

## SUSPENSION OF THE IMPORT DUTY ON INTRAVENOUS FAT EMULSION, AND OTHER MATTERS

SEPTEMBER 15, 1977.—Ordered to be printed

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

### REPORT

[To accompany H.R. 1904]

The Committee on Finance, to which was referred the bill (H.R. 1904) to suspend until July 1, 1980, the duty on intravenous fat emulsion, having considered the same, reports favorably thereon with amendments to the text and an amendment to the title and recommends that the bill, as amended, do pass.

#### I. SUMMARY

H.R. 1904, as amended, would accomplish four objectives:

Temporarily permit (through June 30, 1980) duty-free treatment of imports of intravenous fat emulsion, a product used as a source of calories and essential fatty acids for patients requiring intravenous nutrition for an extended period;

Temporarily permit (through June 30, 1980) duty-free treatment for imports of color couplers and coupler intermediates, which are chemicals used in the manufacture of color photographic paper, film, and graphic arts materials;

Temporarily permit (through December 31, 1978) duty-free treatment of imports of certain field glasses, opera glasses, binoculars, and other telescopes; and

Eliminate differences in the tariff treatment of cigarettes and liquor brought into the United States by nonresidents and residents of the United States for personal use or as gifts.

#### II. REASONS FOR THE BILL

The provisions of the bill regarding intravenous fat emulsions are intended to reduce the cost of those imports. There is no domestic production of the product.

The provisions regarding color coupler and coupler intermediates would eliminate an unnecessary cost of such products at a time when there is insufficient domestic production. Additional domestic production is scheduled to be in place by mid-1980, by which time the duty-free treatment provided in this bill will have ended.

The provisions of the bill regarding field glasses, opera glasses, binoculars, and other telescopes are intended to remove the present duty on the imports to permit savings to consumers. There is very little domestic production of the products.

The provisions of the bill regarding liquor and cigarette imports are intended to eliminate differences in the customs treatment accorded nonresidents and residents of the United States on imports of those products under the personal exemption provisions of the Tariff Schedules of the United States. Nonresidents now may bring in significantly larger amounts of cigarettes and liquor duty free for their own use or as gifts than may U.S. residents.

### III. GENERAL EXPLANATION

#### A. INTRAVENOUS FAT EMULSION

The first section of the bill would add a new item 907.75 to the Appendix of the Tariff Schedules of the United States (TSUS) providing duty-free treatment for column 1 (MFN) and column 2 (non-MFN) imports of intravenous fat emulsion entered, or withdrawn from warehouse, for consumption before July 1, 1980. Imports of intravenous fat emulsion are now classified under TSUS item 440.00 with a column 1 rate of duty of 5 percent ad valorem and a column 2 rate of duty of 25 percent ad valorem. If produced in a beneficiary developing country, column 1 imports of intravenous fat emulsion are eligible for duty-free treatment under the Generalized System of Preferences.

Intravenous fat emulsion is used as a source of calories and essential fatty acids for patients requiring intravenous nutrition for an extended period. It is especially valuable in treating infants and patients under cancer therapy or extensive burn treatment. Only one intravenous fat emulsion, imported from Sweden, is marketed in the United States. The product is imported and marketed in the United States by one company. There has been no production of intravenous fat emulsion in the United States in the last 5 years. Annual imports are valued at \$2.5 million.

The Subcommittee on International Trade of the Committee on Finance held a public hearing on H.R. 1904 on July 14, 1977. No objections were heard. The Department of Commerce submitted a report favoring enactment of this provision and the International Trade Commission submitted an information report.

#### B. COLOR COUPLERS AND COUPLER INTERMEDIATES

Section 2 of the bill, which is a committee amendment containing the substance of H.R. 5052, 95th Congress, would add new items 907.10 and 907.12 to the Appendix to the TSUS, providing duty-free treatment for imports of color couplers and coupler intermediates entered under column 1 before July 1, 1980. Color intermediates are now

classified under item 403.60 of the TSUS at a column 1 duty rate of 1.7 cents per pound plus 12.5 percent ad valorem. Color couplers are classified under item 405.20 of the TSUS at a column 1 duty rate of 3 cents per pound plus 19 percent ad valorem. Column 1 imports of color couplers from designated beneficiary developing countries are eligible for duty-free treatment under the Generalized System of Preferences. The ad valorem duty rate for imports of color intermediates and couplers must be assessed on the American selling price of a similar competitive article if such an article is produced in the United States.

