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ORIGINAL

UNITED STATES SENATE

HEARINGS

BEFORE THE COMMITTEE

on
FINANCE

Executive Session

May 14, 1981

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ORIGINAL

EXECUTIVE SESSION

Thursday, May 14, 1981

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U. S. SENATE,
Committee on Finance,
Washington, D. C.

The committee met, pursuant to notice, at 9:00 a.m.,
in room 2221, Dirksen Senate Office Building, Hon. John
Heinz, (acting chairman), presiding.

Present: Senator Heinz, Bentsen, Moynihan, Baucus
and Mitchell.

1 Senator Heinz. (Acting chairman), presiding. The
2 agenda for the mark-up this morning includes two items in
3 this Executive Session, S. 745, unpaid claims of U. S.
4 Citizens against the Government of Czechoslovakia, and
5 the second item is the authorization of appropriations for
6 the U. S. Customs Service.

7 I will let the staff explain the first item.

8 Mr. Lighthizer. Mr. Chairman, Claude will give the
9 background on both items.

10 Mr. Gingrich. Mr. Chairman, S. 754, as introduced by
11 Senator Moynihan, would amend the Trade Act of 1974, to
12 preclude the extension of MFN trading status to nations
13 which have expropriated properties of American citizens
14 without providing compensation.

15 Senator Moynihan has indicated, however, that he
16 is prepared to amend the bill introduced to provide for the
17 payment of certain unpaid claims of U. S. citizens against
18 the Government of Czechoslovakia from the sale of certain
19 Czech gold presently held in the Federal Reserve Bank in
20 New York.

21 Proceeds from the proposed sale would be invested,
22 the claims settled from the interest earned thereon and the
23 proceeds thereafter returned to Czechoslovakia.

24 Senator Heinz. Senator Moynihan, you have worked
25 very hard on this.

1 Senator Moynihan. Mr. Chairman, I would make the
2 point that this legislation made sense to Congress in 1958.
3 Our Ambassador will be in Prague shortly. This appears to
4 us an equitable and sensible way. We have the gold. It
5 is invested in Treasury bonds and in a not very long period
6 payment can be paid off to these claimants before they die.
7 And then the gold will be returned to Czechoslovakia and
8 let that be a lesson, it took a quarter century to get it
9 back.

10 Senator Heinz. I would only add this issue has a
11 very long history. Senator Moynihan mentions the 25 years
12 of negotiations. The negotiations have not always appeared
13 to be in the very best interest of the claimants on our
14 side of the Atlantic.

15 Indeed, in the 1974 Trade Act there was specific
16 section, indeed, that prohibited the state department to
17 settlement going into effect. Congress in effect said, "No
18 that is not going to set a very good precedent," and as a
19 result that settlement was blocked. We have arrived at this
20 particular solution.

21 Senator Mitchell. Mr. Chairman, may I say a word on
22 this?

23 Senator Heinz. Senator Mitchell.

24 Senator Mitchell. Thank you, Mr. Chairman.

25 I have reviewed the proposal carefully. I spent some

1 time as a Federal Judge. In that time most judges always
2 search for the perfect solution to a case in which one could
3 render a decision that favored everyone.

4 I congratulate Senator Moynihan, henceforth to be
5 known as Senator Solomon for devising such a solution here.
6 Nobody loses anything by the proposal, everybody gains. The
7 Czech government will receive eventually that which they own
8 and to which they are entitled and the claimant will be
9 reimbursed.

10 I think it is a remarkably ingenious solution, a fair
11 one, considering the circumstances. Indeed, it could have
12 gone further.

13 Senator Moynihan. May I say, your Honor, it is named
14 for an Italian economist at the turn of the century whose
15 name is Horatio Optimality.

16 Senator Mitchell. So, I support the proposal. I think
17 it makes eminent sense.

18 Senator Heinz. Senator Bentsen.

19 Senator Bentsen. Thank you, Mr. Chairman.

20 I just came over to offer my accolades to the solution.
21 I guess I can go back to my other work.

22 Senator Heinz. If there are no further amendments,
23 no comments, the chairman would move the adoption of the bill.

24 All in favor?

25 (Chorus of ayes.)

1 Senator Heinz. Opposed, no.

2 (No response.)

