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UNITED STATES TARIFF COMMISSION

STUDY OF TEMPORARY ENTRY PROVISIONS OF
TITLE 19 OF THE UNITED STATES CODE

Investigation 332-45

Report on Use of Temporary Entry
Procedures and Tentative Proposals



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INTRODUCTION

This is an intermediate report of a study, initiated by the Tariff Commission on July 26, 1965, under section 332 of the Tariff Act of 1930, of the provisions in Title 19 of the United States Code which permit the temporary importation of merchandise into the United States with exemption from duty or which permit the recovery of duty when the imported merchandise or its domestic equivalent is exported. ^{1/} It contains information on the use of the provisions, and tentative proposals for their modification. The proposals are to be the subject of a public hearing of which notice is given simultaneously with the publication of this report. An earlier report on this study, entitled Report on Legislative Objectives, was published in March 1966.

The study, as stated in the Commission's announcement, is to review the purpose of each provision, examine the extent to which it is accomplishing its purpose and determine its effect on United States trade. ^{2/}

Title 19 of the United States Code affords three basic procedures for exemption from duty on imported goods which are exported. A brief resume of each procedure follows--

The drawback procedure--Under this procedure duty is paid and absolute possession of the imported goods obtained. Drawback or recovery of virtually all of the duty is allowed within certain limitations, upon exportation of the same goods, or articles made from them, or articles made from domestic goods of the same kind and quality.

^{1/} For purposes of this study, the ultimate recovery of all, or virtually all of the duty is treated as an exemption from duty.

^{2/} The need for such a study as to drawback, the chief provision under consideration, was indicated in a survey by the Bureau of Customs, December 1964. An Evaluation of: Mission, Organization, Management; Section VII, pp. 38-40.

The continuous customs custody procedure.--Under this procedure the imported goods are exempt from duty and remain under customs surveillance in a customs bonded warehouse or foreign trade zone, where they may undergo manipulation, processing, or manufacture, and from which they may be withdrawn for export without payment of duty.

The release under bond procedure.--Under this procedure full possession is obtained of the imported goods, without payment of duty, in exchange for bond given for exportation, after repair, processing or manufacture, or use for certain limited purposes.

The extent to which exemption from duty on imported materials can be an incentive to exports depends both on the amount of dutiable materials used and the amount of the duty. Although dutiable imports have increased in the past several decades, they still comprise only 2 percent of the gross national product, and much of that amount consists of finished articles, such as automobiles and whisky, which are not used in production. The ratio of duty to value of dutiable imports, moreover, has declined from 45 percent in 1930 to 12 percent at present, and will be reduced further as the rates (generally half the previous rate) in the last round of trade agreement negotiations gradually become effective. While any saving to exporters tends to promote exports, there is little saving in the cost of most articles through exemption from duty on imported materials they contain. Mineral raw materials, agricultural products and numerous manufactured articles exported from the United States obviously do not qualify for such a saving as they contain no imported materials. Exports on which such a saving is actually obtained are valued altogether at something more than \$3 billion a year, and comprise 10 percent of U.S. exports.

The total saving on those articles, by exemption from duty, is equal to from 1 to 2 percent of their value.

Drawback is by far the chief procedure for obtaining exemption from duty on imported materials used in articles exported. Drawback was paid in the calendar year 1967 on articles valued at \$3.4 billion. The drawback, amounting to \$51 million, comprised the return of duty on imported materials valued at \$836 million. Imported materials used in production under the release under bond procedure were valued at \$58 million, and those in production under procedures for continuous customs custody at less than \$5 million.

The following sections of this report set forth tentative proposals for changes in the temporary entry provisions of title 19, a discussion of the three basic procedures involved, and data pertaining to the use made of each procedure.

TENTATIVE PROPOSALS ^{1/}

Tentative proposals with respect to the various provisions of title 19, U.S. Code, under consideration are set forth below for the purpose of eliciting constructive comment and suggestions from interested parties. ^{2/} To facilitate this objective each of the tentative proposals is numbered.

The drawback provisions

Section 1313(a), (b), (d), (e), (f), (g), (h), and (j), relating to drawback allowable on the basis of imported articles which have been processed in the United States: ^{3/}

- 1(a). ^{4/} Proposal: Repeal each provision (except section 1313(d)).
Explanation: Drawback is collected on relatively few exported articles, and is nearly always trivial in relation to the value of the article. Hence, it does not have a significant effect on promoting exports.
- (b). ^{4/} Proposal (alternate to (a)): Retain the drawback provisions in subparagraphs (a), (b), and (g), but consolidate them into one paragraph--possibly with the substitution of the concept of "fungibility" for the present concept of "same kind and quality", repeal subparagraphs (e) and (f), limit drawback claims to articles exported within 2 years of the date the material was imported, and no longer require that imported materials have been manufactured by the time

^{1/} Chairman Metzger opposes the "tentative proposals" because, in his opinion, nothing in the report supports proposals, tentative or otherwise, to repeal the drawback and related provisions of U.S. laws. Commissioner Thunberg opposes the tentative proposals because she feels that they do not address the basic purpose of the drawback provisions, which is to remove the disadvantage to U.S. exporters resulting from import duties levied on commodities they use in process, and she would like to see such specific proposals included. Commissioner Newsom took no position on the tentative proposals.

^{2/} These provisions of title 19, U.S. Code, are set forth in Appendix B.

^{3/} Section 1313(i), which authorizes the Secretary of the Treasury to promulgate special regulations with respect to the drawback procedures, is not discussed herein as it is not a substantive matter for purposes of this study.

^{4/} Note proposals 15(a) and (b) which are interrelated with proposals 1(a) and (b).

a claim is filed on exported articles made of substitute materials and that the exported article be manufactured or produced within the period from the date of importation to the date the claim is filed.

Explanation: It is believed that subparagraphs (a), (b), and (g) can be simply stated in one paragraph. Subparagraphs (e) and (f) have been obsolete for many years. The 2-year limitation is premised on the fact that claims involving longer periods of time are minor in volume and are seldom related to current conditions in tariffs and trade. The requirements which would be eliminated have no apparent economic justification and merely make the procedure more difficult to administer.

The concept of "same kind and quality" is said to be rigid and inelastic in that it does not permit substitution in some situations in accordance with commercial realities. For example, two materials may be of the same kind but not the same quality. When used in the production of certain products, the quality distinctives are of no significance. Under the "same kind and quality" concept these materials may not be substituted for each other. The concept of "fungibility" would allow substitution of any domestic material for any imported material of the same genre if, for purposes of producing the particular exported article, the quality distinctions between the two materials are of no significance.

2. Proposal: Transfer the substance of section 1313(d) to the Internal Revenue Code.

Explanation: Drawback provisions relating to internal revenue taxes now appear in the Internal Revenue Code with respect to other products. It is believed that subparagraph (d) more appropriately belongs in that Code.

Sections 170, 1313(c), 1558(a)(2), and those provisions of section 1557, relating to drawback allowable on the basis of imported articles which have not been processed in the United States:

3. Proposal: No change in section 170 providing for drawback of dumping duties.

Explanation: It is not anticipated that all drawback provisions would be repealed. See proposals 4, 5 and 6 with regard to sections 1313(c) and 1558(a)(2) and part of section 1557.

4. Proposal: Amend section 1313(c) so as to (a) limit drawback allowance thereunder to amounts of \$5 or more and (b) provide for retention by the Government of 1 percent of the duty or \$1.50 per claim, whichever amount is higher.

Explanation: The recovery of duty paid on imports which are discovered not to conform to sample or specification, or which were shipped without the consent of the consignee appears to serve its purpose of alleviating inequities and its continuance seems in order with one exception. There are many minor claims for drawback under the provision which amount to less than \$5. In such cases the cost of administration does not warrant the drawback. The proposed limitation and retention fee are designed to weed out trivial claims.

5. Proposal: No change in section 1557.

Explanation: Certain provisions of section 1557 permit the drawback of duties paid on goods which have remained in continuous customs custody in bonded storage warehouses and which are exported. Although these provisions are not often utilized, they serve to encourage importers to resell their goods abroad and can have a significant bearing on prices. Their discontinuance would place an importer in a less advantageous position than importers holding the goods without duty in bonded storage warehouses. Such discontinuance would seem inequitable and therefore inadvisable.

6. Proposal: No change in section 1558(a)(2).

Explanation: Section 1558(a)(2) permits the drawback of duties paid on goods required by customs to be exported or destroyed because they are inadmissible into the United States. The drawback is payable only when the importer has acted in good faith. The purpose of the provision is equity and there is no apparent reason for its discontinuance.

The continuous customs custody provisions

Sections 81, 151, 1309(b), 1311, 1312, 1317, 1562, and that part of section 1557, relating to articles on which duty need not be paid by reason of the reexportation of the article either in its imported or changed condition:

7. Proposal: Repeal section 81 (Foreign Trade Zones Act).

Explanation: The Foreign Trade Zones Act of 1934, the major objective of which was to expedite and encourage international commerce, has not given rise to the type of commerce for which it was designed. By far the greatest use of the zones in recent years has been storage and manipulation operations. The remaining operations are discussed below.

There is one plant operating as a subzone in Penuelas, Puerto Rico, which makes petro-chemicals from imported crude petroleum. 1/ Duties on the crude petroleum from which they are derived are paid on the products when they are withdrawn from the subzone. The duties are nominal and the obvious use of the subzone is to avoid import quotas on crude petroleum. The import quota regulations can be appropriately adjusted to accommodate such imports without resort to the use of the zones. The requirements for establishing a zone and the requirements for national security are not the same. If imports are deemed to be consistent with the national security requirements, the plants in question should not have to operate as subzones, with attendant additional costs, in order to obtain their petroleum.

There is one manufacturing operation in a subzone on the West Coast where clothes are made of imported fabrics and subsequently entered into consumption at the clothing tariff rate rather than the higher rate applicable to the fabric. Similarly, pills and capsules are made at the zone in New York from imported drugs for subsequent domestic consumption in order to obtain lower rates of duty. In these instances, the zones serve solely to avoid the higher duties applicable to the imported materials.

A foreign trade zone offers some advantages in connection with its storage facilities which are not available in a bonded warehouse--one is that of permitting an importer to exhibit his goods for purposes of seeking sales. However, the warehouse provisions can be expanded to permit such operations. See proposal 14.

Another advantage of a foreign trade zone is the treatment of goods sent from customs territory into the zone as exported, for various customs purposes. If there is substantive justification for the continuation of this legal fiction, the criteria can be expressed and the favored treatment accorded in conjunction with the bonded warehouse facilities authorized under paragraph 1557.

1/ Other domestic petro-chemical companies are desirous of obtaining government permission to conduct operations of a similar nature.

8. Proposal: Repeal section 151.
Explanation: The manipulation or garbanzo peas in a bonded warehouse can be performed under the general provisions of section 1562. Section 151 is surplusage.
9. Proposal: Amend section 1309 by deleting subparagraph (b).
Explanation: Such an amendment would be made as a conforming amendment only if proposal 1(a) were adopted.
10. Proposal: Repeal section 1311.
Explanation: Section 1311 is not used, because of the requirement of this section that goods manufactured in bonded warehouse be exported.
11. Proposal: Repeal section 1312.
Explanation: The provision now serves almost exclusively to delay payment of duty on imported ores until the metal refined therefrom is sold and ready to go into consumption, a benefit not afforded to other processors of imported crude materials. Exports are rarely made from the warehouses. It is not believed there would be a noticeable difference in international trade were the section to be repealed.
12. Proposal: No change in section 1317.
Explanation: No conforming amendment is necessary in connection with any proposal discussed herein.
13. Proposal: No change in section 1557.
Explanation: The provisions for deferring payment of duties while goods are in bonded storage and for avoiding duties on exports continue to serve the purposes for which they were enacted.
14. Proposal: Amend provisions of section 1562 (a) to provide that goods may be exhibited in bonded warehouses and (b) to limit the manipulation of goods in a bonded warehouse to those articles which are subsequently exported.
Explanation: Proposal (a) is contingent upon the demonstration of a need for such a procedure--see proposal 7, par 4. Proposal (b) is advanced because manipulation before withdrawal for consumption appears to serve only one purpose, the avoidance of duty.

Release under bond provisions

Items 864.05 through 864.75 of section 1202, relating to conditions under which goods may be entered temporarily without the payment of duty:

- 15(a). ^{1/} Proposal: Repeal that portion of item 864.05 which allows articles to be entered for purposes of processing, but retain provisions permitting articles to be repaired or altered.
Explanation: The provision, which dates from 1958, is little used. The provision for repairs or alterations would be retained because duties on the value of the imports in many cases would equal or exceed the costs of repairs or alterations and would preclude the continuance of such operations.
- (b). ^{1/} Proposal (alternate to (a)): Amend item 864.05 to permit substitution of domestic goods for imported goods in the same manner as is now permitted under the drawback procedure, or with the substitution of the concept of "fungibility" for the present concept of "some kind and quality".
Explanation: If entry under bond is broadened in scope to permit the substitution of domestic goods, it is believed that many users of the drawback provision would switch to this procedure as it is generally less costly.
16. Proposal: Consolidate items 864.10, -.15, -.20, -.25, -.30, and -.75 into a single provision to read as follows:

Articles solely for use as models, samples, exhibits, or for testing, experimental, or review purposes; and motion picture advertising films.

Explanation: The six items are closely related. The proposed description covers the cited items and possibly others of a kindred nature.

^{1/} Note proposals 1(a) and (b) which are interrelated with proposals 15(a) and (b).

17. Proposal: Consolidate items 864.35 and -.50 into a single provision to read as follows:

Vehicles and craft of all kinds, professional equipment, tools of trade, camping equipment, and usual equipment and repair components for such articles; all the foregoing imported by or for nonresidents sojourning temporarily in the United States and for the use of such nonresidents for taking part in contests, for pursuing a profession, or for camping.

Explanation: As all of these items relate to classes of articles for the use of nonresidents sojourning temporarily in the United States consolidation is in order.

18. Proposal: Amend item 864.45 to read as follows:

The usual or ordinary types of shipping or transportation containers and holders, if designed for, or capable of, reuse, whether filled or empty; or if not designed for, or capable of, reuse, if empty and to be exported filled.

Explanation: Items 800.00 and 808.00 now permit virtually all reusable containers and holders of U.S. origin, filled or unfilled, to clear customs without entry or duty charge. Item 808.00, also permits such containers and holders of foreign origin, filled or unfilled, on which duties have once been paid, to clear customs without entry or duty charge. Moreover, it permits reusable containers and holders filled or unfilled, which are deemed by the Secretary of the Treasury to be used as "instruments of international traffic", to clear customs without entry or duty charge irrespective of origin. Such articles are deemed to be used solely in international traffic even though they may be used in the United States in local traffic as an incident of the travel between the port of entry and its destination or vice versa.

In light of the foregoing, it seems anomalous that item 864.45 now only permits the temporary duty-free entry of containers for compressed gases, filled or empty, and containers or other articles in use for covering or holding imported articles during transportation to their destination in the United States. Such

reusable containers and holders--because they are not of domestic origin, have never been assessed with duty, and have not been designated as "instruments of international traffic"--are denied the more liberal treatment afforded under item 800.00 and 808.00. The cost of containers and holders, particularly in packaged retail goods where the container and holder are destroyed by the ultimate consumer, can have a significant bearing on the total cost of exported articles. It is anticipated that the proposed provision would cover all containers and holders of the types described in general headnote 6(a) and (b) of the Tariff Schedules of the United States. While reusable containers and holders could be imported and exported full or empty, the privilege on the non-reusable ones would be limited to those imported empty and exported filled with merchandise.