Color coupler intermediates are chemicals used to make color couplers, which are chemicals used to make color photographic paper, film, and graphic arts materials. Color couplers and intermediates are produced in the United States by two firms which do not offer the chemicals for sale. One firm imports the couplers and intermediates from an Italian subsidiary and accounts for the bulk of the imports. This bill would enable the firm to import the articles duty free from its subsidiary for a temporary period in order to supply their requirements photographic paper production. The firm anticipates building a plant near its photographic paper plant to produce these chemicals domestically. This plant is scheduled to be in place by mid-1980.

The Subcommittee on International Trade held a public hearing on H.R. 5052 on July 14, 1977. No objections to the bill were received from any source. The Department of Commerce submitted a report stating no objections to the bill. The U.S. International Trade Commission submitted an information report.

#### C. FIELD GLASSES, OPERA GLASSES, BINOCULARS, AND OTHER TELESCOPES

Section 2 of the bill is a committee amendment containing the substance of S. 1519, 95th Congress. It would add new item 912.06 to the Appendix to the TSUS providing duty-free treatment for imports of field glasses, opera glasses, prism binoculars, and other telescopes, all not designed for use with infrared light, entered, or withdrawn from warehouse, for consumption under column 1 before January 1, 1979.

These products are now dutiable under TSUS items 708.51, 708.52, and 708.53 at column 1 rates ranging from 8.5 percent to 20 percent ad valorem. Column 1 imports under all three items are eligible for duty-free treatment if imported from a designated beneficiary developing country under the Generalized System of Preferences.

There is no U.S. production of most of the imported articles. U.S. producers use imported prisms for high quality, expensive spotting scopes and telescopic sights for rifles for a limited market. The bulk of imports are from Japan. During 1976, the value of imports was \$36 million.

The Subcommittee on International Trade held a public hearing on S. 1519 on July 14, 1977. Favorable testimony was heard. The Departments of State, of the Treasury, and of Commerce submitted reports opposing enactment of S. 1519 because the President may be able to secure in the Multilateral Trade Negotiations concessions from Japan in return for reduced duties on these articles. The committee believes the short period of this duty suspension will not reduce the

value of the duties affected in the Multilateral Trade Negotiations. The U.S. International Trade Commission submitted an information report.

#### D. CIGARETTES AND LIQUOR

Current law permits nonresidents to bring in more liquor and cigarettes duty free for personal use or as gifts than may residents. Adult nonresidents now may enter duty free, under TSUS item 812.20, for personal consumption, not over 1 quart of alcoholic beverages and not over either 50 cigars, 300 cigarettes, or 3 pounds of smoking tobacco. Nonresidents now may also bring in duty free under TSUS item 812.25 not over 1 wine gallon of alcoholic beverages and not over 100 cigars if they are to be disposed of as bona fide gifts and various other restrictions are satisfied. Residents now may enter duty free under TSUS item 813.30 upon arrival in the United States from abroad not more than 1 quart of alcoholic beverages (1 wine gallon if an individual arrives from American Samoa, Guam, or the Virgin Islands of the United States) and not more than 100 cigars if acquired abroad as an incident of the journey from which they are returning and if for personal or household use. There is no quantitative limit on the number of cigarettes a resident may enter duty free subject to the \$100 limitation for all duty-free items provided in item 813.30.

Sections 4(a) (1) and (2) of the bill would amend TSUS items 812.20 and 812.25. Item 812.20, as amended, would no longer permit nonresidents to enter up to 300 cigarettes duty free for their personal consumption. However, under item 812.25, as amended, nonresidents, within the \$100 limitation applicable, could enter duty-free cigarettes for their own consumption or as bona fide gifts. Item 812.25, as amended, would also provide that nonresidents may no longer bring into the United States duty free any alcoholic beverages for gifts, except that residents of American Samoa, Guam, and the Virgin Islands could still enter duty free up to 1 wine gallon of such beverage as gifts. The remainder of present law discussed above regarding nonresidents is unchanged.