3 Senator Heinz. The chair hears none. The bill is
4 unanimously adopted.

5 Senator Moynihan. Mr. Chairman, Senator Long asked
6 he be reported in favor. I wonder if we could hold the bill
7 until Chairman Dole finds the time to --

8 Senator Heinz. The motion I made was to adopt the
9 bill, not to report the bill, for that reason, Senator
10 Moynihan.

11 Senator Moynihan. Thank you.

12 Senator Heinz. Any comment?

13 Mr. Lighthizer. No, Mr. Chairman. That was the
14 question I was going to ask.

15 Senator Heinz. Our next item is the authorization
16 of appropriations for U. S. Customs Service. The staff may
17 want to explain that.

18 Mr. Gingrich. Mr. Chairman, as you just said, the
19 next item on the agenda is the authorization of appropriations
20 for the U. S. Customs Service for fiscal year 1982.

21 Public hearings were held on this authorization on
22 April 3, 1981. The staff recommends that the committee
23 approve the Administration's request for an authorization of
24 \$480 million, and \$1,000.

25 Include in the bill a provision limiting overtime

1 payments to CAP at \$25,000 per employee, and include author-
2 ization of appropriations for mandatory, non-controlled
3 salary increases made in accordance with the Federal Pay
4 Comparability Act of 1970.

5 Senator Heinz. As I understand it, our version of
6 this bill is substantially simpler than the House version.

7 Mr. Gingrich. Yes, sir.

8 Senator Heinz. And that we do not put on a numerous
9 amount of special provisions and restrictions that the
10 Custom's Service would rather not have placed on them. Is
11 that correct?

12 Mr. Gingrich. That is correct, Senator.

13 Senator Heinz. There is one item of interest to the
14 chairman. One of the items we are dropping or have dropped
15 compared to the House bill is the direction to the Custom's
16 Service to conduct a six months test at two major airports
17 of new systems that facilitate passenger entry into the
18 United States.

19 There are two different kinds of systems, the red
20 door, green door system which you find in Europe, in many
21 European airports, whereafter an initial stop for passport
22 control, the passenger himself or herself makes the judgment
23 as to whether or not he has anything to declare and the one
24 stop system, the passenger makes the initial stop with
25 the Customs, Immigration people, with only his hand luggage

1 and they direct him either to straight on out or to
2 another stop with Immigration or Custom's or USDA personnel
3 as appropriate.

4 I understand that Custom's prefers the second
5 alternative and will test it.

6 Let me say that both experiments are very popular.
7 Red Door, Green Door is something every other country that
8 I visited has used at least in part.

9 I know that the Air Transport Association would like
10 to see a much broader test, and I know that the Custom's
11 Service only proposes to test, I believe the latter
12 alternative, in two airports. One of them is Senator
13 Moynihan's, New York City. Another is Miami, Florida.
14 Those are for large airports, perfectly appropriate places
15 to test. But those are two of the largest airports in the
16 United States and are not representative of many of the
17 other airports that don't do 10 million passenger transits
18 or 5 million passenger transits a year.

19 Indeed, most U. S. airports deal in the hundreds of
20 thousands of U. S. arrivals. I would like the report, our
21 report to indicate a great deal of interest on the part of
22 the committee, assuming there is no objection. But, there
23 should be testing in airports of moderate size.

24 Indeed, such tests are going to prove to be a lot
25 less costly. To the extent there is any risk involved, a

1 good deal less risky. You are dealing with a smaller number
2 of passengers. It is easier to make those tests. It will
3 render for the majority of other airports in the United
4 States, a much more meaningful test.

5 Indeed, it is conceivable that you could find in a
6 very large airport that the traffic was so large that it was
7 not a good solution. I don't wish to prejudge the results
8 in either Miami or in Senator Moynihan's New York. It
9 might turn out to be a very good solution in either of those
10 areas. But, it certainly is not, whatever is found is
11 going to be representative of the average significant U. S.
12 Port of Entry in the United States.

13 So, I, and I have discussed this with Senator Roth,
14 on the Finance Committee, and Senator Bradley, I know, all
15 feel the same. We all have a preference. We think Philadel-
16 phia would be a superb place to test a smaller version of
17 this system. There may be other airports as well.

18 But, it is terribly important and all three of us
19 feel this way, that a more moderate airport or airports be
20 included in the test.

21 So, I wanted to make that clear to the Custom's
22 Service. We hope that they will be sensitive to the views
23 of the members of the Finance Committee on this point.

24 ~~Senator Moynihan. Mr. Chairman, could I associate~~
25 myself with that statement?

