically gives legal status to any such findings or recommendations expressed in terms of the tariff schedules so that any action predicated thereon after the new schedules become effective will be valid.

TITLE II—ADMINISTRATIVE AND SAVING PROVISIONS

When the Tariff Schedules of the United States are in effect, the Tariff Commission will be authorized by section 201 of H.R. 10607 to issue, at appropriate intervals, and to keep up to date, a publication containing the current tariff schedules and related matters, including such matter as may be needed for reporting statistics. The publication of a compilation of the tariff schedules and related matters is merely an extension of a function which the Commission has performed in the past of compiling and publishing a volume entitled "Import Duties of the United States." In addition to current tariff schedules, the book will include related special and administrative statutory provisions as well as matter integrated into the schedules to provide for adequate statistical reporting with respect to imports.

Section 202(a) of this bill saves the jurisdiction of the courts over protests filed by or on behalf of importers and of domestic producers under sections 514 and 516(b), respectively, of the Tariff Act of 1930 in connection with issues arising under the existing tariff provisions. Neither the provisions of this bill nor the Tariff Schedules of the United States divest the courts of such jurisdiction under section 514.

Section 202(b) of the bill prevents domestic manufacturers' protests which may be pending before the courts under section 516(b) of the Tariff Act of 1930, from becoming moot at the time the tariff schedules go into effect.

Section 202(c) provides that when a domestic manufacturer's protest (relating to articles entered, or withdrawn from warehouse, for consumption before the effective date of the tariff schedules and filed under section 516(b) of the Tariff Act of 1930, as amended) is sustained in whole or in part by final judicial decision, the Commission is required to report to the President such changes in the tariff schedules as previously proclaimed by him pursuant to section 102 of H.R. 10607 as the Commission decides are necessary to conform the tariff schedules to the fullest extent practicable to the substance of such final decision. The President is required to make such changes.

Section 203 of the bill relates to the application of certain provisions of section 350 of the Tariff Act of 1930, as amended, which prescribe the limits on the authority of the President to proclaim such decreases or increases in rates of duty as are required or appropriate to carry out foreign trade agreements to which the United States is a contracting party. The fixed limits on decreases in rates of duty are expressed in relation to the rates of duty existing on July 1, 1958; the fixed limits with respect to increases are expressed in terms of the rates of duty existing on July 1, 1934. Accordingly, it is necessary that these provisions be adjusted to conform to the tariff schedules to enable the President to proclaim such modifications thereunder as may be required or appropriate after the new schedules go into effect.

Section 203(1) of the bill provides for the treatment of the rates of duty in rate column No. 2 of schedules 1 to 7, inclusive, as the rates of duty existing on July 1, 1934. Section 203(2) provides for the treatment of the rates of duty in column No. 1 in schedules 1 to 7, inclusive, as the rates of duty existing on July 1, 1958. However, an exception to this latter provision directs the Commission to specify in supplemental reports "column 1 rates" which conform to the fullest extent practicable to the rates which did in fact exist on July 1, 1958.

TITLE III—AMENDMENTS AND REPEALS

The adoption of the tariff schedules requires a number of existing provisions of law to be repealed or amended. Title III of the bill is devoted to this purpose.

Section 301(a) of the bill repeals or amends certain provisions of the Tariff Act of 1930, as amended. The substance of sections 301, 308, 489, 504, and 508 of the Tariff Act of 1930, as amended, has been assimilated into the tariff schedules.

Section 301(b) of the bill amends section 312 of the Tariff Act of 1930 relating to the operation of bonded smelting and refining warehouses. The revision of section 312 of the Tariff Act of 1930, as amended, changes certain practices presently in effect thereunder. These changes arise under subsections (c), (e), and (f). Subsection (c) provides that, when bond charges are canceled under certain paragraphs of subsection (d), "due allowances shall be made for wastage of metals other than copper, lead, and zinc, as ascertained from time to time by the Secretary of the Treasury." This provision continues the present practice with respect to wastage of metals other than copper, lead, or zinc. However, parts 1 and 2 of proposed schedule 6 provide for certain deductions with respect to the ascertainment of the dutiable quantities of copper, lead, and zinc in imported materials, and these deductions will also be applicable when bond charges are canceled in accordance with the provisions of subsection (b).²

Subsection (e) is an entirely new provision. This will permit two or more warehouses to be included under one general bond. This proposal will streamline bonding procedures and at the same time provide for more effective customs control of the materials on hand in bonded smelting and refining warehouses. At the present time, in order to keep charges against the bond within the limits of the physical metal at each plant, much paperwork is entailed. Numerous transfers of bond charges between plants are made without physical shipment of metal. It is difficult to complete an audit of a plant at any particular time because of transfers in process which may be in the mails or on hand in the collector's office but not yet posted. Under the proposed revision, it is contemplated that, for audit and control purposes, regulations might be issued requiring that an overall monthly statement covering all the metal on hand in each plant subject to the bond be filed with the Bureau of Customs and with each collector of customs involved.