19. Proposal: No changes in items 864.40, -.55, -.60, -.65, and -.70.

Explanation: Except for proposals 15(a) and (b), the only proposals being made under the item 864.--series are consolidations. No changes are now contemplated with respect to the above cited items because they are not of a kindred nature which permits further consolidation.

20. Proposal: Make amendments to headnotes affected by proposals 15 through 18 as necessary for purposes of conformity.

THE DRAWBACK PROCEDURE

General description

The word "drawback" is used in the statutes to describe duties and internal revenue taxes that are refunded upon removal of the goods from the customs territory of the United States. With certain minor exceptions, such a removal contemplates that the goods will enter international commerce.

Section 1313 is the provision containing the basic criteria for the payment of drawback on an exported article. Sections 81c (foreign trade zones) and 1309(b) (supplies for vessels and aircraft) relate to exceptional situations in which drawback may be paid even though there has been no technical "exportation". Section 1557 relates to a special situation permitting drawback to be paid on the re-exportation of a duty-paid article that has remained in a customs bonded warehouse since its importation.

Payments of drawback are made on (1) articles manufactured or produced from imported duty-paid (or tax-paid) materials or parts and (2) imported duty-paid (or tax-paid) articles exported without change in condition. ^{1/} The two classes of articles and their subdivisions, with the provisions of law pertaining thereto, are identified below:

1. Manufactured articles

(a) Articles manufactured or produced in whole or in part from imported duty-paid merchandise (sec. 1313(a)).

^{1/} Under the drawback provisions, articles furnished as supplies to vessels and aircraft in international commerce are considered as exported (sec. 1309(b)).

(b) Articles manufactured in whole or in part from domestic merchandise which is of the same kind and quality as merchandise on which duty has been paid (sec. 1313(b)).

(c) Flavoring extracts, medicinal or toilet preparations, distilled spirits on which internal revenue tax has been paid (sec. 1313(d)). 1/

(d) Fish cured with imported duty-paid salt (no exportation required) (sec. 1313(e)).

(e) Meat cured with imported duty-paid salt (sec. 1313(f)).

(f) Vessels constructed and equipped in whole or in part with imported duty-paid materials for foreign owners (sec. 1313(g)).

2. Re-exported articles

(a) Imported duty-paid articles re-exported because they did not conform to sample or specification (sec. 1313(c)).

(b) Imported duty-paid articles remaining in continuous customs custody until exported (sec. 1557).

(c) Articles regularly entered in good faith and subsequently returned to customs custody for exportation or destruction because the entry of such merchandise is prohibited by law (sec. 1558(a)(2)).

Amount of drawback payments

Most payments of drawback, and the only ones for which statistics are regularly reported, are made on articles manufactured in the United States from imported or substituted domestic merchandise (categories 1(a) and 1(b), shown above under "manufactured articles"). There are no payments on imported salt for curing either fish or meat (the

1/ Drawback of internal revenue taxes on distilled spirits, wines, beers, stills and worms, medicines, foods, and tobacco products is paid under sections 5012, 5056, 5062, 5106, 5131, 5134, and 5706 of the Internal Revenue Code of 1954, as amended. These sections are included in title 26 of the United States Code and are not here under consideration.

provisions for which are obsolete), and combined payments in other categories, largely on re-exported articles not conforming to sample (category 2a), are estimated as less than \$2 million a year. ^{1/}

Recorded payments of drawback on articles manufactured from imported (or substituted domestic) materials increased irregularly from \$5.7 million in the fiscal year 1952 to \$17.7 million in 1966 (table 1). The amount in 1966 was larger than in any year since 1926, when most of the total was paid on exports of refined sugar. The increase after 1952 is attributable in part to gradual extension of the privilege of substituting domestic for imported merchandise, culminating in 1958 in its application to all kinds of goods. The increase would have been greater in the absence of administrative problems and issues over application of the substitution privilege, particularly to petroleum. With the eventual settlement of those issues, drawback payments in 1967 amounted to \$43 million. Of that amount, \$21 million consisted of payments on petroleum products, covering claims on exports extending back to 1958.

Between 1951 and 1966, the drawback generally amounted to 1 percent of the duties collected and kept pace with the increase in exports and dutiable imports. With the settlement of accumulated claims on petroleum products, it amounted to 2 percent of the duties collected in 1967.

^{1/} They were shown as \$1.6 million in 1963 in a survey of 10 customs districts accounting for 89 percent of the recorded payments of drawback. (U.S. Bureau of Customs, An Evaluation of: Mission, Evaluation, Management, December 1964.)

Statutory requirements and regulations

Section 1313(a) and (b) specifies that:

99 percent of the duty on imported merchandise used in the production of an exported article is to be refunded as drawback;

if the imported merchandise is embodied in two or more products, the refund is to be distributed among these products in accordance with their relative value at the time of separation;

if domestic material of the same kind and quality is substituted for imported material on which duty is refunded under drawback, some of the imported material must have been used in production within 3 years of its receipt by the firm;

exportation of the article under drawback must occur not more than five years after importation of the duty-paid merchandise.

Under Treasury regulations, the manufacturer of an article to be exported with benefit of drawback must first apply for a "rate" or plan of drawback. The application is not approved until a customs official has visited the plant and Customs has determined that the merchandise will be handled and records kept in a manner to allow an audit of claims. Approval of the rate covers exports from the date of the application.

A drawback claim must be made within three years of the exportation, and it must be made at a designated port, although the exports and imports may occur at other ports. The claim may be made and the drawback received either by the exporter or (if he has reserved the right) the manufacturer. The importer, the manufacturer, and the exporter are often different persons, since the merchandise may change

hands several times before exportation. The drawback claim must be accompanied by certificates of manufacture, transfer (for every change of ownership), exportation, and (if the importation occurred at another port) importation. The drawback claim and the certificates of manufacture and transfer must each be signed by an authorized person, either a member of the firm, the president, vice president, treasurer or secretary of a corporation, or one whose power of attorney is on file at the port where the claim is entered. The certificates of importation and exportation must be issued by customs officers at the various ports.

Cost of collection

The costs of collecting drawback are small where the firm is both importer and exporter, where the transactions occur continuously on a uniform basis, and where a uniform content of the imported merchandise can be attributed to each unit of the exported article (e.g., lead used in making tetraethyl lead). They are material, however, where the imported merchandise changes hands repeatedly before exportation and where its presence (or that of its domestic equivalent) in the exported article must be substantiated by detailed bookkeeping records. In general, the smaller the operation the more the proportionate administrative cost. Large firms which are both importers and exporters usually file their own drawback claims with customs. Other claimants accounting for perhaps a fourth of the drawback collected in 1967, employ the services of drawback brokers who charge fees averaging 15 to 20 percent of the amount collected. ^{1/}

^{1/} Representatives of the large firms quoted their costs as ranging from 2 to 10 percent of their drawback payments.

The number of drawback claims in 1967 was 25,000. Most claims are for less than \$1,000, but the amount varies widely. Some claims are for less than \$5 and some for more than \$50,000. An individual claim may arise from a single export transaction, or from a complex group of transactions. The payments are made to several hundred firms but less than 30 corporations receive four-fifths of the total amount.

A large manufacturer may file as many as three hundred claims a year. Errors appear in about one-fourth of the drawback claims submitted. Most of the errors, as shown by a spot check, affect either the amount of the payment, or the authority to receive it. Claims in proper form are currently processed and paid within two to six months. Claims that involve errors or omissions, or that involve either unappraised import entries or protested appraisals, may not be paid until much longer. ^{1/}

Delays in the Bureau of Customs constituted a growing obstacle to the use of drawback in 1958-65. At the end of that period, a delay of more than a year in granting a drawback rate was common, as was a delay of several months in issuing a certificate of export or import, and one of three to six months in processing the drawback claim.

^{1/} The time may depend upon action (or inaction) by the importer. There is no statute of limitations on an answer to the request for further information, and a case sometimes remains open for years because of the importer's failure to respond.

The delays arose from the complications introduced in 1958 by the substitution provision, and from administrative problems resulting from the increase in customs entries, the revision of the tariff schedules in 1963, and the reorganization of the Customs Service in 1965-66. A certificate of importation indicating the amount of duty paid is not issued on an entry until computation or ascertainment of the duty, when the entry is said to have been liquidated. The backlog of unliquidated entries more than 30 days old increased from 642,000 at the end of 1960 to a peak of 1,381,000 in 1966. It was reduced to 982,000 in 1967, when it amounted to something more than 5 months' entries. The number of unliquidated drawback claims at that time was 10,697, a backlog of about the same proportion.

Region

Until 1967, the New York customs district generally accounted for about a third of the drawback payments and Detroit, Philadelphia, and Miami together accounted for another third. The remainder was distributed among 35 ports, a number of which made payments of less than \$5,000 a year. In 1967, the work on drawback formerly done at Detroit and Philadelphia was shifted to regional offices at Chicago and Baltimore and that in the total United States was consolidated in nine regional offices. The change was accompanied by a shift in the regional distribution, as the result of large payments on petroleum products, particularly in the Houston (Texas) region. Drawback payments by customs region are shown in table 2.

Imported materials

As shown by data in the annual report of the Secretary of the Treasury (table 3), duties refunded under drawback are collected on many kinds of imported material, 10 of which (steel, lead, aluminum, petroleum, tobacco, sugar, watch movements, coal-tar derivatives, other chemicals, and frozen orange juice) account for two-thirds to three-fourths of the total. Duties refunded on the principal materials have increased since 1959 with the increase in the total. More than a ten-fold increase has occurred for orange juice, petroleum, and coal-tar products, and a three- to six-fold increase, for steel, aluminum, and chemicals other than coal-tar. Relatively little increase, on the other hand, has occurred for tobacco and sugar.

The duties refunded under drawback have been a small part of the total collected except on a few articles, principally petroleum (in 1967), concentrated orange juice, cigarette paper, steel slabs and billets, unwrought aluminum, and several chemicals. The chemicals are ethyl alcohol, methyl alcohol, vanillin, ethylene oxide, butanediol, polyalkylbenzene, acrylonitrile polymer resin, and adipic acid. With the exception of vanillin and polyalkylbenzene, these chemicals have all been entered by the producers themselves, to meet a temporary need.

Exported articles

Drawback was paid in the calendar year 1967 on articles valued at \$3.4 billion, equal to 11 percent of U.S. exports. The drawback, \$51 million, equaled $1\frac{1}{2}$ percent of the value of the articles.

Nine-tenths of the total was paid on 27 articles, chiefly petroleum products, motor vehicles and assemblies, steel, cigarettes, and aluminum. On a few of the principal articles, including frozen orange juice, oil additives, and watches, the drawback was appreciable in relation to the value, but on most of them it equaled less than 3 percent, and on several, including cigarettes, steel, and motor vehicles and assemblies, it equaled less than 1 percent of the value. There were several hundred articles on which the drawback in 1967 was small (less than \$100,000). On these articles as a group, which were valued at \$515 million, the drawback, \$4.7 million, was equivalent to nine-tenths of one percent of the value.

The value of articles on which drawback was paid in 1967 and the amount of the drawback are shown by article in the accompanying table, and are shown in conjunction with total exports and imported materials used in table 4 of the appendix. The two tables, unlike those discussed before, are on a calendar year basis. Exports and imports involved, although shown for the same year, would generally have occurred in an earlier year than that on which the drawback was paid.

Exports on which drawback was paid in 1967
according to article exported

| Exported article | Value <u>1/</u> | Drawback <u>2/</u> | |
|---|-----------------|--------------------|--------------------------|
| | | Amount | Ratio to exports covered |
| | 1,000 dollars | 1,000 dollars | Percent |
| Condensed milk----- | 11,677 | 153 | 1.3 |
| Concentrated orange juice--- | 3,552 | 1,920 | 54.1 |
| Sugar, refined----- | 1,297 | 107 | 8.2 |
| Cigarettes----- | 151,411 | 982 | .6 |
| Petroleum products----- | 1,783,308 | 29,518 | 1.7 |
| Antiknock gasoline addi- tives----- | 31,786 | 442 | 1.4 |
| Butyl alcohol----- | 2,098 | 403 | 19.2 |
| Glycols----- | 3,855 | 597 | 15.5 |
| Butyl acetate----- | 3,170 | 577 | 18.2 |
| Ethyl acrylate monomer----- | 7,853 | 172 | 2.2 |
| Dyes----- | 1,877 | 121 | 6.4 |
| Benzenoid medicinals, in- cluding mixtures----- | 10,675 | 364 | 3.4 |
| Synthetic resins----- | 14,292 | 477 | 3.3 |
| Oil additives----- | 5,300 | 610 | 11.5 |
| Nylon filament yarn----- | 32,775 | 2,573 | 7.9 |
| Cotton cloth----- | 1,374 | 109 | 8.0 |
| Burlap bags----- | 9,300 | 130 | 1.4 |
| Steel----- | 425,998 | 1,623 | .4 |
| Copper----- | 27,722 | 287 | 1.0 |
| Aluminum----- | 67,687 | 2,170 | 3.2 |
| Titanium, intermediate mill shapes or wrought----- | 9,197 | 127 | 1.4 |
| Tin cans----- | 11,941 | 309 | 1.2 |
| Radar guidance systems----- | 8,254 | 111 | 1.3 |
| Passenger automobiles----- | 95,416 | 185 | .2 |
| Trucks----- | 24,408 | 115 | .6 |
| Motor vehicle stampings and assemblies----- | 146,000 | 1,416 | 1.0 |
| Watches----- | 4,523 | 921 | 20.4 |
| All other----- | 514,753 | 4,710 | .9 |
| Total----- | 3,411,499 | 51,229 | 1.5 |

1/ Estimated value of articles on which drawback was paid in 1967. Although taken as representative of the annual rate, the articles would often have been exported over a different period.

2/ The amounts shown in these columns are gross amounts. They do not reflect the amounts actually recovered after expenses nor do they reflect the lower levels of duties recoverable on many imported materials currently being imported.

A discussion of the principal articles on which drawback is paid follows.

Condensed milk.--That on which drawback is paid is valued at \$12 to \$16 million annually, and nearly equals total U.S. exports of condensed milk. The annual drawback is \$149,000 to \$203,000. It represents the return of duty on 23 million to 32 million pounds of sugar per year valued at \$470,000 to \$615,000. Annual data are given in the following tabulation:

| Item | 1965 | 1966 | 1967 |
|--|--------|--------|--------|
| Total U.S. exports of condensed milk: | | | |
| Quantity--1,000 pounds----- | 65,252 | 92,885 | 28,589 |
| Value--1,000 dollars----- | 15,619 | 22,505 | 7,226 |
| Condensed milk on which drawback was paid: | | | |
| Quantity--1,000 pounds----- | 52,128 | 68,393 | 46,750 |
| Estimated value--1,000 dollars----- | 12,511 | 16,414 | 11,677 |
| Imported ingredients (sugar): | | | |
| Quantity--1,000 pounds----- | 23,375 | 32,393 | 24,019 |
| Value <u>1/</u> --1,000 dollars----- | 468 | 615 | 480 |
| Drawback payments--1,000 dollars----- | 149 | 203 | 153 |

1/ Estimated on basis of world price.