Because of the differences in the treatment accorded residents and nonresidents of the United States described above a returning resident may enter 1 quart of liquor duty-free while a visitor to the U.S. may enter 6 fifths of liquor duty free. The possibility exists for the development of a "black market" in duty-free liquor brought in by nonresidents to the detriment of tax revenues to U.S. States. This factor, along with the more favorable tariff treatment accorded nonresidents over U.S. residents as regards the personal exemption on liquor and cigarettes, convinced the committee that more equal treatment was required.

#### IV. COST OF CARRYING OUT THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the committee estimates the customs revenue effect of carrying out the bill as it relates to intravenous fat emulsion at a \$126,000 loss per annum; as it relates to color couplers and coupler

intermediates, a \$550,000 loss per annum; as it relates to field glasses, opera glasses, prism binoculars, and other telescopes, a \$3 million loss per annum; and as it relates to cigarettes and liquor, an indeterminate revenue gain each year.

## V. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the committee states that the bill, as amended, will not regulate any individuals or businesses.

## VI. VOTE OF COMMITTEE

In compliance with section 133 of the Legislative Reorganization Act of 1946, the committee states that the bill, as amended, was ordered favorably reported by voice vote.

## VII. CHANGES IN EXISTING LAW

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

### TARIFF SCHEDULES OF THE UNITED STATES

* * * * *						
SCHEDULE S.—SPECIAL CLASSIFICATION PROVISIONS						
* * * * *						
Item	Articles	Rates of duty				
		1	2			
PART 2.—PERSONAL EXEMPTIONS						
Subpart A.—Residents and Nonresidents						
Articles imported by or for the account of any person arriving in the United States who is not a returning resident thereof:						
812.20	Not over 50 cigars [ , or 300 200 cigarettes, ] or 3 pounds of smoking tobacco, or a proportionate amount of each, and not over 1 quart of alcoholic beverages, when brought in by an adult nonresident for his own consumption.	Free	Free			
812.25	Not exceeding \$100 in value of articles [including not more than 1 wine gallon of alcoholic beverages and not more than 100 cigars accompanying such person to be disposed of by him as bona fide gifts, ] (including not more than 100 cigars but not including alcoholic beverages except for 1 wine gallon of such beverages accompanying residents of American Samoa, Guam, or the Virgin Islands arriving directly or indirectly therefrom) accompanying such person to be disposed of as bona fide gifts (except that cigarettes may be entered under this item 812.25 for such persons own consumption or a bona fide gift), if such person has not claimed an exemption under this item 812.25 within the 6 months immediately preceding his arrival and he intends to remain in the United States for not less than 72 hours.....	Free	Free			
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## APPENDIX TO THE TARIFF SCHEDULES

Item	Articles	Rate of duty		Effective date
		1	2	
PART 1.—TEMPORARY LEGISLATION				
*	*	*	*	*
	Subpart B.—Temporary provisions amending the Tariff Schedules			
*	*	*	*	*
907.10	<i>Cyclic organic chemical products in any physical form having a benzenoid, quinoid, or modified benzenoid structure (provided for in item 408.80, part 1B, schedule 4) to be used in the manufacture of photographic color couplers-----</i>	Free	No change	On or before 6/30/80.
907.12	<i>Photographic color couplers (provided for in item 405.20, part 1C, schedule 4)-----</i>	Free	No change	On or before 6/30/80.
*	*	*	*	*
907.75	<i>Intravenous fat emulsion (provided for in item 440.00, part 3C, schedule 4)-----</i>	Free	Free	On or before 6/30/80.
*	*	*	*	*
912.06	<i>Field glasses, opera glasses, prism binoculars and other telescopes, all of the foregoing not designed for use with infrared light (provided for in item 708.51, 708.52, or 708.53, part 2A, schedule 7)-----</i>	Free	No change	On or before 12/31/78.
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