1 Senator Heinz. Thank you very much, Senator Moynihan.

2 Does staff have any additional comments?

3 Any of the members have any comments or amendments?

4 (No response.)

5 Senator Heinz. One other item that is of a somewhat

6 -- one other item that I would like, unless there is

7 objection, handled in report language, which is that the

8 Custom's Service has been working on a so-called test of

9 the CEMP Program.

10 There is some substantial debate as to whether or

11 not it is something that can be meaningfully tested.

12 Moreover, there is a substantial amount of disagree-

13 ment as to whether the current test site which happens to

14 be the Port of Philadelphia meets the criteria established

15 for such a test.

16 There is general agreement in the discussions that

17 a number of us have had with the Treasury Department, that

18 the condition for the test ought to be that it is a healthy

19 port so that the test, it does not give a misleading result,

20 it involves a good deal more stringent Custom's procedures

21 than are normal in a port.

22 And, obviously, if it is tested in a port where

23 volume is in a decline, you couldn't get a meaningful

24 answer as to whether or not it was hurting traffic.

25 Secondly, it should be tested in a port where

1 diversion is hard to do. If it is tested in a port such
2 as Philadelphia or maybe even New York City, it is very
3 easy to divert to other ports. Obviously, that will make
4 it that much more difficult for the test to be read.

5 As a result, I would like the report language on
6 this authorization to indicate that we believe that if the
7 Custom's Service does decide to go ahead with such a test,
8 that they should understand that they are under an obligation
9 to choose a port that is healthy and a port where diversion
10 is hard to achieve. Otherwise, they will have a meaningless
11 test. They will hurt people who have a great deal of
12 potential for diversion.

13 The Port of Philadelphia, indeed, sandwiched as it
14 is between the great Port of New York and Baltimore, has
15 probably the greatest potential for diversion of any port
16 in the United States.

17 As a result, I would like to send the message to the
18 Custom's Service, it is going to have a test, it shouldn't
19 be a test because it was dreamed up by some pointed headed
20 individual in their research and development service that
21 doesn't take into account the real world.

22 If there is no objection from my colleagues, we will
23 supply you with appropriate language if you need it.

24 I thank my colleagues.

25 Do I hear a motion to act on the bill and report it

1 favorably?

2 Senator Moynihan. I move we adopt it and report it
3 favorably and in addition, in that report language, make
4 no reference to "pointy headed individuals," some of whom
5 are friends of mine.

6 (Laughter.)

7 Senator Heinz. With that explicit waiver on report
8 language, it will be enacted.

9 Senator Baucus. Mr. Chairman, does the bill now
10 contain on page 2, with regard to joint U. S. and Canadian
11 Custom --

12 Mr. Gingrich. No, sir, it does not.

13 Senator Bentsen. I understand the staff, I note
14 in the recommendations, are those in or out?

15 Mr. Gingrich. The three provisions that are in
16 Senator are the overtime pay CAP and the authorization for
17 non-controlled pay increases and the \$480 million authorization
18 figure.

19 Everything else we recommended not be included in the
20 bill.

21 Senator Bentsen. Not be included in the bill?

22 Mr. Gingrich. Yes, sir.

23 Senator Bentsen. So, as we would be reporting it out,
24 they are not in it; is that correct?

25 Mr. Gingrich. Yes, sir.

1 Senstor Bentsen. That is fine.

2 Senator Baucus. Mr. Chairman, I am just curious why
3 does the staff take out Canadian joint U. S.?

4 Mr. Gingrich. Customs is very much opposed to that
5 provision. There are serious administrative problems with
6 trying to administer a Custom's post in a foreign country.

7 There is also the question of if we do it with
8 Canada, why wouldn't we do it with Mexico.

9 Senator Baucus. Why did the House put it in?

10 Mr. Gingrich. The House put it in, as I understand
11 it, because in a trip that they took through Canada, they
12 came across a Custom's post on one side of the Canadian
13 border right across from a Custom's post of the other
14 country just across the border. They thought it looked
15 like a waste of Government funds on both Governments' part.

16 We talked to the Custom's Service about this. They
17 are afraid that the administrative problems of trying to
18 administer a joint U. S. and Canadian Custom's operation on
19 either side of the border would be prohibitive.

20 Mr. Horlich. They said there would be legal problems.
21 For example, if a U. S. Custom's officer is doing things in
22 Canadian territory and vice versa.