Subsection (f) defines the terms "metal-bearing materials," "smelting or refining," and "product of smelting or refining." The term

² Headnote 4 of pt. 1 of schedule 6 provides for deductions for losses on the copper, lead, or zinc content of imported ores or metal-bearing materials covered by said pt. 1. Pt. 2 imposes specific duties only on 99.6 percent of the copper content of black copper, blister copper, anode copper, and copper waste and scrap, and of the lead content of lead bullion and lead waste and scrap.

"metal-bearing materials" is used in lieu of the words "ores or crude metals" in existing section 312. The definition of "metal-bearing materials" conforms substantially with, and explicitly sets forth, the interpretation which has been given to "ores or crude metals."

The definition of the term "smelting or refining" is broader in scope than the interpretation which has been given thereto. It extends the benefits of section 312 to all metal alloys in unwrought forms whereas, at present, such benefits are not allowed with respect to an unwrought alloy produced by combining unwrought metals. The language which includes within the smelting or refining concept processes "for the treatment of metal-bearing materials to reduce the metal content thereof to a metallic state in the course of recovering it * * * in the form of oxides or other compounds which are obtained directly from the treatment of materials provided for in part 1 of schedule 6" is designed to insure the continuation of the substance of the existing practice which, for example, treats as "metal producible" zinc oxides produced directly from imported concentrates. This definition does not contemplate broadening the smelting or refining concept to embrace the operations of a chemical plant, and does not include the processing of unwrought metal or metal waste and scrap into oxides or other compounds or the processing of oxides or other compounds to improve their quality.

One other change in language deserves comment. Section 312 presently provides that—

* * * the bonds shall be charged with a sum equal in amount to the regular duties which would have been payable on such ores and crude metals if entered for consumption at the time of their importation * * *.

The last sentence of proposed subsection (a) permits the bond charges to be adjusted upward or downward to accommodate any changes in rates of duty which might be enacted or proclaimed while the imported materials are still covered by the bond.

Section 302 of the bill provides for certain required repeals and amendments in the provisions of the Internal Revenue Code. The Internal Revenue Code presently includes a number of provisions under which import taxes are imposed. These taxes are the equivalent of duties and should be a part of the tariff schedules. Therefore, these provisions have been assimilated into the new schedules.

Section 303 of the bill provides for other amendments and repeals, none of which involves a change of substance.

TITLE IV—TARIFF TREATMENT OF CUBAN PRODUCTS

Presidential Proclamation 3447, dated February 3, 1962 (27 F.R. 1085), imposed an embargo on all trade between the United States and Cuba. Section 401 of the bill does not affect such embargo in any way.

Section 401(a) of the bill declares Cuba to be a nation described in section 5 of the Trade Agreements Extension Act of 1951, as amended (i.e., a nation dominated or controlled by the foreign government or foreign organization controlling the world Communist movement), and provides that products of Cuba imported on or after the effective date of the bill shall be denied the benefits of concessions contained

in any trade agreement entered into under authority of section 350 of the Tariff Act of 1930, as amended. The effect of this provision is to suspend the application of preferential and most-favored-nation tariff treatment to products of Cuba imported into the United States and to accord to such products the more restrictive treatment applicable to the products of the U.S.S.R. and other Communist nations or areas designated by the President pursuant to the said section 5. The more restrictive treatment would not apply to Cuban products already in the United States.

Section 401(b) limits the effect of subsection (a) to products of Cuba. The existing Philippine preferences and certain other rates of duty based upon the Cuban preferences will continue to be accorded as if the Cuban preferences had not been suspended.

Section 401(c) restores the benefits of trade-agreement concessions to products of Cuba on the date on which the President proclaims that he has determined that Cuba is no longer dominated or controlled by the foreign government or foreign organization controlling the world Communist movement.

Section 401(d) suspends legislation relating to the implementation of the treaty with Cuba concluded on December 11, 1902, during the period that section 401(a) applies.

TITLE V—EFFECTIVE DATE

Under section 501(a) of H.R. 10607, the tariff schedules and the amendments and repeals of existing provisions (except for the amendment of section 4501(a) of the Internal Revenue Code, effected by section 302(a) of the bill, insofar as it pertains to manufactured sugar manufactured in the United States) will become effective with respect to articles entered, or withdrawn from warehouse, for consumption on or after the 10th day following the date of the President's proclamation provided for in section 102 of the bill. The remaining provisions of the bill (except the amendment made by sec. 302(a)) will become effective on the date the bill is enacted.

Section 501(b) makes the amendment by section 302(a) effective on the 10th day following the date of the President's proclamation pursuant to section 102 in respect of manufactured sugar manufactured in the United States.