The drawback, of 0.6 cent a pound, on the sugar used results in a saving of about 2 percent in the cost of the condensed milk. Imports of sugar, however, are subject both to duty and import quota. The saving from drawback of the duty, when combined with the saving (under separate legislation) by exemption from quota, is 4 to 6 cents per pound of sugar used, and is somewhat more than 10 percent of the cost of the condensed milk.

Concentrated orange juice.--Frozen concentrated orange juice is imported in bulk (usually 55 gallon drums) from Brazil, Mexico, and the West Indies. The imported juice is blended with domestic juice, in some instances with the addition of sweeteners, for conformity with commercial standards in the United States. It is then repackaged and sold for general consumption. Exports on which drawback is taken consist predominantly of domestic juice which (under section 1313(b)) is substituted for imported juice on which the duty is returned under drawback.

Exports under drawback in 1965-67 were valued at \$3.6 million to \$6.5 million a year and were equal to one-third to two-thirds of U.S. exports of frozen concentrated orange juice. The concentrated juice on which duty was returned exceeded total imports of that material in 1965-67 and reflected some imports in 1964, following unusual weather damage to the Florida orange crop. ^{1/} The drawback in the three-year period was \$1.5 million to \$1.9 million a year and was 30 to 35 percent of the value of the article. Annual data are shown in millions of dollars, in the following tabulation:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|---|-------------|-------------|-------------|
| Exports of all orange juice ^{1/} | 18.2 | 18.4 | 23.0 |
| Exports of concentrated juice | 13.2 | 12.9 | 15.1 |
| Exports under drawback | 6.5 | 4.5 | 3.6 |
| Imported juice used | 2.8 | 1.3 | 1.6 |
| Drawback | 1.9 | 1.5 | 1.9 |

^{1/} Based on market year November 1964-October 1965 as being 1965, etc.

^{1/} Eight years can elapse from importation to the filing of a claim under drawback. The drawback on concentrated frozen orange juice in 1966 includes \$15,336, return of duty on oranges from Cuba, which could not have been imported later than 1962.

Over the last five years, exports (chiefly as frozen concentrate) have equalled 6 percent of U.S. production of orange juice and have been 5 times as large as the imports.

U.S. production, imports, exports, and consumption in single strength gallons by market year (ending Oct. 31) are shown below for all orange juice:

| Item | 1963 | 1964 | 1965 | 1966 | 1967 |
|--------------------------------------|--------------------------|---------|---------|---------|---------|
| | Quantity (1,000 gallons) | | | | |
| Production----- | 299,634 | 297,286 | 460,636 | 419,833 | 683,392 |
| Imports----- | 4,105 | 8,890 | 5,030 | 804 | 2,864 |
| Exports----- | 27,690 | 20,497 | 21,234 | 24,344 | 36,116 |
| Apparent consumption <u>1/</u> ----- | 350,228 | 307,292 | 397,105 | 436,549 | 588,085 |
| | Unit value (per gallon) | | | | |
| Production----- | \$1.09 | \$1.12 | \$.78 | \$.71 | \$.59 |
| Imports----- | .67 | .74 | .50 | .32 | .28 |
| Exports----- | .84 | .94 | .86 | .76 | .64 |

1/ Adjusted for changes in packers stock.

Duty is recovered under drawback on practically the whole imports of orange juice. Imports tend to increase when there is a short domestic crop, but the ratio of imports to consumption in all years is small, and periodic shortcomings in the domestic supply are met almost entirely from the inventory of packers.

Refined sugar.--Imports of sugar for consumption in the United States are restricted by quota. Sugar used in exported products is not under quota and can be bought at the world price, about 2 cents per pound (raw basis) in 1967, rather than at the price (6 cents per pound) for sugar imported under quota.

The refined sugar upon which drawback was paid in 1967 amounted to 14 million pounds valued at \$1,297,000. ^{1/} The drawback was \$107,000 or 8 percent of the value of the article. The sugar on which drawback was paid was several times the U.S. exports of refined sugar as reported in official statistics and consisted predominantly of supplies (not included in export statistics) distributed to armed services post exchanges outside the United States. Those supplies, as shown by records of the Army and Air Force Exchange Service, amounted to 13,312,235 pounds in 1967.

Data for refined sugar on which drawback was paid are shown in comparison with the U.S. exports as follows:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|---|-------------|-------------|-------------|
| U.S. exports of sugar: | | | |
| Quantity--1,000 pounds----- | 4,717 | 6,012 | 2,935 |
| Value--1,000 dollars----- | 479 | 390 | 265 |
| Sugar on which drawback was paid: ^{1/} | | | |
| Quantity--1,000 pounds----- | 11,372 | 20,270 | 14,416 |
| Value--1,000 dollars----- | 1,155 | 1,314 | 1,297 |
| Unit value--cents per pound----- | 10 | 6 | 9 |
| Imported material (raw sugar): | | | |
| Quantity--1,000 pounds----- | 11,869 | 20,910 | 16,598 |
| Value ^{2/} --1,000 dollars----- | 249 | 397 | 332 |
| Drawback--1,000 dollars----- | 75 | 133 | 107 |

^{1/} Includes supplies not included in statistics of exports (see text).

^{2/} Estimated on the basis of the world price.

^{1/} The quantity of imported sugar on which duty was returned under drawback was much larger, amounting to 113 million pounds in 1967. Much the greater part of the total was not exported as such, but was contained in canned goods and prepared foods exported with benefit of drawback.

Under a single procedure both drawback of duty and exemption from quota are allowed on imported raw sugar used in manufacture for export. The drawback, 0.6 cent a pound, is incidental to the saving afforded by exemption from quota.

Cigarettes.--Shipments on which drawback is paid generally approximate the total exports of cigarettes. They amounted to 26 billion cigarettes valued at \$151 million and were somewhat more than the total in 1967 because of supplies (not included in export statistics) to the armed services post exchanges outside the United States. The drawback in 1967 was \$982,000. It represented the return of duty on imported materials, chiefly leaf tobacco, valued at \$5.7 million. Data for 1967 (in thousands of dollars) are shown in comparison with those for 1965 and 1966 as follows:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|--------------------------|-------------|-------------|-------------|
| U.S. exports----- | 105,297 | 110,482 | 116,210 |
| Exports with drawback--- | 119,617 | 108,261 | 151,411 |
| Imported materials----- | 5,704 | 5,089 | 5,652 |
| Drawback----- | 945 | 830 | 982 |

The materials on which duty is returned include (besides leaf tobacco) cigarette paper, and small quantities of scrap tobacco and menthol. They account for an insignificant part of the imports of the other materials but for a substantial proportion of the cigarette paper.

Practically the entire drawback on cigarettes is taken by the four large manufacturers. The drawback amounts to 3 or 4 cents per thousand cigarettes and equals two-thirds of 1 percent of the value.

Petroleum products.--Because of the general utilization of domestic together with imported crude petroleum, and because of unresolved issues over the substitution of domestic for imported material, little drawback was paid on petroleum products until 1966, when separate regulations for those products were issued. The new regulations divided crude petroleum into four classes, provided for the allotment of crude to end product by market value, and allowed for drawback on products exported, against the duty paid on designated imports of the allotted crude. The designated imports, to conform with the requirements of section 1313(b) had to be the same class of crude as that from which the exported product was obtained, and had to be used within three years of their receipt, but they did not have to be used by the firm exporting the product, but only by a firm from which it purchased the class of crude from which that product was obtained. These regulations were expected to allow drawback on almost the total exports of petroleum products, as well as on some exports of petrochemicals and other derivatives.

Under the new regulations, the drawback on petroleum products in 1966 was \$6.7 million and that in 1967, \$29.5 million. The 1967 amount equaled two-thirds of the duties collected in that year on imported crude.

Forty-two percent of the drawback in 1967 was paid on lubricating oil, a relatively high-priced derivative of petroleum, 12 percent was paid on naphtha and solvents, and most of the remainder on residual fuel oil, distillate fuel oil, and aviation gasoline. The payment on

synthetic rubber and chemicals amounted to less than 10 percent of the total (see table below).

Petroleum products: U.S. exports, articles under drawback, and drawback, 1967

| Product | U.S. ex-ports ^{1/} | Articles under drawback | | | Drawback |
|---------------------------------------|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | Quantity | Value ^{2/} | Crude petroleum: used | |
| | <u>1,000</u> dollars | <u>1,000</u> barrels | <u>1,000</u> dollars | <u>1,000</u> barrels | <u>1,000</u> dollars |
| Synthetic rubber | | | | | |
| S-type----- | 65,059 | 1,271 | 90,686 | 17,407 | 1,811 |
| Crude petroleum---- | 92,018 | 13,427 | 44,175 | 11,014 | 1,142 |
| Aviation gasoline-- | 10,721 | 16,811 | 104,228 | 19,781 | 2,056 |
| Other gasoline----- | 5,670 | 2,022 | 8,654 | 2,019 | 208 |
| Gasoline blending agents----- | 2,715 | 6,147 | 45,365 | 9,673 | 1,005 |
| Kerosene----- | 1,252 | 1,304 | 10,328 | 1,171 | 121 |
| Jet fuel----- | 1,142 | 6,077 | 24,247 | 4,597 | 476 |
| Distillate fuel oil----- | 11,197 | 26,998 | 75,054 | 21,260 | 2,285 |
| Residual fuel oil-- | 42,824 | 51,637 | 100,176 | 24,997 | 2,599 |
| Lubricating oils and greases----- | 208,357 | 50,069 | 830,969 | 118,996 | 12,371 |
| Petroleum jelly and mineral waxes---- | 38,922 | 4,519 | 88,527 | 8,362 | 865 |
| Naphtha and solvents----- | 21,999 | 26,762 | 256,112 | 30,685 | 3,280 |
| Petroleum coke----- | 55,187 | 15,975 | 53,836 | 4,945 | 513 |
| Petroleum asphalt-- | 10,528 | 480 | 4,397 | 251 | 26 |
| Liquified petroleum gas----- | 21,466 | 1,039 | 3,398 | 460 | 47 |
| Chemicals----- | ^{3/} | ^{3/} | 43,156 | 6,857 | 713 |
| Total----- | 589,067 | 224,538 | 1,783,308 | 282,475 | 29,518 |

^{1/} Official statistics of the U.S. Department of Commerce.

^{2/} Estimated from the unit value of exports.

^{3/} No comparable data.

Source: U.S. Bureau of Customs, except as noted.

The amount under drawback exceeded total exports of refinery products in 1967. The excess reflects the liquidation of accumulated claims, some outstanding since 1958, and the inclusion of supplies for vessels and aircraft in international commerce, not reported as exports in official statistics. The drawback on actual exports of refinery products in 1967 would have amounted to about \$10 million.

Drawback on synthetic rubber and petrochemicals in 1967 was small, because of their manufacture by firms other than those refining the crude, necessitating the authorization of separate drawback rates and the maintenance of separate detailed records. It will amount to \$3 million to \$4 million in 1968.

The allocation of raw material (and drawback) to end product by market value generally results in a drawback equal to about 2 percent of the value of the article.

Imported petroleum is subject to both import duty and import quota. The duty is generally 10-1/2 cents a barrel of 42 gallons while the differential attributable to the quota is \$1.25 a barrel. The quota (unlike that on sugar) applies to materials manufactured for export as well as to those for domestic use.

Antiknock gasoline additives.--Exports (chiefly tetraethyl lead) on which drawback was paid were valued at \$30 to \$45 million annually and practically matched total exports of antiknock gasoline additives in 1965-67. The drawback ranged from \$389,000 to \$629,000, and was 1

to 1-1/2 percent of the value of the exported articles. It represented a return of duty on 41 to 60 million pounds of imported lead valued at \$5 to \$8 million a year. Annual data are given in the following tabulation:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|-------------------------------------|-------------|-------------|-------------|
| U.S. exports of additives: | | | |
| Quantity--1,000 pounds----- | 127,554 | 110,873 | 114,153 |
| Value--1,000 dollars----- | 40,446 | 34,905 | 33,937 |
| Articles on which drawback is paid: | | | |
| Quantity--1,000 pounds----- | 151,338 | 103,529 | 105,995 |
| Estimated value--1,000 dollars-- | 45,401 | 31,059 | 31,786 |
| Imported material used (lead): | | | |
| Quantity--1,000 pounds----- | 59,768 | 40,763 | 42,030 |
| Estimated value--1,000 dollars-- | 7,770 | 5,299 | 5,044 |
| Drawback----- | 629 | 389 | 442 |

Drawback on gasoline additives (see Treasury Decisions 55522(D) and 55437(M)) is taken by E.I. du Pont de Nemours and Company and Ethyl Corporation, the two major producers.

Butyl alcohol.--Drawback was paid in 1967 on 25.0 million pounds valued at an estimated \$2.1 million, equal to one-third of U.S. exports of normal butyl alcohol in the year. Unlike most of the supply, obtained by newer processes from other materials, the normal butyl alcohol exported under drawback was obtained from acetaldehyde made from ethyl alcohol. The drawback amounted to \$403,000 and represented a return of duty on 6.5 million gallons of imported ethyl alcohol valued at \$1.8 million. No drawback on butyl alcohol was paid in 1965 and 1966. The drawback in 1967 reflects exports beginning in 1965, which are continuing.

The butyl alcohol exported under drawback is all produced by Union Carbide Company (Treasury Decisions 55211(C) and 66-214(A)). The drawback equals 20 percent of the estimated value of the article.

Glycols.--Articles on which drawback was paid were valued at \$3.9 million, equal to 12-1/2 percent of the exports of all glycols in 1967. The drawback was \$597,000, and represented the return of duty on imported materials valued at \$2.1 million. The amounts in 1967 were much larger than in 1966, and somewhat larger than in 1965, as shown (in thousands of dollars) below:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|-------------------------------|-------------|-------------|-------------|
| Values of -- | | | |
| U.S. exports of glycols----- | 34,128 | 32,902 | 30,943 |
| Glycols on which drawback was | | | |
| paid <u>1</u> /----- | 1,426 | 256 | 3,855 |
| Imported materials----- | 1,394 | 231 | 2,089 |
| Drawback----- | 490 | 82 | 597 |

1/ Estimated value.

The drawback in 1965 and 1966 represented a return of duty on ethylene oxide used by the Dow Chemical Company in making ethylene glycol and, to a limited extent, di-, tri-, and tetraethylene glycol (see Treasury Decision 56060(E)). The drawback was paid on a small part of the total exports of ethylene glycol and related materials, but it represented a return of duty on most of the ethylene oxide imported since 1962. The imported material was received by the parent company in the United States from a subsidiary in Canada.

The drawback on glycol in 1967 largely reflected the return of duty on butanediol (see Treasury Decision 66-276(L)) used by E.I. du Pont de Nemours and Company in making polytetramethylene ether

glycol, an intermediate for elastic fibers. The butanediol used was valued at \$1.6 million, and equaled one-third of the amount imported in the year. The estimated value added to the imported butanediol by manufacture in the United States was in excess of \$1 million; the drawback was \$439,000. The imports of butanediol on which the duty was returned began in 1965, when a shortage of that chemical was impending; they ceased before the collection of drawback began, as domestic capacity had expanded.