23 Senator Baucus. I am sure any lawyer could find legal
24 problems with anything. The question is whether they are
25 valid. Do you know if the House is fairly strong on this?

1 Are they insisting on this provision? Do you know?
2 Mr. Gingrich. No, sir, I don't know whether they are
3 or not.

4 Senator Baucus. Well, I think we can work this out
5 later on in our conference committee. I just think we should
6 do what we can to help the Canadians, to have an open door
7 policy to minimize barriers that are up.

8 I won't insist on putting it back in, Mr. Chairman. I
9 think we should at least look into it.

10 Thank you.

11 Senator Heinz. Senator Baucus, thank you.

12 Is there any additional discussion?

13 (No response)

14 Senator Heinz. If not, the Chair will again entertain
15 Senator Moynihan's motion which he need not put again.

16 Without objection the bill is agreed to and reported.

17 Thank you. That concludes our session.

18 (Whereupon, at 9:58 a.m., the Executive Session was
19 adjourned, subject to the Call of the Chair.)

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COMMITTEE ON FINANCE

A G E N D A

Thursday, May 14, 1981 - 9:00 a.m.

EXECUTIVE SESSION

1. S. 754 Unpaid Claims of U. S. Citizens against the Government of Czechoslovakia;
2. Authorization of appropriations for the U. S. Customs Service.

UNPAID CLAIMS OF U.S. CITIZENS AGAINST THE
GOVERNMENT OF CZECHOSLOVAKIA

(Prepared by the Staff of the Committee on Finance)

At the Committee Meeting Thursday, May 14, 1981, the Committee will markup S. 754, introduced by Senator Moynihan. The bill relates to unpaid claims of U.S. citizens against the Government of Czechoslovakia. The claims involved were certified by the Foreign Claims Settlement Commission in 1962 and arise out of the nationalization of property of U.S. citizens by the Government of Czechoslovakia following World War II. The Moynihan bill, if amended pursuant to the amendment which Senator Moynihan has indicated he intends to offer would provide that gold allocated to Czechoslovakia by the Tripartite Commission for the Restitution of Monetary Gold (Tripartite Commission) under the Paris Reparation Agreement of 1946 (Paris Agreement) and located in the United States would be seized, sold, and invested, and the interest and income therefrom would be used to pay periodically the certified claims against Czechoslovakia until the claimants are paid in full with interest. After all the claims were paid and the U.S. Government is compensated for its losses, the balance of the proceeds would be returned to Czechoslovakia. Bills (H.R. 2352 and H.R. 2631) similar to this have been introduced in the House. These bills are scheduled to be marked up in the Subcommittee on International Economic Policy and Trade of the House Foreign Affairs Committee on May 18, 1981. A U.S. delegation begins a negotiation with Czechoslovakia on this subject on May 19, 1981.

The Claims

Beginning in 1945, the Government of Czechoslovakia began a program in which property of U.S. nationals was nationalized or confiscated. The Czechoslovakian Government agreed in principle to compensate U.S. nationals for the loss of their property, but repeated early attempts by the United States to obtain adequate compensation were unsuccessful.

As a result of a lack of progress on the compensation issue, in 1948 the Treasury Department froze the official assets of Czechoslovakia located in the United States. Additionally, the United States announced that, as a member of the Tripartite Commission, it would insist that the gold allocated to Czechoslovakia under the Paris Agreement and controlled by the Commission be withheld from Czechoslovakia until the U.S. claims were compensated. In 1954, the Secretary of the Treasury ordered the sale of steel mill equipment owned by Czechoslovakia in the United States to pay claims. The net proceeds from the sale (approximately \$9 million) were placed in blocked accounts pending settlement of Americans property claims against Czechoslovakia.

In 1958, Public Law 85-604 was enacted establishing a procedure for American citizens to file claims with the Foreign Claims Settlement Commission for the losses they sustained from the nationalization or confiscation of their property in Czechoslovakia between January 1, 1945 and August 8, 1958. By the end of the adjudication period in 1962, the Commission had validated 2,630 claims against Czechoslovakia in the amount of \$72.6 million principal with \$41 million interest. The proceeds obtained earlier from the sale of the steel mill equipment were used to satisfy approximately \$8.5 million of these claims. The amount of outstanding awards made by the Foreign Claims Settlement Commission stands at approximately \$105 million (\$64 million principal and \$41 million interest).

