

SUSPENDING THE DUTY ON NATURAL GRAPHITE

JULY 30 (legislative day, JULY 29), 1975.—Ordered to be printed

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

REPORT

[To accompany H.R. 7706]

The Committee on Finance, to which was referred the bill (H.R. 7706) to suspend the duty on natural graphite until the close of June 30, 1978, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

DESCRIPTION OF PROVISIONS

The first section of the bill amends subpart B, part 1 of the Appendix to the Tariff Schedules of the United States (TSUS) to add new item number 909.01 after item number 907.80 to suspend the column 1 rates of duty on natural graphite for a temporary period until June 30, 1978.

Section 2 of the bill applies the temporary duty suspension to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment.

GENERAL STATEMENT

Natural graphite is currently imported under four items of the TSUS. The bill would suspend the column 1 rates of duty (applicable to imports from countries accorded nondiscriminatory (MFN) tariff treatment); the column 2 rates (applicable to imports from countries not accorded MFN treatment) would remain unchanged. The column 1 rates of duty on crystalline flake graphite valued not over 5.5 cents per pound (TSUS item 517.21) and valued over 5.5 cents per pound (TSUS item 517.24) are 7.5 percent ad valorem and 0.4 cents per pound (ad valorem equivalent based on 1974 imports of 3.1 percent), respectively. The corresponding column 2 rates of duty for both of

these items are 1.65 cents per pound. The column 1 rate of duty on graphite in crystalline lump or chip form (TSUS item 517.27) is 2.5 percent ad valorem; the column 2 rate is 30 percent ad valorem. Imports of other forms of natural graphite (TSUS item 517.31) already enter duty-free under column 1; the column 2 rate is 10 percent ad valorem.

Graphite, or plumbago, is found naturally as a mineral and marketed in two commercial classes—crystalline and amorphous—as flake, lump, chip, dust, or fine powder. The industry commonly blends different graphites to obtain a final product having the desired properties for specific uses, mainly in foundry facings, steelmaking, lubricants, refractories, pencils, and batteries. Processing and selling are generally done on a custom basis for the specialized market. Alternate materials cannot substitute for natural graphite in many uses except at substantially higher cost.

There is only one operating domestic graphite mine, which produces only small-flake crystalline. Domestic production is reportedly about 2,000 tons per year, only a minor share of domestic consumption, which totalled about 71,000 short tons in 1973. Graphite deposits have been reported in 25 States and commercial quantities have been produced at times in 17 States. Slow market growth, high production costs, and low-grade ore have restricted domestic commercial recovery.

The single domestic producer, as well as its parent firm, reportedly import about 2,000–3,000 short tons of high quality natural graphite each year to augment domestic production. They blend it for their own use as well as for resale to other consumers. About a dozen companies import, process, and sell graphite products to a large number of manufacturing users.

United States imports of natural graphite have steadily increased since 1971 due to greater demand. Imports totalled 162 million short tons valued at \$5.4 million in 1974, an increase from 77 million short tons in 1973. Nearly 90 percent of total imports in 1974 were amorphous graphite mainly from Mexico already entering duty-free under TSUS item 517.31. About 10.2 million short tons valued at \$1.1 million were subject to column 1 rates of duty in 1973. The Malagasy Republic supplies about two-thirds of United States imports of crystalline natural graphite. The U.S.S.R. and the People's Republic of China supply some graphite under column 2 rates of duty.

Certain grades of natural graphite are considered essential to the national defense and have been designated strategic materials. These grades include lump graphite from Ceylon and flake graphite from the Malagasy Republic. Virtually all surplus graphite in United States Government stockpiles has been committed to purchasers in competitive offerings. As a result, and because of a reduction in world production while demand has increased, the prices of graphite for industrial consumers have been increasing substantially.

The parent firm of the single domestic producer is seeking the duty suspensions. No unfavorable comment was received by the Committee from the general public on this bill. No executive agencies objected to this bill.

COSTS OF CARRYING OUT THE BILL AND EFFECT ON THE REVENUES
OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect on the revenues of the bill. The Committee estimates that the temporary suspension of duties on natural graphite provided by the bill would result in a loss in revenues of approximately \$54,820 in the first full year of enactment based on 1974 imports.

VOTE OF COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote of the committee on reporting the bill. This bill was ordered favorably reported by the committee without a roll call vote and without objection.

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, as reported, 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

Item	Articles	Rates of duty		Effective period
		1	2	
	PART 1.—TEMPORARY LEGISLATION			
	* * *			
	Subpart B.—Temporary Provisions Amending the Tariff Schedules			
	* * *			
907.80	Logwood, canaigre, chestnut, curupay, divi-divi, eucalyptus, hemlock, larch, tara, mangrove, myrobalan, oak, quebracho, sumac, urunday, wattle, and valonia, all the foregoing provided for in items 470.15, 470.23, 470.55, 470.57, and 470.63, part 9A, schedule 4.	Free	Free	On or before 9/30/75.
908.01	Graphite, crude and refined, natural (provided for in item 617.21, 617.24, or 617.27, part 1E, schedule 6).	Free	No change	On or before 6/30/78.
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