Butyl acetate.--Articles on which drawback was paid in 1967 amounted to 35 million pounds valued at \$3.2 million, equal to four-fifths of the exports of butyl acetate in that year. The butyl acetate was obtained from acetaldehyde made from imported ethyl alcohol. The drawback was \$577,000 and constituted a return of duty on 9.7 million gallons of ethyl alcohol valued at \$2.9 million. The quantity involved exceeded the total imports of ethyl alcohol (8.0 million gallons) in 1967, and reflected imports (17.4 million) in 1966.

The drawback on butyl acetate, as on butyl alcohol from which it is made, is taken by Union Carbide Corp. (Treasury Decision 55211(C) in 1960). No drawback was paid on butyl acetate in 1965 and 1966; the payment in 1967 reflects exports since 1964, which are continuing. The drawback is equal to 17 percent of the estimated value of the butyl acetate, and exceeds the value added to the imported ethyl alcohol by manufacture in the United States. Most butyl acetate exported, however, is exported without benefit of drawback, and is derived from other materials without the use of imported alcohol.

Ethyl acrylate monomer.--Drawback was paid in 1967 on 33.7 million pounds of ethyl acrylate monomer (an intermediate for acrylic resins) valued at \$7.9 million, equal to total U.S. exports over a period of several years. The drawback was \$172,000 and constituted a return of duty on imports of acetone, acetone cyanohydrin, methyl alcohol and ethyl alcohol valued at \$769,000. No drawback was paid on ethyl acrylate monomer in 1965 and 1966. The drawback paid in 1967 reflects exports since 1963.

The drawback was taken by Rohm and Haas Company (see Treasury Decision 56239(J) in 1964, retroactive to May 1963). The firm is itself a producer of methyl alcohol and acetone cyanohydrin, the imported materials which accounted for most of the duty recovered under drawback. Exports of the monomer on which drawback was paid were completed in 1967. Transactions under drawback on this item have ceased, although they are continuing on the related synthetic resins (see separate statement on synthetic resins). The drawback amounted to 2 percent of the value of the article.

Ethyl alcohol.--Ethyl alcohol on which drawback was paid in 1965 was valued at \$1.1 million. The drawback was paid at the Port of New Orleans. It constituted the return of duty on imports of 3 million gallons of impure alcohol used by Publicker Chemical Corp. (Treasury Decision 56132(C)) in the manufacture of pure or denatured alcohol exported. The transactions reflected total imports and exports of ethyl alcohol through the New Orleans customs district in 1963-65, shown in the following tabulation:

| | <u>Quantity</u> | <u>Value</u> |
|------------------------------|-----------------|-----------------|
| | (1,000 gallons) | (1,000 dollars) |
| Imported (1963)----- | 2,867 | 673 |
| Exported (1964 and 1965)---- | 2,913 | 1,051 |

No drawback was paid on exports of ethyl alcohol in 1966 and that in 1967 amounted to only \$10,000 constituting the return of duty on 171,000 gallons of impure alcohol used. Many times this quantity of impure alcohol was used in butyl alcohol exported with benefit of drawback in 1967. Of the 6.5 million gallons so used (see separate statement on butyl alcohol), a large part was furnished by Publicker Chemical Corp.

Benzenoid dyes.--The drawback on exports of benzenoid dyes was only \$53,000 in 1965, but it amounted to \$557,000 in 1966 and \$121,000 in 1967. The 1966 amount involved dyes valued at \$3 million, equal to 12 percent of all U.S. exports of benzenoid dyes, and constituted the return of duty on imported materials (chiefly benzenoid colors, dyes and stains) valued at \$1.6 million. The total payment in 1966 largely reflected transactions in a single product by a European firm with plants in the United States.

Exports on which drawback was paid in 1965 and 1967 were much smaller, both in absolute value and in relation to U.S. exports of benzenoid dyes, than in 1966. The value and kind of imported materials used varied widely in the three years, as did the amount of drawback paid. Annual data are shown in thousands of dollars, as follows:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|---|-------------|--------------|-------------|
| U.S. exports of all benzenoid dyes--- | 31,427 | 34,738 | 31,676 |
| Dyes exported with drawback <u>1/</u> ----- | 281 | 3,100 | 1,877 |
| Imported materials: | | | |
| Benzenoid chemicals <u>2/</u> | | | |
| Intermediates----- | 111 | 338 | 254 |
| Colors, dyes and stains----- | 2 | 1,115 | 11 |
| Fast color bases----- | 72 | 103 | 160 |
| Guaiacol----- | 14 | - | - |
| Other chemicals----- | - | 2 | 64 |
| Total imported materials----- | <u>199</u> | <u>1,558</u> | <u>489</u> |
| Drawback----- | 53 | 557 | 121 |

1/ Estimated value.

2/ Values based on American selling price.

Benzenoid medicinals (including mixtures).---Articles on which drawback was paid averaged \$15 million a year in 1965-67 and were equivalent to about a fifth of U.S. exports of benzenoid medicinals. The drawback, averaging \$430,000 a year, equaled 3 percent of the value of the articles. Annual data for the three years, in thousands of dollars, are as follows:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|---|-------------|-------------|-------------|
| U.S. exports of all benzenoid medicinals----- | 70,816 | 79,516 | 82,213 |
| Exports on which drawback was paid <u>1/</u> -- | 10,855 | 22,665 | 10,675 |
| Imported materials----- | 1,479 | 2,822 | 1,805 |
| Drawback----- | 303 | 625 | 364 |

1/ Estimated.

By far the greater part of the value of imported materials covered and of the drawback was accounted for by vanillin, used by Merck and Company, Inc., in the manufacture of methyl dopa (Treasury Decision 56197(C)).

Synthetic resins.--Articles on which drawback was paid in 1967 were valued at \$14 million, equal to 3 percent of total exports of synthetic resins in the year. The drawback amounted to \$477,000, and constituted a return of duty on imported materials valued at \$2.4 million. The amounts in 1967 were much larger than in 1966 and somewhat larger than in 1965, both in absolute terms and in relation to U.S. exports of synthetic resins. Data for the 3 years are shown, in thousands of dollars, as follows:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|---|-------------|-------------|-------------|
| U.S. exports of all synthetic resins----- | 424,659 | 472,519 | 473,320 |
| Exports on which drawback was paid----- | 12,792 | 8,644 | 14,292 |
| Imported materials----- | 2,173 | 1,961 | 2,350 |
| Drawback----- | 371 | 325 | 477 |

Nearly two-thirds of the value of synthetic resins on which drawback was paid in 1967 was accounted for by protective coatings, and most of the remainder by polyvinyl resins, alkyd resins, and styrene ion exchange resins. The data for 1967 by kind of synthetic resin are shown in thousands of dollars as follows:

| Kind of resin | All exports | Articles exported with drawback ^{1/} | Imported materials | Drawback |
|---------------------------|-------------|---|--------------------|----------|
| Alkyd----- | 4,748 | 1,289 | 176 | 19 |
| Polyvinyl chloride----- | 19,369 | 549 | 206 | 72 |
| Other polyvinyl----- | 27,479 | 1,684 | 580 | 118 |
| Acrylic----- | 10,260 | 244 | 40 | 4 |
| Styrene ion exchange----- | 6,019 | 485 | 33 | 6 |
| Polyethylene film----- | 6,180 | 188 | 59 | 19 |
| Protective coatings----- | 11,041 | 8,802 | 930 | 183 |
| All other----- | 388,224 | 1,051 | 326 | 56 |
| Total----- | 473,320 | 14,292 | 2,350 | 477 |

^{1/} Value estimated from the quantity.

Source: Compiled from data furnished by the U.S. Bureau of Customs.

The drawback represented the recovery of duty on methyl and ethyl alcohol, acetone cyanohydrin, vinyl pyrrolidone, and lauryl methacrylate used in protective coatings, on vinyl acetate and butyraldehyde used in vinyl resins, on castor oil used in alkyd resins, on polyethylene used in polyethylene film, on polyvinyl resin for manufacture into compounds, and on a score of chemicals the amount of which was small.

Oil additives.--Articles on which drawback was paid in 1967 were valued at \$5.3 million, equal to 6 percent of U.S. exports of oil additives in the year. The drawback amounted to \$610,000 and constituted a return of duty on imported materials valued at \$901,000. The drawback in 1967 was approximately double that in 1965, but the amount in the intervening year was only \$10,000.

The composition of imported materials used in 1967 differed from that in 1965, but the greater part of the duty refunded under drawback in both years was on polyalkylbenzene, most of the imports of which ultimately benefitted under the drawback. Value and drawback by imported material are shown (in thousands of dollars) as follows:

| Imported material | Value | | Drawback | |
|------------------------|-------|------|----------|------|
| | 1965 | 1967 | 1965 | 1967 |
| Calcium sulfonate----- | 630 | 123 | 65 | 13 |
| Sperm oil----- | 194 | - | 10 | - |
| Polyalkylbenzene----- | 199 | 638 | 174 | 560 |
| Anthranilic acid----- | 142 | 114 | 39 | 32 |
| Zinc oxide----- | 203 | - | 8 | - |
| All other----- | 77 | 26 | 23 | 5 |
| Total----- | 1,445 | 901 | 319 | 610 |

Acrylic staple fiber.--Drawback was paid in 1965 on 2.9 million pounds of acrylic staple fiber, equal to one-fourth of the exports. The drawback amounted to \$167,000 and constituted the return of duty on 2.8 million pounds of acrylonitrile polymer resin valued at \$600,000. No drawback was paid on acrylic staple fiber in 1966, however, and that paid in 1967 was only \$63,000. The data for 1965 and 1967 are shown in detail as follows:

| | <u>1965</u> | <u>1967</u> |
|---|-------------|-------------|
| U.S. exports--1,000 pounds----- | 10,825 | 16,597 |
| Articles under drawback: | | |
| Quantity--1,000 pounds----- | 2,894 | 1,198 |
| Value <u>1/</u> --1,000 dollars----- | 2,358 | 860 |
| Imported material (acrylonitrile polymer): | | |
| Quantity--1,000 pounds----- | 2,844 | 1,186 |
| Value--1,000 dollars----- | 600 | 268 |
| <u>Drawback--1,000 dollars-----</u> | <u>167</u> | <u>63</u> |
| <u>1/</u> Estimated. | | |

The drawback was taken by E.I. du Pont de Nemours and Company (T.D. 56286(A), effective on articles manufactured beginning March 29, 1963). It comprised the return of duty on as much acrylonitrile resin as was imported into the United States in 1963-66. The imports reflected a shortage that was removed by Du Pont with the expansion of domestic capacity. The imports of acrylonitrile resin became negligible in 1967, and at the end of that year no further drawback on exports of acrylic staple fiber was in prospect.

Nylon yarn.--The amount of nylon yarn on which drawback was paid increased from little more than 1 million pounds, valued at less than \$2 million in 1965, when it equaled 3-1/2 percent of the exports, to

nearly 29 million pounds valued at \$33 million in 1967, when it equaled 66 percent. The annual drawback increased over the same period from \$211,000 to \$2.6 million. It constituted the recovery of duties on adipic acid and nylon flake. The duties recovered and the imports and exports referred to are shown in the following tabulation:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|--|-------------|--------------|--------------|
| U.S. exports of all nylon yarn-- | | | |
| 1,000 pounds----- | 38,877 | 42,405 | 42,858 |
| Nylon yarn on which drawback was paid: | | | |
| Quantity--1,000 pounds----- | 1,323 | 6,701 | 28,500 |
| Value <u>1/</u> --1,000 dollars----- | 1,614 | 7,840 | 32,775 |
| Imported material <u>2/</u> : | | | |
| Adipic acid--1,000 dollars----- | 567 | 2,701 | 5,762 |
| Nylon flake--1,000 dollars----- | - | - | 2,187 |
| Total----- | <u>567</u> | <u>2,701</u> | <u>7,949</u> |
| Duties recovered: | | | |
| Adipic acid--1,000 dollars----- | 211 | 911 | 2,114 |
| Nylon flake--1,000 dollars----- | - | - | 459 |
| Total----- | <u>211</u> | <u>911</u> | <u>2,573</u> |

1/ Estimated.

2/ Value based on American selling price.

The drawback was taken by E.I. du Pont de Nemours and Company (see Treasury Decision 66-49(H)) and Chemstrand Company, Division of Monsanto Company (Treasury Decision 56476(M)). Imports of both adipic acid and nylon flake by the two firms have now ceased, although drawback will still be claimed for a few months until the duty on past imports is fully recovered.

Cotton cloth.--Cotton cloth on which drawback was paid in 1967 was valued at \$1.4 million. The drawback was \$109,000 and constituted

the return of duty on imported materials valued at \$803,000. The amounts for 1967 were much smaller than for 1965 and 1966, both in absolute terms and relative to U.S. exports of cotton cloth. Data for the three years are shown, in thousands of dollars, as follows:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|-----------------------------|-------------|-------------|-------------|
| U.S. exports----- | 107,563 | 118,250 | 108,325 |
| Exports under drawback----- | 4,222 | 2,767 | 1,374 |
| Imported material----- | 2,075 | 1,792 | 803 |
| Drawback----- | 216 | 204 | 109 |

The imported material consisted primarily of cotton cloth not bleached or colored. Half of the quantity and a somewhat larger portion of the value (consisting principally of broadcloth) was exported after having been bleached or finished in the United States. The remainder (consisting principally of sheetings or osnaburgs) was exported unbleached, after having been cut, sized, shower-proofed or otherwise advanced. Exports on which drawback was paid, the value of the imported material, and the amount of drawback in 1967 for the articles in the two categories are shown as follows:

| | <u>Unbleached</u> | <u>Bleached or colored</u> |
|--------------------------------------|-------------------|--------------------------------|
| Exports under drawback: | | |
| Quantity--1,000 sq. yds.----- | 2,029 | 2,199 |
| Value--1,000 dollars <u>1/</u> ----- | 565 | 809 |
| Imported material: | | |
| 1,000 dollars----- | 307 | 496 |
| Drawback: | | |
| 1,000 dollars----- | 37 | 72 |

1/ Estimated.

Articles on which drawback is paid comprise 1 or 2 percent of the exports of cotton cloth.

Burlap bags.--Exports on which drawback is paid are several times as large as recorded exports of burlap bags because (unlike recorded exports) they include bags exported filled, containing wheat, feed, flour, rice, corn, soybeans, fertilizer, DDT or other material.

Drawback was paid in 1967 on nearly 28 million pounds of bags valued at \$9.3 million. The drawback was \$130,000. It constituted a return of duty on imported materials (burlap) valued at \$5.2 million. The amounts in 1967 were larger, both absolutely and in relation to U.S. exports of burlap bags, than in 1965 and 1966, as shown in the following tabulation:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|------------------------------|-------------|-------------|-------------|
| U.S. exports: | | | |
| Quantity--1,000 pounds----- | 7,486 | 7,592 | 5,738 |
| Exports under drawback: | | | |
| Quantity--1,000 pounds----- | 18,628 | 14,366 | 27,596 |
| Value--1,000 dollars----- | 6,483 | 5,603 | 9,300 |
| Imported materials: | | | |
| Quantity--1,000 pounds----- | 17,903 | 13,882 | 26,234 |
| Value--1,000 dollars----- | 3,348 | 2,943 | 5,168 |
| Drawback--1,000 dollars----- | 89 | 70 | 130 |

The drawback on bags is taken by numerous small manufacturers to which certificates of export are endorsed by exporters of feed, flour, and other materials. It amounts to a little more than 1 percent of the value of the bag.