Negotiation with Czechoslovakia

Twice before, the Administration has initialed ad referendum agreements with the Government of Czechoslovakia for the settlement of the outstanding claims. Those agreements, in 1963 and 1974, never entered into force, primarily because they were viewed by Congress as providing insufficient compensation to the claimants.

The 1974 agreement essentially provided: (1) The United States would not interfere in the release to Czechoslovakia of the 18.4 tons of gold allocated to it under the Paris Agreement and all blocked assets the United States had been holding as security for Czechoslovakia's payment of the \$105 million expropriation debt would be released; (2) Czechoslovakia's expropriation debt to citizens of the United States would be fully and finally settled for \$20.5 million, such sums to be paid in installments over a 12-year period; (3) Upon passage of the Trade Act of 1974, Czechoslovakia would be eligible to apply for most-favored-nation treatment under U.S. tariff laws.

The 1974 agreement resulted in enactment of section 408 of the Trade Act of 1974. This section provides that the Government should renegotiate the claims settlement agreement with Czechoslovakia and that such renegotiated agreement should be submitted to the Congress as part of any agreement entered into to grant most-favored-nation treatment to Czechoslovakia, and thus be subject to Congressional approval. The section also directs that no gold belonging to Czechoslovakia subject to distribution under the Paris Agreement be released until the claims settlement agreement and most-favored-nation treatment has been approved by the Congress. The Senate Report on the Trade Act indicated that any settlement should be for at least the principal amount of the claims, i.e., \$64 million.

In May 1980, a new round of claims settlement negotiations began between the United States and Czechoslovakia. The United States' proposed settlement terms include a significantly increased total payment by Czechoslovakia over a shorter period of time compared to the 1974 agreement.

Subsequently, on September 9, 1980, the Subcommittee on International Trade of the Finance Committee held a hearing on S. 2721, a bill introduced in the last Congress by Senator Moynihan under terms similar to the present Moynihan bill, S. 754. At that time, State Department witnesses testified they "have a reasonable prospect for a successful negotiation," but no agreement resulted.

This year, the new Administration decided to make another approach to the Czechoslovak Government, and one negotiating meeting occurred in March with no result. Two more meetings are now scheduled, on May 19, 1981 and sometime in June. The prospects are uncertain.

The Tripartite Agreement and the Gold

The gold referred to in S. 754 and section 408 of the Trade Act of 1974 is a portion of the gold coins and bullion which had been looted by the Nazis from various European countries and recovered by the Allied forces occupying Germany at the close of World War II. In 1946, 18 nations, including Czechoslovakia, signed the Paris Agreement which provided for the disposition of the gold. Under the agreement, the gold was to be divided among the countries from which it had been wrongly taken and according to each country's proven losses. The Paris Agreement also directed the Governments of the United States, France, and the United Kingdom to determine each claimant country's rightful share and to take steps to implement the distribution of the gold. They did so by establishing, in a separate agreement, the Tripartite Commission.

International Law

In the past, the Department opposed measures like the Moynihan bill -- not to mention an outright seizure of the gold -- on the ground it would be inconsistent with United States obligations under the Tripartite Agreement, because this body may only act by unanimity of its members. Staff understands the Department would re-examine its position if the present negotiations failed.

Czechoslovakia's share of the gold was determined by the Tripartite Commission and a portion of it was transferred to Czechoslovakia in 1948. The rest of Czechoslovakia's share of the gold was stored in the Bank of England (10 metric tons) and the Federal Reserve Bank of New York (8.2 metric tons). Using the London afternoon fixing for May 6, 1981 of \$482 per troy ounce, the value of that day of the gold held by the United States (263,930 troy ounces) would be \$127.2 million. As indicated earlier, further transfers have not taken place because of the refusal of the United States to sign a decree approving the

AUTHORIZATION OF APPROPRIATIONS FOR
U.S. CUSTOMS SERVICE

(Prepared by the Staff of the Committee on Finance)

The Customs Service is primarily responsible for collection of customs duties, collecting about \$8.2 billion in duties in FY 1980. The Customs Service also has responsibility for administering over 400 laws and regulations relating to the importation of products into the United States. These laws range from agricultural inspection laws and copyright and patent laws to certain aspects of the Internal Revenue Code.