Safety glass.--The safety glass on which drawback is paid consists of laminated glass windshields. It amounted to 1.3 million square feet valued at \$1.8 million and equaled 25 percent of the exports of safety glass in 1965. The drawback in that year was \$142,000, and constituted a return of duty on 2.5 million square feet of sheet glass valued at \$759,000. The amounts in 1966 and 1967, however, were much smaller than in 1965, both absolutely and in relation to U.S. exports of safety glass, as shown below.

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|--------------------------------------|-------------|-------------|-------------|
| U.S. exports--1,000 square feet----- | 5,113 | 8,842 | 12,268 |
| Articles under drawback: | | | |
| Quantity--1,000 square feet----- | 1,260 | 722 | 185 |
| Value--1,000 dollars <u>1/</u> ----- | 1,763 | 981 | 237 |
| Imported glass used: | | | |
| Quantity--1,000 square feet----- | 2,520 | 1,444 | 370 |
| Value--1,000 dollars----- | 759 | 448 | 118 |
| Drawback--1,000 dollars----- | 142 | 83 | 21 |

1/ Estimated.

U.S. exports of safety glass are destined principally to Canada and have increased with elimination of the duty in that country, beginning in 1965, on equipment to be used in new cars. The reduction in drawback payments on the item results from the postponement of claims by a major exporter in 1966 and from the delay in liquidation of claims in 1967 during transfer of the responsibility from the customs office at Detroit to that at Chicago. Transactions in windshields under drawback have increased with the increase in exports, and this will be reflected in later drawback payments.

Steel.--Articles on which drawback was paid in 1967 were valued at \$426 million, which was three-fourths of the value of all exports of steel. The drawback, \$1.6 million, was less than one-half of 1 percent of the value of the articles on which it was paid. It constituted the return of duty on imported materials valued at \$21 million. The amounts for 1967 were much larger both absolutely and in relation to U.S. exports of steel than in 1965 and 1966 as shown (in thousands of dollars) below:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|---|-------------|-------------|-------------|
| U.S. exports of steel----- | 628,614 | 557,515 | 561,163 |
| Articles on which drawback was paid----- | 160,050 | 198,630 | 425,998 |
| Imported materials----- | 9,249 | 11,423 | 20,769 |
| Drawback payments----- | 1,065 | 1,362 | 1,623 |

Of the annual drawback on steel in 1965-67, nearly \$1 million constituted the refund of duty on stainless steel slabs and billets imported from Canada for custom rolling. The quantity of this steel was fairly constant at about 14,000 tons a year. The value of the imported material was \$5 to \$6 million, and the value of the rolled products returned to Canada was \$12 to \$15 million (see table page 38). The value of the rolled products was smaller after 1965 in part because the composition shifted from sheets to coils (which required re-rolling). Somewhat larger imports of steel slabs and billets for processing and subsequent exportation occur under the release under bond procedure (see table 9) than under the drawback procedure.

About a fifth, or \$364,000, of the drawback on steel in 1967 constituted the refund of duty on non-alloy steel entered (principally as sheets) to be tin-plated, re-rolled, or otherwise processed and exported. The quantity of this steel was 48,000 tons, the value as imported \$5.2 million, and the estimated value as exported \$8.7 million.

The remainder, \$379,000, of the drawback on steel in 1967 applied to steel made wholly in the United States. It represented the return of duty on manganese, fluorspar and pig iron used in non-alloy steel, on zinc used in galvanizing, and on ferroalloys, tungsten, and nickel as well as manganese and fluorspar used in alloy steel. On the non-alloy steel included, amounting to 1.4 million tons valued at \$352 million, the value of the imported materials was \$4 million and the drawback \$128,000 or nine cents per ton. Nearly all of the drawback on this steel involved the duty on manganese. Although the duty was suspended in 1964 (by P.L. 88-338), drawback will continue on articles in which manganese is used, at least until 1969, representing the return of duty on manganese used in steel manufactured several years before. On the alloy steel, amounting to 93,000 tons valued at \$53 million, the value of imported material was \$6 million and the drawback \$251,000 or \$2.70 a ton. The drawback on the carbon steel was less than one-tenth of one percent and on the alloy steel less than one-half of one percent of the value of the article.

Steel on which drawback was paid, 1965-1967

| Year | Exported article | | Imported material | Drawback |
|----------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| | Quantity | Value ^{1/} | | |
| | <u>1,000</u> tons | <u>1,000</u> dollars | <u>1,000</u> dollars | <u>1,000</u> dollars |
| Made from imported billets | | | | |
| 1965----- | 14 | 15,409 | 4,968 | 809 |
| 1966----- | 14 | 13,982 | 6,217 | 1,042 |
| 1967----- | 14 | 11,794 | 5,343 | 880 |
| Made from imported sheets | | | | |
| 1965----- | 2 | 447 | 181 | 16 |
| 1966----- | 18 | 2,162 | 1,457 | 112 |
| 1967----- | 48 | 8,653 | 5,217 | 364 |
| Other steel, except alloy | | | | |
| 1965----- | 772 | 105,665 | 764 | 57 |
| 1966----- | 412 | 82,875 | 186 | 16 |
| 1967----- | 1,380 | 352,180 | 4,064 | 128 |
| Other steel, alloy | | | | |
| 1965----- | 43 | 38,529 | 3,336 | 183 |
| 1966----- | 227 | 99,611 | 3,563 | 192 |
| 1967----- | 93 | 53,371 | 6,145 | 251 |
| All iron and steel | | | | |
| 1965----- | 831 | 160,050 | 9,249 | 1,065 |
| 1966----- | 671 | 198,630 | 11,423 | 1,362 |
| 1967----- | 1,535 | 425,998 | 20,769 | 1,623 |

^{1/} Estimated from the quantity.

Source: Compiled from official statistics of the U.S. Bureau of Customs, except as noted.

Copper.--The value of copper on which drawback was paid increased annually from \$10.5 million in 1965 to \$27.7 million in 1967. It was equal to $2\frac{1}{2}$ percent of U.S. exports of basic copper in 1965 and 5 percent in 1967. U.S. exports were predominantly refined unwrought copper produced from imported unrefined (blister) copper and withdrawn duty-free for export from smelting and refining warehouse. Most of the copper on which drawback was paid, on the other hand, was produced from refined unwrought copper and was wrought into tubes and mill shapes, the fabrication of which was not permitted in a smelting and refining warehouse. Although exports under drawback were small in comparison with total exports of copper, they were substantial in comparison with the exports of wrought copper.

The duty on unwrought copper and ores was suspended early in 1966, but the drawback in that year and in 1967 was larger than in 1965, constituting the recovery of duty on earlier imports. Data on unwrought and wrought copper are shown separately for the three years in the following tabulation.

| Item | U.S. exports | Exports under drawback | | Drawback <u>1/</u> |
|----------------|-----------------------------|-----------------------------|--------------------------------|--------------------------------|
| | | Quantity | Value | |
| | <u>Short</u> <u>tons</u> | <u>Short</u> <u>tons</u> | <u>1,000</u> <u>dollars</u> | <u>1,000</u> <u>dollars</u> |
| 1965: | | | | |
| Unwrought----- | 331,318 | 1,273 | 984 | 28 |
| Wrought----- | 23,339 | 7,763 | 9,480 | 174 |
| Total----- | 354,657 | 9,036 | 10,464 | 202 |
| 1966: | | | | |
| Unwrought----- | 273,071 | 1,632 | 1,620 | 20 |
| Wrought----- | 20,638 | 9,712 | 22,370 | 264 |
| Total----- | 293,709 | 11,344 | 23,990 | 284 |
| 1967: | | | | |
| Unwrought----- | 263,092 | 28 | 28 | 1 |
| Wrought----- | 43,411 | 16,510 | 27,694 | 286 |
| Total----- | 306,503 | 16,538 | 27,722 | 287 |

1/ Includes drawback, amounting to \$30,000 in 1967, on imported materials other than copper.

The drawback paid on exports of copper increased from \$202,000 in 1965 to \$287,000 in 1967. In the latter year it equaled about one percent of the value of the articles on which it was paid. The drawback on copper contained in other articles, chiefly automobiles, diesel electric locomotives, steam boilers, turbine generators, transformers, and insulated cable, amounted to an additional \$105,000 in 1966 and \$147,000 in 1967. On those articles the drawback equaled much less than one percent of the value.

Aluminum.--Aluminum on which drawback was paid was valued at \$46 million in 1965 and \$68 million in 1967. Plates and sheets, valued at \$37 million in 1965 and \$48 million in 1967, accounted for more than two-thirds of the total. Drawback was paid on about one-third of U.S. exports of the metal and for about three-fourths of U.S. exports of the plates and sheets.

The drawback, amounting to \$1.5 million in 1965 and \$2.2 million in 1967, was equal to 3 percent of the value of the exports involved. It constituted the return of duty on imports valued at \$25 million in 1965 and \$37 million in 1967. The imports consisted chiefly of aluminum ingots shipped by the Canadian producer to its subsidiary, Allroll, Inc. (now Alcan Aluminum Corp.) at Oswego, N.Y., to be rolled into sheets and returned (see Treasury Decision 57239(C)). The drawback on aluminum plates and sheets amounted to about 7 percent of the value added to the imported ingots by rolling.

The drawback paid on other articles made from imported aluminum was \$202,000 in 1967. It included drawback of \$62,000 on insulated

wire cable containing 5 million pounds of aluminum and \$78,000 paid on commercial enclosures containing 6 million pounds of aluminum.

Zinc.--Exports of zinc on which drawback was paid declined from 8,289 tons, valued at \$3.8 million, in 1965 to 2,812 tons, valued at \$1.8 million, in 1967. The drawback in 1965, amounting to \$110,000, equaled 3 percent of the value of the articles, while that in 1967, amounting to \$39,000, equaled 2 percent of the value. It constituted the return of duty on imported zinc ore valued at \$1.3 million in 1965 and \$615,000 in 1967. Most of the reduction from 1965 to 1967 occurred in unwrought zinc. Unwrought zinc, instead of being manufactured under drawback, is usually manufactured for export under continuous customs custody, in which case no duty is paid on the imported ore. A large drawback on unwrought zinc in 1965 and 1966 reflected transactions under A.I.D. rather than ordinary commercial exports. Annual data for unwrought zinc and for wrought zinc are shown separately as follows:

| Item | U.S. exports | Exports under drawback | Drawback |
|----------------|-------------------|------------------------------|-----------|
| | <u>Short tons</u> | <u>Short tons</u> | |
| 1965: | | | |
| Unwrought----- | 7,211 | 5,244 | \$ 69,195 |
| Wrought----- | 6,611 | 3,045 | 40,804 |
| Total----- | 13,822 | 8,289 | 109,999 |
| 1966: | | | |
| Unwrought----- | 2,672 | 2,346 | 30,586 |
| Wrought----- | 6,689 | 3,850 | 50,306 |
| Total----- | 9,361 | 6,196 | 80,892 |
| 1967: | | | |
| Unwrought----- | 17,564 | 755 | 12,777 |
| Wrought----- | 4,971 | 2,057 | 26,487 |
| Total----- | 22,535 | 2,812 | 39,264 |

The drawback paid on other articles made from imported zinc was \$75,000 in 1966 and it amounted to \$90,000 in 1967 when it exceeded the drawback paid on zinc exported as such. The 1967 amount included \$37,000 return of duty on 2,803 tons of unwrought zinc used in automobile parts for assembly and \$39,000 return of duty on 2,803 tons (zinc content) of ore used in steel products.

Titanium.--Articles on which drawback was paid in 1967 amounted to 1.3 million pounds valued at \$9.2 million, equal to 60 percent of U.S. exports of titanium in the year. They consisted of ingots, sheets, bar-forgings and mill products made with the use of imported titanium sponge. The drawback amounted to \$127,000, and constituted a return of duty on imports valued at \$638,000. The amounts in 1967 were much larger than in 1966, and several times as large as in 1965, when most of the titanium on which drawback was paid consisted of unwrought (including waste and scrap). Data for the three years are shown, in thousands of dollars, as follows:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|--|-------------|-------------|-------------|
| U.S. exports <u>1/</u> ----- | 7,213 | 11,572 | 15,070 |
| Articles under drawback----- | 331 | 1,634 | 9,197 |
| Imported materials----- | 221 | 248 | 638 |
| Drawback----- | 44 | 49 | 127 |
| <u>1/</u> Wrought or unwrought, including waste and scrap. | | | |

Drawback on titanium was taken by Titanium Metals Corp. of America (T.D. 56286(U)) and Bridgeport Brass Division of National Distillers and Chemical Corp. (T.D. 55827(F)).

Tin cans.--The amount of tin cans on which drawback was paid in 1967 was 42.6 million pounds valued at \$11.9 million, and reflected

large exports in the previous year. The drawback, \$309,000, constituted a return of duty on imports of tinplate valued at \$3.4 million. The amounts for 1967 were larger both absolutely and in relation to U.S. exports of tin cans, than in 1965 and 1966, as shown in the following tabulation:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|--------------------------------------|-------------|-------------|-------------|
| U.S. exports--1,000 pounds----- | 39,743 | 52,329 | 37,080 |
| Articles under drawback: | | | |
| Quantity--1,000 pounds----- | 28,585 | 31,364 | 42,647 |
| Value--1,000 dollars----- | 8,290 | 9,096 | 11,941 |
| Imported material (tin plate): | | | |
| Quantity--1,000 pounds----- | 20,609 | 26,225 | 38,985 |
| Value <u>1/</u> --1,000 dollars----- | 1,752 | 2,360 | 3,439 |
| Drawback--1,000 dollars----- | 146 | 208 | 309 |

1/ Estimated.

The drawback on tin cans is taken by three large packers--Carnation Company, Dole Corp., and California Packing Corporation--and by the two leading producers of tin cans--American Can Company and Continental Can Company. Articles under drawback, unlike exports as reported in official statistics, include cans exported with their contents as well as those exported empty.

Steel drums.--The drawback on steel drums in 1965-67 ranged from \$36,000 to \$149,000 a year. At its peak in 1966 it applied to articles having a value of \$10.3 million, and constituted the return of duty on nearly 20,000 tons of steel sheets valued at \$1.8 million. The amounts in 1967, however, were only a fourth as large. Articles on which drawback was paid had a value several times that of U.S. exports of steel drums in 1965-67 and, unlike exports as reported in official

statistics, included drums exported with their contents. Annual data for the three years are as follows:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|--|-------------|-------------|-------------|
| U.S. exports--1,000 dollars----- | 824 | 641 | 1,110 |
| Articles under drawback--1,000 dollars-- | 4,496 | 10,275 | 2,514 |
| Imported materials (steel sheet): | | | |
| Quantity--short tons----- | 8,992 | 19,625 | 4,681 |
| Value--1,000 dollars----- | 785 | 1,796 | 439 |
| Drawback--1,000 dollars----- | 65 | 149 | 36 |

The payment of drawback on steel drums is of long standing and is taken by a number of producers which, like most of those in the industry, purchase rather than manufacture the requisite steel sheet. Nearly all of the drums on which drawback is paid are exported filled, containing petroleum derivatives and petrochemicals, cottonseed oil, soybean oil, and tallow.

Radar guidance systems.--Drawback was paid in 1967 on 85 systems valued at \$8.3 million, equal to an eighth of U.S. exports of radar guidance systems. The drawback, \$111,000, represented a return of duty on imports of radar apparatus valued at \$748,000. The number of systems on which drawback was paid, the value of the imported materials used and the amount of drawback were much smaller in 1967 than in 1965 and 1966, as shown below:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|-------------------------------------|-------------|-------------|-------------|
| Systems on which drawback was | | | |
| paid--number----- | 224 | 332 | 85 |
| Imported materials--1,000 dollars-- | 1,240 | 1,909 | 748 |
| Drawback--1,000 dollars----- | 184 | 748 | 111 |

Passenger automobiles.--Drawback is claimed on most passenger automobiles exported from the United States. The exports, which go predominantly to Canada, have increased sharply since 1965, under the agreement with that country for duty-free treatment of certain motor vehicles and automotive equipment. The articles on which drawback was paid amounted to four-fifths of the exports in 1965 but they became only one-seventh those in 1967, as the result of delays in liquidation attendant upon transfer of the authority from the customs office at Detroit to that at Chicago.

The automobiles on which drawback was paid in 1967 numbered 39,674 valued at \$95 million. The drawback on them was \$185,000, and represented a return of duty on imported materials valued at about \$2 million. The amounts in 1967 were much less than in 1965 and 1966, despite the increase in U.S. exports of automobiles, as shown below:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|--------------------------------------|-------------|-------------|-------------|
| U.S. exports--number----- | 106,038 | 177,580 | 280,582 |
| Exports under drawback: | | | |
| Number----- | 84,479 | 109,054 | 39,674 |
| Value--1,000 dollars <u>1/</u> ----- | 204,862 | 258,894 | 95,416 |
| Imported materials--1,000 dollars-- | 5,142 | 4,927 | 1,956 |
| Drawback payments--1,000 dollars--- | 494 | 444 | 185 |

1/ Estimated.

The drawback on automobiles represents the return of duty principally on steel ingots and sheets. The ingots, of non-alloy steel,

amounted to 29,000 tons valued at \$1.7 million and equaled one-third of the imports in 1966. The steel sheets, although amounting to 15,000 tons valued at \$1.9 million, accounted for a relatively small proportion of the imports. The remainder of the drawback on automobiles represented the return of duty on glass, copper, zinc, aluminum, lead, engines (in 1967) and other materials of lesser importance. With one or two exceptions both amount of duty returned and value of material on which it was assessed was much less in 1967 than in 1966. The amounts in the two years (in thousands of dollars) are shown by imported material as follows:

| Imported Material | Value | | Drawback | |
|-------------------|-------|-------|----------|------|
| | 1966 | 1967 | 1966 | 1967 |
| Steel ingots----- | 1,678 | 638 | 181 | 56 |
| Steel bars----- | 158 | 23 | 23 | 4 |
| Steel sheets----- | 1,941 | 580 | 194 | 57 |
| Engines----- | - | 344 | - | 29 |
| Glass----- | 92 | 138 | 10 | 22 |
| Copper----- | 204 | 76 | 6 | 3 |
| Zinc----- | 301 | 53 | 16 | 3 |
| Aluminum----- | 57 | 10 | 4 | 1 |
| Lead----- | 28 | 9 | 2 | 1 |
| All other----- | 568 | 85 | 8 | 9 |
| Total----- | 4,927 | 1,956 | 444 | 185 |

The drawback on automobiles amounts to from \$4 to \$5 per car and is equivalent to less than one-fifth of 1 percent of the value.

Trucks.--The articles exported with benefit of drawback consist of gasoline-powered trucks, in which imported steel, nonferrous metals and parts are used, and diesel trucks, some of which are equipped with imported engines and others with imported tires.

The value of all trucks on which drawback was paid was \$133 million, equal to 80 percent of the exports in 1965, and \$98 million, equal to 45 percent of the exports in 1966, but it amounted to only \$24 million, equal to 8 percent of the exports in 1967. The reduction in 1967 took place in the gasoline-powered trucks on which drawback was formerly taken at Detroit. Like that on other automotive products, the reduction is attributable to the backlog of claims arising during transfer of the authority from the customs office at Detroit to the regional headquarters at Chicago. The backlog is now in the process of liquidation. Diesel trucks were less affected by the foregoing circumstances. On most of those equipped with imported engines, the drawback was already taken at Chicago, and on those equipped with imported tires, the drawback was taken at New York and Cleveland.

The drawback on exported trucks by kind is shown in the table on page 44. That on the gasoline-powered trucks in 1965 and 1966 amounted to about \$115,000 a year and accounted for half of the total. It represented the return of duty on imported materials having an annual value of \$1.4 million. The imported materials consisted chiefly of steel slabs and billets, of which about 15,000 tons a year valued at \$900,000 were used. The duty on them refunded under drawback averaged \$80,000 a year. The drawback on the diesel trucks in the period 1965-67 averaged \$111,000 a year, representing the return of duty in about equal amount on imported tires and imported engines.

On the gasoline-powered trucks the average drawback over the period was \$2.70 apiece and on the diesels \$93 apiece.

Trucks exported under drawback: Exported articles, imported material, and drawback by year of payment 1965-67

| Kind and year | Exported article | | Imported | Drawback |
|--------------------------------|------------------|--------------------------------|--------------------------------|--------------------------------|
| | Number | Value <u>1/</u> | material | |
| | <u>Units</u> | <u>1,000</u> <u>dollars</u> | <u>1,000</u> <u>dollars</u> | <u>1,000</u> <u>dollars</u> |
| Gasoline-powered | | | | |
| 1965----- | 47,988 | 124,673 | 1,521 | 116 |
| 1966----- | 33,408 | 90,870 | 1,320 | 113 |
| 1967----- | 5,396 | 15,605 | 62 | 6 |
| Diesel | | | | |
| Equipped with imported engines | | | | |
| 1965----- | 425 | 2,253 | 414 | 36 |
| 1966----- | 804 | 3,860 | 872 | 86 |
| 1967----- | 570 | 3,736 | 347 | 38 |
| Equipped with imported tires | | | | |
| 1965----- | 505 | 5,811 | 436 | 38 |
| 1966----- | 622 | 3,493 | 777 | 66 |
| 1967----- | 683 | 4,967 | 803 | 71 |
| Total, all trucks | | | | |
| 1965----- | 48,918 | 132,737 | 2,371 | 190 |
| 1966----- | 34,834 | 98,223 | 2,969 | 256 |
| 1967----- | 6,649 | 24,408 | 1,212 | 115 |

1/ Estimated.

Source: U.S. Bureau of Customs, except as noted.

Motor vehicle stampings and assemblies.--Exports of motor vehicle stampings and parts and accessories for assembly abroad are larger (in terms of value) than exports of complete vehicles and they obtain much the larger part of the drawback. The exports, like those of complete vehicles, are destined predominantly to Canada and have

increased under the agreement with Canada, beginning in 1965, for the duty-free treatment of most automobiles and automotive equipment, although the increase has not been as pronounced as in exports of the complete cars.

The drawback on motor vehicle stampings and assemblies was \$2.1 million in 1965, \$2.0 million in 1966, and \$1.4 million in 1967. It constituted the return of duty on imported materials valued at about \$23 million a year in 1965 and 1966, and at \$16 million in 1967. The reduction in 1967 is attributed to a delay arising in liquidation rather than to a reduction in claims, which increased with the increase in exports. Annual data for motor vehicle stampings and assemblies in 1965-67 are shown, in thousands of dollars, as follows:

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|-------------------------|-------------|-------------|-------------|
| U.S. exports----- | 616,187 | 742,905 | 830,137 |
| Imported materials----- | 24,079 | 21,935 | 15,747 |
| Drawback----- | 2,088 | 1,990 | 1,416 |

The imported materials on which duty was returned consisted almost entirely of steel, principally cold-rolled sheet, and ingots (other than alloy). They accounted for most of the imports (nearly all from Canada) of non-alloy steel ingots, and for one-fourth to one-third of the imports at Detroit (predominantly for the automobile industry) of cold rolled sheet in 1965-67, but for a small proportion of imports of other items. The drawback on motor vehicle stampings and assemblies in 1965-67 is shown by kind of imported material in the accompanying table.

Motor vehicle stampings and assemblies: Imported material on
which duty was returned under drawback, 1965-67

| Imported material | 1965 | 1966 | 1967 |
|---|--------------------------|---------|---------|
| | Quantity (short tons) | | |
| Steel | | | |
| Ingots, other than alloy----- | 118,252 | 59,157 | 49,350 |
| Sheets | | | |
| Hot rolled----- | 29,451 | 49,316 | 17,173 |
| Cold rolled----- | 94,536 | 89,911 | 64,218 |
| Galvanized sheet----- | 7,269 | 3,902 | 14,078 |
| Other steel----- | 513 | 1,372 | 4,158 |
| Total, steel----- | 250,021 | 200,658 | 148,977 |
| Aluminum, unwrought----- | 159 | - | - |
| Zinc, unwrought----- | 147 | 2,577 | 2,727 |
| Lead, unwrought----- | - | 41 | - |
| | Value (1,000 dollars) | | |
| Steel | | | |
| Ingots, other than alloy----- | 6,996 | 3,492 | 2,990 |
| Sheets | | | |
| Hot rolled----- | 3,267 | 5,116 | 1,882 |
| Cold rolled----- | 12,576 | 11,699 | 7,764 |
| Galvanized sheet----- | 1,057 | 574 | 1,816 |
| Other steel----- | 54 | 159 | 505 |
| Total, steel----- | 23,950 | 21,040 | 14,957 |
| Aluminum, unwrought ^{1/} ----- | 61 | - | - |
| Zinc, unwrought ^{1/} ----- | 41 | 696 | 709 |
| Lead, unwrought ^{1/} ----- | - | 10 | - |
| Parts (automobile and engine)----- | 27 | 189 | 81 |
| Total, all materials----- | 24,079 | 21,935 | 15,747 |
| | Drawback (1,000 dollars) | | |
| Steel | | | |
| Ingots, other than alloy----- | 589 | 294 | 252 |
| Sheets | | | |
| Hot rolled----- | 265 | 451 | 154 |
| Cold rolled----- | 1,120 | 1,110 | 747 |
| Galvanized sheet----- | 101 | 62 | 174 |
| Other steel----- | 6 | 17 | 45 |
| Total, steel----- | 2,081 | 1,934 | 1,372 |
| Aluminum, unwrought----- | 4 | - | - |
| Zinc, unwrought----- | 2 | 40 | 35 |
| Lead, unwrought----- | - | 1 | - |
| Parts (automobile and engine)----- | 1 | 15 | 9 |
| Total, all materials----- | 2,088 | 1,990 | 1,416 |

^{1/} Estimated.

Source: Compiled from official statistics of the U.S. Bureau of Customs, except as noted.

The drawback on motor vehicle stampings and assemblies, like that on complete automobiles, amounts to less than 1 percent of the value of the articles. The stampings and assemblies are nearly all destined for the branch plants of U.S. producers in Canada.

The automobile producers recover under drawback (chiefly on motor vehicle stampings and assemblies) the duty on practically all of the imported steel they use. That on which they recovered duty in 1966 included 101,000 tons of non-alloy ingots and 141,000 tons of sheets. It amounted to 40 percent of the non-alloy ingots and to about 4 percent of the steel sheets imported during the year. The duty recovered, \$2.2 million, was more than half of the total recovered by drawback on all steel in 1966.

Watches.--Watches on which drawback is paid are several times the number exported from the United States, and consist almost entirely of watches (not included in export statistics) distributed to military post exchanges abroad. ^{1/}

Drawback was paid in 1967 on 291,000 watches valued at \$4.5 million. The drawback amounted to \$921,000 and constituted a return of duty on imported materials valued at \$2.0 million. With expansion in the armed forces abroad, the amounts in 1967 were much larger than in 1965 and 1966, as shown in the following tabulation:

^{1/} As shown by records of the Army and Air Force Exchange Service, the number of watches distributed to post exchanges outside the United States with benefit of drawback was 313,960 in 1967 and approximately matched (although, indeed, it slightly exceeded) the number on which payment of drawback was reported by the Bureau of Customs.

| | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|--|-------------|-------------|-------------|
| Watches: | | | |
| Number--1,000 units----- | 184 | 175 | 291 |
| Estimated value--1,000 dollars----- | 2,834 | 2,032 | 4,523 |
| Imported materials, estimated value--1,000 dollars----- | 1,377 | 1,289 | 2,026 |
| Drawback--1,000 dollars----- | 685 | 582 | 921 |

Most of the watches on which drawback is paid contain imported 17-jewel movements which are fitted into domestic cases, and a majority (unlike jeweled movements cased for the domestic market) are over 1-inch wide, for men's watches. The number of movements contained by number of jewels and size of movement is shown for 1967 in the following tabulation:

| | |
|--------------------------------------|----------------|
| Less than 17 jewels----- | 26,936 |
| 17 jewels: | |
| Not over 0.6 inch wide----- | 40,267 |
| Over 0.6 not over 0.8 inch: | |
| Self-winding----- | 12,225 |
| Other----- | 58,677 |
| Over 0.8 inch not over 1.0 inch----- | 3,610 |
| Over 1 inch not over 1.2 inch: | |
| Self-winding----- | 38,402 |
| Other----- | 104,837 |
| Over 1.2 inch----- | 139 |
| More than 17 jewels----- | 1,371 |
| Total----- | <u>286,464</u> |

Manufactured articles on which drawback of internal revenue tax is paid

Section 1313(d) of title 19 of the U.S. Code allows a 100 percent drawback of internal revenue tax on a limited number of exported products, namely, flavoring extracts and medicinal and toilet preparations (including perfumes) manufactured or produced in the United States in part from tax-paid domestic alcohol, and bottled distilled

spirits and wines produced in the United States. The Internal Revenue Code, however, as indicated on page 5, permits drawback of internal revenue taxes paid on virtually all other products when exported.

Re-exported articles

Articles not conforming to sample or specification.--The payment of drawback on the exportation of articles not conforming to sample or specification (section 1313(c)) is not designed to promote exports but to avoid unnecessary hardship to importers. The provision has given rise to a multitude of small claims, many of them for less than \$1.

Articles under continuous customs custody.--Duty-paid merchandise which has remained continuously in bonded warehouses or elsewhere in the custody and under control of customs officers may be exported within three years of the date of importation with a refund of the duty (see section 1557(a)). Few transactions take place under this provision. Goods imported temporarily for subsequent export are usually entered, under one of the continuous customs custody procedures discussed in the next major section of this report, without the payment of duties.

Prohibited articles.--Articles prohibited by law from entry into the United States, if entered in good faith, may be exported or destroyed by the importer upon discovery of the mistake, with a refund or drawback of the duty (see section 1558(a)(2)). Few goods are exported or destroyed under this provision.