Budget amount and personnel -- The Customs Service is requesting \$480,001,000 for FY 1982, a decrease of \$15,599,000 from the FY 1981 appropriated amount of \$495,600,000, a \$30 million cut from the Carter Budget. The figure for 1981 assumes enactment of the supplemental appropriation requested for payment increases. The total average positions in FY 1982 would be reduced by 800 to 1,100 from FY 1981 to about 12,000 positions in FY 1982.

House bill -- The House Ways and Means Committee ordered reported an authorization amount of \$480,001,000.

Non-controlled pay increases -- The Customs Service has asked for inclusion of language in the authorization bill which would authorize for fiscal years 1982 and thereafter such additional sums for salaries as may be provided by law to reflect pay rate changes made in accordance with the Federal Pay Comparability Act of 1970. This is language like that included by the Committee several years ago with respect to ITC authorizations, and covers only pay increases not controllable by the Customs Service. The Ways and Means Committee has included a provision like this in its authorization. It is recommended that the Committee include such a provision in the Customs Service authorization.

Deposit of estimated duties -- Under the Customs Procedural Reform and Simplification Act, new entry procedures were authorized which permit the deferment of the collection of estimated duties up to 30 days after entry. The maximum time period now permitted under Customs procedures is ten days. The Ways and Means Committee has decided to include language in the authorization bill to the effect that no appropriated funds may be expended to implement any procedure that reduces the ten-day period now used. The Finance Committee in its bill and report on the Customs Service's authorization for FY 1981 included language to the same effect as that included in the Ways and Means Committee bill. The recommended provision is designed to preserve the efficiency in customs administration and the more rapid merchandise clearance process which the Customs Procedural Reform and Simplification Act aimed to achieve.

Since no recommendation to reduce the 10-day period is presently pending, it is recommended that the Committee include only report language to the effect that no appropriated funds may be expended to implement any procedure that reduces the ten day period now used.

Overtime pay cap -- The authorization bill reported by the Ways and Means Committee provides that no part of the sum authorized for the Customs Service may be used to pay any Customs' employee overtime in excess of \$25,000. In the past, certain Customs inspectors earned as much as \$40,000 in overtime pay. Although much of this overtime pay is reimbursed by users, it has created problems within the Customs Service. As a result, House and Senate Appropriations Committees have placed overtime "caps" in the Customs Service appropriations bill. The present cap of \$20,000 has caused serious management problems and administrative costs necessitated by the forced shifting of Customs personnel about to exceed the cap.

It is recommended that the Committee include in the authorization bill language raising the "cap" to \$25,000. Customs has testified that this would relieve most of the present administrative problems associated with the cap.

Customs processing -- The Ways and Means Committee has included a provision in its authorization bill directing the Customs Service, the Department of Agriculture, and the INS to conduct a six-month test in at least two major international airports of new Federal inspection systems to facilitate passenger entry into the United States. This provision reflects a long-felt need to expedite the processing of returning travelers while, at the same time to provide reasonable assurance that the customs and immigration laws of the United States are being enforced. It is supported by USDA, major airlines, the Air Transport Association and the Airplane Owners and Pilots Association.

The staff makes no recommendation with respect to this provision.

Limitation on aircraft -- The Customs Service presently has 67 aircraft which are utilized in its anti-smuggling activities. The Ways and Means Committee has included a provision in its authorization bill which would reduce the aircraft fleet to not more than 45 aircraft by the close of FY 1982.

The staff recommends against this provision. The Customs Service currently has authority to make such a reduction and is in the best position to make the management decision as to the type and number of aircraft required for its operations.

Regional and district offices -- The current Customs Service organization consists of 9 regions, 45 districts, and 303 ports of entry. The Ways and Means Committee bill includes a provision which would require that Customs be administered through not more than 6 regional offices and 35 district offices by the close of FY 1983. The Customs Service does not support this provision.

The staff recommends against this provision. The Customs Service currently has authority to close whatever regional and district offices it deems necessary and it is in the best position to make such a management decision.

Joint U. S./Canadian customs operations -- The Ways and Means Committee has included a provision in its authorization bill urging the President to enter into negotiations with the Government of Canada for purposes of reaching an agreement under which customs facilities can be jointly constructed, maintained, and operated at border crossing where the volume of traffic does not warrant separate facilities. Customs opposes this proposal because of administrative and legal difficulties. The staff recommends that it not be included in the bill.