THE CONTINUOUS CUSTOMS CUSTODY PROCEDURE

Foreign trade zones

General comment.--A foreign-trade zone is an isolated, fenced off, and policed area within or adjacent to a port of entry where foreign merchandise may be landed, stored, repacked, sorted, mixed, or otherwise manipulated, exhibited, or manufactured with a minimum of customs control and without customs bond. If the merchandise is exported or destroyed no duties are incurred. If it is released into the customs territory of the United States it is dutiable in its condition at the time of removal from the zone unless, at the option of the importer, it is declared as "privileged merchandise", in which case it is dutiable in its condition at the time of entry into the zone.

Eight foreign trade zones and three manufacturing sub-zones are in operation. The foreign trade zones are located at New York, New Orleans, San Francisco, Seattle, Mayaguez (Puerto Rico), Toledo, Honolulu and Bayonne (New Jersey). The manufacturing sub-zones are located at Penuelas (Puerto Rico), San Francisco and New Orleans. The sub-zones are each licensed by the grantee to an individual manufacturer, that at San Francisco to a producer of apparel, that at Penuelas to a producer of petrochemicals, and that at New Orleans to a producer of steel barges.

Under the Foreign Trade Zones Act, approved June 18, 1934, a foreign trade zone may be established at any port of entry, subject to approval by a board consisting of the Secretary of Commerce, the

Secretary of the Treasury, and the Secretary of the Army. The Act initially provided that foreign merchandise could not be "manufactured or exhibited" but could be "stored, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign or domestic merchandise, or otherwise manipulated" in the zone. In 1950 (by Public Law 566, 81st. Cong.), the prohibition on manufacture or exhibit was removed, except for playing cards, tobacco products, oleomargarine, adulterated or renovated butter, filled cheese, coconut and other vegetable oils, narcotics, white phosphorous matches, firearms, liquor, sugar, and watches and clocks. The exception for watches and clocks was made by an amendment on the floor of the House ^{1/} to protect the jeweled watch industry. The exception for other articles was made at the request of the Treasury Department as a matter of administrative feasibility and protection of the revenue. The 1950 Act forbade the rectification of distilled spirits and wines and the manufacture or production of alcoholic products unfit for beverage purposes in a foreign trade zone, but it allowed any other operation that had been permissible there under earlier legislation. Imported watch movements could therefore be inspected, inserted into U.S. cases and fitted with watch bands in a zone, as these operations (although ruled by the customs courts to be a manufacture for drawback purposes ^{2/}) had been regarded by the Foreign Trade Zones Board as a manipulation and so had been permitted under earlier legislation.

^{1/} See statements by Representative Curtis (Congressional Record, Vol. 95, Pt. 7, p. 9735).

^{2/} U.S. v. Schwob, Inc., 21 CCPA 118, TD 46447.

The 1950 Act both removed the general prohibition on manufacture and exhibit, and allowed domestic merchandise delivered to the zone to be considered exported for purposes of drawback and refund of (or exemption from) internal revenue tax; and it removed earlier limitations on the length of the period during which imported merchandise might be retained in the zone.

The privilege of establishing and operating a foreign trade zone may be granted either to a private or municipal corporation. In actual practice, the grantee is a municipality or other public authority, although the zone may be leased by the public authority to a private company, as in New York, or in the subzones at Penuelas (Puerto Rico), San Francisco, and New Orleans.

No Federal appropriations are made to the Foreign Trade Zones Board, and the Bureau of Customs is reimbursed by each zone for the salaries of customs officers assigned to it. Expenses of the Secretary of the Foreign Trade Zones Board are covered in the budget of the Department of Commerce.

Merchandise leaving the foreign trade zones in 1967, as reported by the Foreign Trade Zones Board, had a value of \$89 million, which was larger than in any year since 1964, when the total included a quantity of domestic whisky withdrawn for domestic consumption. Most of the merchandise entering the zones originated abroad, and most of that leaving them was destined for the domestic market. The annual value, by origin and destination, is shown (in thousands of dollars) for the last four years as follows:

| | <u>1964</u> | <u>1965</u> | <u>1966</u> | <u>1967</u> |
|--|---------------|---------------|---------------|---------------|
| Merchandise entering the zones by source: | | | | |
| Domestic----- | 34,652 | 18,601 | 16,493 | 22,443 |
| Foreign----- | <u>69,761</u> | <u>45,857</u> | <u>60,591</u> | <u>63,847</u> |
| Total----- | 104,413 | 64,458 | 77,084 | 86,290 |
| Merchandise leaving the zones by destination: | | | | |
| Domestic----- | 96,818 | 54,487 | 50,961 | 69,317 |
| Foreign----- | <u>16,456</u> | <u>16,494</u> | <u>26,873</u> | <u>19,982</u> |
| Total----- | 113,274 | 70,981 | 77,834 | 89,299 |

The average value of merchandise (domestic and foreign) leaving the zones for a foreign market was \$16 million a year in 1964-65 and \$23 million a year in 1966-67. The New York zone accounted for nine-tenths of the total in the former period, and two-thirds of that in the latter. The New Orleans and San Francisco zones accounted for nearly all the remainder (table 5).

Manipulation and storage operations.--Except for the two manufacturing subzones, the foreign trade zones are used primarily as areas for the manipulation and temporary storage of imported goods that are ultimately sold and consumed in the United States. Manipulation of merchandise in the zones is generally limited to cleaning, sorting, mixing, and packaging. Individuals undertake such operations whenever there is work to be done, rent space, perform the manipulations, and leave.

The manipulation and storage operations now common in the foreign trade zones are the same as are generally performed in customs bonded warehouses.

Manufacturing operations.--Manufacturing in the foreign trade zone is limited and consists of what can be done by a few persons with little plant or equipment, except in the three subzones, each of which is a private manufacturing establishment licensed by the grantee.

The principal subzone, at Penuelas, Puerto Rico, was opened in 1962. It employs nearly 300 persons and is part of a multimillion dollar petrochemical complex operated by Union Carbide Caribe, Inc., a subsidiary of Union Carbide Corp. Petroleum raw materials enter the zone free of the quota on imports elsewhere in the United States. Ethylene, produced in the subzone from imported naphtha is converted at an adjoining plant of the firm into ethylene glycol which is shipped to the United States. Other products of the subzone are mixed fuel, propylene, hydrogen, sulfur and synthesis gas used in Puerto Rico and butadiene and aromatic concentrates shipped to the United States. Imported material delivered to the subzone increased from an estimated 1 million barrels in 1963, the first full year of operation to 2 million barrels a year in 1966 and 1967 after the plant had been enlarged. Duties paid increased from the level of \$106,000 a year in 1963 and 1964 to a level of \$220,000 a year in 1966 and 1967. Duty was avoided on about one-fifth of the imported material, consisting of that consumed as fuel in the subzone.

A second subzone, established at San Francisco in 1963, employs a maximum of 60 persons. It is coextensive with a plant, owned by the Lilli Ann Corporation, manufacturing apparel from imported woolen

fabric. In the 3-year period 1965-67 the duty on the completed apparel, upon withdrawal for sale in the United States, was \$907,000, as compared with an estimated duty of \$1.4 million which would have been paid on the fabric of which it was made.

In November 1968 the Foreign Trade Zones Board approved the establishment of a foreign trade zone at Bayonne, New Jersey, and that of a subzone at New Orleans. The New Orleans subzone will be leased to Equitable Higgins Shipyards, Inc., for the storage of foreign and domestic material and the manufacture of steel vessels (barges).

By Presidential proclamation 3693 of December 10, 1965, imports of petroleum and its derivatives into a foreign trade zone other than in Puerto Rico were made subject to license by the Secretary of the Interior, like imports elsewhere in the United States. Although subzones to manufacture petrochemicals in Bay County, Michigan and at Taft, Louisiana were approved by the Foreign Trade Zones Board in 1966 and 1967, establishment of the subzones was held in abeyance, as the necessary allocation of imported crude was not forthcoming from the Secretary of the Interior. Action by the Foreign Trade Zones Board is pending on still other applications for subzones to utilize imported petroleum, by Occidental Petroleum Corporation at Machaisport, Maine; by Kenneco Petroleum Company at Savannah, Georgia; and by Hawaiian Independent Refinery Company at Honolulu, Hawaii.

Bonded warehouses

A customs bonded warehouse (Sections 1555 and 1557) is a building or other secured area in which dutiable goods may be stored, manipulated, or undergo manufacturing operations without payment of duty. The importer and warehouse proprietor incur liability under bond upon entry of goods into the warehouse, and this liability is cancelled upon exportation of the goods, their withdrawal for supply to vessels or aircraft in international traffic, their destruction under customs supervision, or their withdrawal for consumption in the United States after payment of duty.

Goods may not enter or be withdrawn from a customs bonded warehouse except in the presence of a customs officer, and any manipulation or manufacturing they undergo while there must take place under customs supervision. The proprietor of the warehouse reimburses the Government for the salaries of customs officers assigned.

Entries into customs bonded warehouse amount to about \$1.6 billion a year and represent 8 percent of the total imports. They consist chiefly of agricultural products, chemicals and metals (table 6).

Manipulation and storage operations.--Most customs bonded warehouses may be used only for storage and manipulation. There are more than 100 customs bonded warehouses in the New York area alone, in which the manipulation and storage of imported merchandise may be performed.

Goods deemed to have been manipulated are those that have been cleaned, sorted, repacked, or otherwise changed in condition, but not

manufactured. The manipulation occurring in the warehouse generally consists of cleaning and packaging, but it is sometimes appreciable. Fluorspar from Mexico, to the amount of about 100,000 tons a year, enters bonded warehouse as fluorspar containing not over 97 percent calcium fluoride, on which the rate of duty is \$8.40 per ton. After manipulation and loss of 30 to 50 percent in weight, it is withdrawn for consumption as fluorspar containing over 97 percent calcium fluoride, dutiable at \$2.10 a ton. Cigar filler tobacco, imports of which average 30 to 40 million pounds a year, enters the warehouse as leaf tobacco and is withdrawn for consumption after removal of the stem with a loss in weight and a saving in duty (16.1 cents a pound) of nearly 30 percent.

Numerous agricultural products enter warehouse for removal and destruction of damaged or inferior merchandise before payment of the duty.

Goods entering the warehouse are generally withdrawn for consumption in the United States after payment of import duty. The value of such withdrawals, as reported in official statistics, is about \$1.5 billion a year (table 6) and is nearly equal to that of warehouse entries, but the two are not exactly comparable, as some withdrawals, instead of being valued as entered, are valued as withdrawn, after manipulation or manufacture. Foreign merchandise may be withdrawn from a customs bonded warehouse for export without payment of duty. Such withdrawals, reported as exports of foreign merchandise, were valued at \$387 million in 1967.

Supplies to vessels and aircraft engaged in international commerce and (except for petroleum derivatives) to vessels engaged in trade between the Atlantic and Pacific coasts or with outlying areas of the United States, may be withdrawn free of duty from customs bonded warehouses (Section 1309(a)). The provision allows U.S. vessels operating on the highseas to obtain supplies at the world market price, and serves to protect a substantial U.S. entrepot trade in supplies and equipment for foreign vessels. Articles withdrawn from customs bonded warehouses as supplies to vessels and aircraft are valued at between \$150 million and \$200 million a year. They consist predominantly of fuel oil and jet fuel (table 7).

Manufacturing operations.--Manufacturing of imported merchandise in a bonded customs warehouse without payment of duty is allowed for most products subject to the requirement (in Section 1311) that the entire product be exported, but it is allowed for metal-bearing materials (in Section 1312) without this limitation, and with wide latitude for substitution of domestic for imported materials and for transfer of title to merchandise under bond.

Manufacturing, other than of non-ferrous metals, seldom takes place in a bonded customs warehouse. The only recent example is that of bags, by Bemis Bag Company, in a warehouse at New Orleans. Entries into this warehouse had a value of \$329,000 in 1964, but only \$33,000 in 1965, and ceased early in 1966, when the firm established a new plant for manufacturing bags outside the United States.

A customs bonded warehouse for the manufacture of non-ferrous metals is designated a smelting and refining warehouse. The imported materials, usually in the form of ore or unrefined metal, are sampled and assayed under customs supervision upon their entry into the warehouse, and the duty they would ordinarily undergo is calculated. They may then be smelted or refined into metals or alloys, and either exported or withdrawn for consumption. Liability for duty on the imported materials is removed upon exportation of articles containing an equal quantity of the metal (after allowance for losses in manufacture), or discharged with payment of duty upon withdrawal of the like quantity for consumption. Domestic materials can be substituted for imported materials, and exports or duty-paid withdrawals at one bonded smelting and refining warehouse may be used to discharge the obligation for duty on an equal quantity of the same kind of metal in materials imported at another.

The proprietor of a bonded smelting and refining warehouse, like that of any customs bonded warehouse, must keep detailed records and reimburse the government for the salary of a customs officer whose attendance is required. The product, while under bond, may not be further manufactured or advanced than unwrought metal, or oxides and compounds obtained directly from treatment of the mineral raw material.

There are more than 60 bonded smelting and refining warehouses, nearly all engaged in processing copper, lead, and zinc. Warehouse entries of the three metals amounted to 865,000 short tons valued at

\$364 million in 1965, 628,000 tons valued at \$264 million in 1966, and 423,000 tons valued at \$85 million in 1967 (table 8). They comprised most of the imports of copper in 1965 and a substantial part of imports of lead and zinc throughout the period 1965-67. Nearly all the withdrawals of lead and zinc from smelting and refining warehouses in every year were for domestic consumption. Most of the withdrawals of copper, as long as it was dutiable, were for export (duty free).

The duty on copper in 1967, amounting to 1.7 cents a pound, was small in relation to the value, 39 cents a pound, of the exported refined copper, but it was appreciable in relation to the value added (about 7 cents a pound) to the imported unrefined copper by refining in the United States.

The duty on copper in ore and unwrought copper metal was suspended from February 1966 through June 1968 by Public Law 89-468, and the suspension has since been continued through June 1970. Pursuant to trade agreement concessions in the Kennedy Round, the duty will have been reduced from 1.7 cents to 1.1 cents a pound by the time the suspension terminates and it will be further reduced by stages to 0.8 cent in 1972. Occasion for use of the warehouse procedure on copper has been removed for the present, and scheduled action under trade agreements has diminished the occasion for its use should the existing suspension of the duty not be extended.

THE RELEASE UNDER BOND PROCEDURE

Articles may be admitted into the United States temporarily free of duty under bond ^{1/} guaranteeing their exportation or destruction within one year from the date of importation, a period which may be extended, at the discretion of the Secretary of the Treasury, for two further 1-year periods. The articles may be repaired, altered, or processed (including manufacture), and within prescribed limits otherwise used before exportation. ^{2/}

To avoid liquidated damages, the importer must render a complete accounting for all articles, wastes, and irrecoverable losses resulting from processing the imported article. If he elects to destroy the goods in lieu of exportation, the destruction must be accomplished under customs supervision within the bond period. The statutory provisions are administered on the basis of import and export documents, supplemented by periodic inspection of the goods and examination of the importer's records.

Processing or manufacturing operations

Imports for processing or manufacture and export under temporary importation bond have increased irregularly from \$41 million in 1964 to \$58 million in 1967 (table 9). Four items comprise half of the

^{1/} The surety on the bond is twice the estimated duties that would apply if the goods were entered for final consumption in the United States.