Customs Service for private aircraft and vessels -- Presently there is a fee of \$25.00 (which does not cover the costs involved) for processing private planes and private, non-commercial, fishing boats entering the country at irregular times. The Ways and Means Committee has included a provision in its authorization bill increasing this fee to \$50.00 between the date of enactment and October 1, 1982 and thereafter such fee as the Secretary of Treasury determines is necessary to reimburse the Government for the average cost of providing such services. The Aircraft Owners and Pilots Association opposes this provision. Customs neither supports nor opposes the provision. The staff makes no recommendation.

Miscellaneous customs provisions -- The Ways and Means Committee has also included language in its authorization bill making a number of changes in valuation limitations in the customs laws. Since no hearings have been held and the Committee has received no comments from the public concerning these proposals, the staff recommends that they not be included in the bill. These are set forth in the following chart:

<u>Provisions</u>	<u>Present Law</u>	<u>Ways and Means Committee Proposal</u>
1. 19 U.S.C. 1321(a) administrative exemptions		
1) disregard of estimated duties	provides that the Secretary of Treasury may disregard up to \$10 of difference between estimated duties deposited and the amount actually accruing thereon	would increase this amount to \$20
2a) bona fide gifts	provides that up to \$25 of bona fide gifts (\$40 in the case of bona fide gifts sent from insular possessions) may be imported free of duty	would increase these amounts to \$50 and \$100 respectively
2b) articles imported by border area residents	provides that up to \$25 of articles for personal or household use accompanying certain persons (primarily residents of border areas) may be imported free of duty	would increase this amount to \$50
2c) "other articles"	up to \$5 of miscellaneous articles such as periodicals and trinkets can be imported (generally through the mails) free of duty	would increase this amount to \$10.
2. 19 U.S.C. 1607 summary sale of seized merchandise	Up to \$10,000 in value of merchandise which has been seized can be sold at summary sale (without judicial proceedings)	Would increase this amount to \$15,000

3. 19 U.S.C. 1202
personal exemption

up to \$300 in value
(\$600 from U. S.
possessions) may be
brought into the
U.S. duty free by
returning U.S.
residents

would increase
these amounts to
\$400 and \$800

4. 19 U.S.C. 1202 non-
commercial importa-
tions

up to \$600 in value
of articles above
the personal exemp-
tion limit may be
imported subject to
a flat 10% rate of
duty

would increase
this amount to
\$800 (unless
Treasury deter-
mines that use
of the flat rate
is adversely
affecting U.S.
economic interests

release of the gold to Czechoslovakia. United States' consent to the return of the gold is now expressly linked by section 408 of the Trade Act of 1974 to attainment of a claims agreement satisfactory to the Congress.

S. 754

S. 754 as introduced by Senator Moynihan would amend title IV of the Trade Act of 1974 so as to permit the granting of most-favored-nation treatment under title IV only to products of a country which, if it has expropriated property of citizens of the United States, has paid just compensation therefor. In his statement introducing S. 754, Senator Moynihan announced that he would offer to amend the bill to provide for action regarding the unpaid claims of United States' citizens certified by the U.S. Foreign Claims Settlement Commission against the Government of Czechoslovakia in the event a settlement of these claims is not reached by diplomacy. Specifically, the amendment would provide that on, or as soon as practicable after the date of enactment, the gold allocated by the Tripartite Commission to Czechoslovakia and located in the United States (and if possible, similar gold located in the United Kingdom) would be seized, and then sold to the best advantage, invested and the interest and income therefrom used to pay the U.S. claimants whose claims were certified by the Foreign Claims Settlement Commission. After seizing the gold, the Secretary could also offer it to the Government of Czechoslovakia at prices it would otherwise bring, and obtain cash for investment and payment of claimants that way. The bill would also provide for the possible expansion of the class of certified claimants by re-opening the U.S. Foreign Claims Settlement Commission for persons (1) whose property was seized after the War but before the Communist takeover in Czechoslovakia; and (2) claims arising after August 8, 1958 (when the Commission decided currently certified claims). In addition to paying all certified claims, the Secretary would also pay amounts due the United States for surplus property sold to Czechoslovakia in 1948, some U.S. bank accounts blocked by

Czechoslovakia, and the Government's expenses in administering this fund. The bill would allow the Administration to proclaim Czechoslovakia eligible for most-favored-nation treatment as soon as the seized gold was invested, and bar suits against the United States on these matters.

The Treasury Department has calculated that if this procedure were followed as to the basic (\$105 million) claims only at today's rate of interest and roughly today's gold prices, all private claims would be paid in 12 years.