^{2/} See subpart 5C, schedule 8, of section 1202 for authority for temporary duty-free entry provisions. Items 864.05, 864.15, 864.25, 864.45, and 864.55 are the only items which are intended, at least in part, to promote export trade in subpart 5C. This discussion is limited to a consideration of these items.

total. They are alloy (stainless) steel billets, automobile engines, aircraft parts, and woven fabric of man-made fiber. The woven fabric is received chiefly from Japan, in the greige, for exportation after dyeing or finishing in the United States. The other 3 items are received predominantly from Canada. The steel billets are entered for custom rolling and return. The automobile engines are received for further manufacture or advancement and return; ones to be used in the United States as original motor vehicle equipment are duty-free elsewhere, as Canadian articles under the Automotive Products Trade Act. The aircraft parts consist of shipments for assembly, from a subsidiary in Canada to the parent company in the United States.

The remaining half of the total consists of a variety of articles, including textiles, machinery, electrical apparatus, transportation equipment, and (in 1967) watch movements. Most of these articles, like the ones previously discussed, are imported from Canada. The principal exception is watch movements (containing over 17 jewels), imported from Japan.

Entries free of duty under temporary importation bond comprise most of the imports of alloy steel billets and of watch movements containing over 17 jewels, and they comprise a substantial part of the imports of automobile engines. With minor exceptions, however, including those of zirconium, tire fabric of man-made fiber, cotton knit fabric, and handkerchiefs (not hemmed), they comprise little of the imports of other articles.

Other temporary entry operations

Other articles imported temporarily under bond consist of: (1) articles for use as models in illustrating advertising media to be used abroad, (2) articles for examination with the view to reproduction for export, (3) containers to be used in exporting domestic merchandise and (4) articles of special design for use exclusively in connection with the manufacture or production of articles for export. Imports of the foregoing articles are small and the value of the exports generated by their use is indeterminate.

APPENDIX A
STATISTICAL TABLES

Table 1.--U.S. imports for consumption, duty collected, exports, and drawback paid, 1948-67.

| Calendar year | (Values in millions of dollars) | | | | | | Total value of merchandise exported | Amount ^{1/} | Ratio to duty |
|---------------|---------------------------------|----------|----------------------------|----------------------|---------------|---------|-------------------------------------|----------------------|---------------|
| | Free | Dutiable | Total merchandise imported | Total duty collected | Drawback paid | Percent | | | |
| 1948 | 4,175 | 2,918 | 417 | 12,653 | 10.3 | 2.5 | | | |
| 1949 | 3,883 | 2,708 | 374 | 12,051 | 8.6 | 2.3 | | | |
| 1950 | 4,767 | 3,976 | 530 | 10,275 | 8.1 | 1.5 | | | |
| 1951 | 5,993 | 4,824 | 603 | 14,868 | 6.8 | 1.1 | | | |
| 1952 | 6,257 | 4,491 | 575 | 15,926 | 5.7 | 1.0 | | | |
| 1953 | 5,920 | 4,859 | 598 | 15,626 | 6.1 | 1.0 | | | |
| 1954 | 5,668 | 4,572 | 557 | 14,949 | 7.2 | 1.3 | | | |
| 1955 | 6,037 | 5,300 | 670 | 15,390 | 7.1 | 1.1 | | | |
| 1956 | 6,235 | 6,281 | 739 | 18,838 | 10.9 | 1.5 | | | |
| 1957 | 6,036 | 6,914 | 777 | 20,630 | 11.1 | 1.6 | | | |
| 1958 | 5,342 | 7,398 | 832 | 17,693 | 8.7 | 1.0 | | | |
| 1959 | 5,822 | 9,165 | 1,067 | 17,383 | 9.3 | .9 | | | |
| 1960 | 6,142 | 8,872 | 1,086 | 20,300 | 7.3 | .7 | | | |
| 1961 | 5,922 | 8,735 | 1,053 | 20,629 | 10.6 | 1.0 | | | |
| 1962 | 6,225 | 10,026 | 1,235 | 21,359 | 14.8 | 1.2 | | | |
| 1963 | 6,265 | 10,740 | 1,262 | 22,922 | 17.8 | 1.4 | | | |
| 1964 | 7,045 | 11,568 | 1,371 | 26,086 | 15.3 | 1.1 | | | |
| 1965 | 7,434 | 13,847 | 1,623 | 27,003 | 17.6 | 1.1 | | | |
| 1966 | 9,344 | 16,023 | 1,717 | 30,320 | 17.7 | 1.0 | | | |
| 1967 | 10,203 | 16,529 | 2,016 | 31,534 | 42.6 | 2.1 | | | |

^{1/} Fiscal year ending June 30.

Source: Compiled from statistics furnished by the U.S. Department of Commerce and the U.S. Bureau of Customs.

Table 2.--Drawback: Payments by customs region,
year ending June 30, 1967

| <u>Region</u> | <u>Amount</u> |
|---------------|----------------|
| New York | \$10,155,813 |
| Houston | 9,821,561 |
| Baltimore | 8,888,725 |
| Chicago | 4,721,498 |
| Miami | 3,224,061 |
| Boston | 1,822,882 |
| San Francisco | 1,788,185 |
| Los Angeles | 1,476,431 |
| New Orleans | <u>727,485</u> |
| Total | \$42,626,641 |

Source: U.S. Bureau of Customs.

Table 3.--Duties refunded under drawback by imported material, years ending June 30, 1959-1967

| Imported material | (In thousands of dollars) | | | | | | | | | |
|---|---------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--|
| | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | |
| Steel----- | 1,189 | 635 | 920 | 742 | 2,729 | 1,751 | 2,967 | 4,060 | 4,150 | |
| Petroleum----- | 918 | 560 | 442 | 1,671 | 2,637 | 1,520 | 823 | 97 | 21,437 | |
| Tobacco----- | 782 | 719 | 565 | 1,020 | 1,072 | 1,166 | 842 | 845 | 896 | |
| Sugar----- | 548 | 518 | 590 | 713 | 1,067 | 720 | 777 | 648 | 816 | |
| Aluminum----- | 508 | 959 | 1,781 | 506 | 891 | 707 | 1,418 | 1,497 | 2,981 | |
| Paper----- | 417 | 378 | 300 | 200 | 154 | 156 | 37 | 118 | 176 | |
| Chemicals----- | 367 | 232 | 451 | 1,620 | 1,386 | 1,529 | 2,469 | 1,406 | 1,234 | |
| Cotton cloth----- | 313 | 222 | 313 | 245 | 303 | 209 | 365 | 339 | 285 | |
| Watch movements----- | 309 | 305 | 355 | 607 | 627 | 938 | 611 | 600 | 751 | |
| Lead----- | 261 | 318 | 395 | 338 | 454 | 419 | 729 | 393 | 655 | |
| Tungsten----- | 258 | 163 | 240 | 239 | 125 | 193 | 191 | 294 | 502 | |
| Motor vehicle and aircraft parts----- | 244 | 51 | 166 | 397 | 471 | 194 | 176 | 124 | 26 | |
| Rayon and other synthetic textiles----- | 201 | 251 | 75 | 70 | 108 | 45 | 29 | 106 | 233 | |
| Zinc----- | 189 | 150 | 137 | 174 | 343 | 369 | 198 | 174 | 107 | |
| Coal-tar products----- | 167 | 78 | 171 | 990 | 641 | 565 | 498 | 990 | 2,687 | |
| Tires and tubes----- | 142 | 121 | 133 | 123 | 66 | 57 | 51 | 48 | 84 | |
| Manganese----- | 120 | 80 | 165 | 41 | 32 | 59 | 83 | 46 | 146 | |
| Orange juice----- | 87 | 10 | 5 | 1,114 | 597 | 188 | 1,599 | 1,087 | 2,462 | |
| Burlap----- | 82 | 50 | 87 | 63 | 94 | 131 | 105 | 63 | 103 | |
| Nickel----- | 64 | 56 | 47 | 65 | 125 | 109 | 174 | 116 | 99 | |
| Nonmetallic minerals----- | 49 | 428 | 583 | 1/ | 1/ | 1/ | 1/ | 1/ | 1/ | |
| Wool fabrics----- | 42 | 36 | 30 | 12 | 26 | 41 | 57 | 44 | 34 | |
| Wool and semimanufactures----- | 41 | 16 | 24 | 4 | 4 | 15 | 18 | 36 | 8 | |
| Animal fats and oils----- | 34 | 14 | 26 | 1/ | 1/ | 1/ | 1/ | 1/ | 1/ | |
| Copper----- | 33 | 78 | 252 | 545 | 607 | 307 | 379 | 392 | 379 | |
| Magnesite----- | 1/ | 1/ | 143 | 250 | 70 | 24 | 66 | 8 | 62 | |
| Medical preparations----- | 1/ | 22 | 292 | 427 | 208 | 368 | 112 | 394 | 185 | |
| Chromium----- | 1/ | 28 | 207 | 138 | 189 | 188 | 245 | 154 | 30 | |
| Quicksilver----- | 1/ | 15 | 25 | 28 | 30 | 35 | 26 | 34 | 12 | |
| Cotton----- | 1/ | 4 | 19 | 18 | 43 | 50 | 10 | 39 | 17 | |
| Brass----- | 1/ | 10 | 16 | 53 | 18 | 17 | 19 | 13 | 3 | |
| Ferroalloys----- | 1/ | 1/ | 438 | 74 | 62 | 66 | 82 | 38 | 120 | |
| Other----- | 1,896 | 813 | 1,161 | 2,269 | 2,642 | 3,130 | 2,429 | 3,516 | 1,947 | |
| Total----- | 9,261 | 7,320 | 10,554 | 14,756 | 17,821 | 15,266 | 17,585 | 17,719 | 42,627 | |

1/ Included in Other, if any.

Source: U.S. Treasury Annual Reports

Table 4.--Drawback and related information for principal articles on which drawback was paid in 1967

| Article | U.S. exports 1/ | Exports under drawback 2/ | (In thousands of dollars) | | Drawback |
|-----------------------------------|-----------------|---------------------------|--------------------------------|--------------|--------------|
| | | | Imported material. Description | Value 3/ | |
| Condensed milk----- | 7,226 | 11,677 | Sugar----- | 480 | 153 |
| Concentrated orange juice----- | 15,086 | 3,552 | Oranges----- | 564 | 47 |
| | | | Concentrated orange juice----- | 1,572 | 1,871 |
| | | | Sugar----- | 23 | 2 |
| | | | | <u>2,159</u> | <u>1,920</u> |
| Sugar, refined----- | 265 | 4/ 1,297 | Unmanufactured sugar----- | 332 | 107 |
| Cigarettes----- | 116,210 | 4/ 151,411 | Leaf tobacco, unstemmed----- | 4,792 | 852 |
| | | | Scrap tobacco----- | 16 | 6 |
| | | | Cigarette paper----- | 814 | 121 |
| | | | Menthol----- | 30 | 3 |
| | | | | <u>5,652</u> | <u>982</u> |
| Petroleum products----- | 589,067 | 1,783,308 | Crude petroleum----- | 663,816 | 29,518 |
| Antiknock gasoline additives----- | 33,937 | 31,786 | Lead----- | 5,044 | 442 |
| Butyl alcohol----- | 6,330 | 2,098 | Ethyl alcohol----- | 1,811 | 403 |
| Glycols----- | 30,943 | 3,855 | Acetone----- | 101 | 8 |
| | | | Butanediol----- | 1,584 | 439 |
| | | | Ethylene oxide----- | 248 | 98 |
| | | | Propylene oxide----- | 156 | 52 |
| | | | | <u>2,089</u> | <u>597</u> |
| Butyl acetate----- | 2,468 | 3,170 | Ethyl alcohol----- | 2,931 | 577 |

See footnotes at end of table.

Table 4.--Drawback and related information for principal articles on which drawback was paid in 1967
 - Continued -

| Article | U.S. exports 1/ | Exports under drawback 2/ | (In thousands of dollars) | | Drawback |
|--|-----------------|---------------------------|-----------------------------|----------|----------|
| | | | Imported material | Value 3/ | |
| | | | Description | | |
| Ethyl acrylate monomer----- | 2,342 | 7,853 | Methyl alcohol----- | 124 | 108 |
| | | | Ethyl alcohol----- | 83 | 16 |
| | | | Acetone----- | 485 | 41 |
| | | | Acetone cyanohydrin----- | 77 | 7 |
| | | | | 769 | 172 |
| Benzenoid dyes----- | 31,676 | 1,877 | Benzenoid chemicals | | |
| | | | Intermediates----- | 254 | 70 |
| | | | Colors, dyes, and stains | 11 | 4 |
| | | | Fast color bases----- | 160 | 41 |
| | | | Other chemicals----- | 64 | 6 |
| | | | | 489 | 121 |
| Benzenoid medicinals, including mixtures----- | 82,213 | 10,675 | Vanillin----- | 1,555 | 316 |
| | | | Aminonaphthol----- | 23 | 6 |
| | | | Benzenoid medicinals----- | 131 | 33 |
| | | | Carbonate and bicarbonate-- | 86 | 6 |
| | | | Other chemicals----- | 10 | 3 |
| | | | | 1,805 | 364 |
| | | | | | |
| Synthetic resins----- | 473,320 | 14,292 | Methyl alcohol----- | 93 | 81 |
| | | | Ethyl alcohol----- | 164 | 32 |
| | | | Acetone cyanohydrin----- | 520 | 49 |
| | | | Vinyl pyrrolidone----- | 54 | 11 |
| | | | Lauryl methacrylate----- | 142 | 15 |
| | | | Vinyl acetate----- | 460 | 70 |
| | | | Vinyl chloride----- | 90 | 39 |
| | | | Butylaldehyde----- | 65 | 25 |
| | | | Castor oil----- | 124 | 14 |
| | | | Polyethylene----- | 77 | 23 |
| | | | Polyvinyl chloride resin--- | 159 | 52 |
| Other chemicals----- | 402 | 66 | | | |
| | 2,350 | 477 | | | |

Table 4.--Drawback and related information for principal articles on which drawback was paid in 1967
 - Continued -

| Article | U.S. exports 1/ | Exports under drawback 2/ | (In thousands of dollars) | | Drawback |
|---------------------|-----------------|---------------------------|---------------------------|----------|----------|
| | | | Imported material | Value 3/ | |
| | | | Description | | |
| Oil additives----- | 84,583 | 5,300 | Calcium sulfonate----- | 123 | 13 |
| | | | Polyalkylbenzene----- | 638 | 560 |
| | | | Anthranilic acid----- | 114 | 32 |
| | | | Other chemicals----- | 26 | 5 |
| | | | | 901 | 610 |
| Nylon filament yarn | 49,198 | 32,775 | Adipic acid----- | 5,762 | 2,114 |
| | | | Nylon flake----- | 2,187 | 459 |
| | | | | 7,949 | 2,573 |
| Cotton cloth----- | 108,325 | 1,374 | Cotton cloth not bleached | | |
| | | | or colored----- | 764 | 100 |
| | | | Yarn-dyed shirting----- | 39 | 9 |
| | | | | 803 | 109 |
| Burlap bags----- | 1,934 | 9,300 | Burlap----- | 5,168 | 130 |
| Steel----- | 561,163 | 425,998 | Stainless steel slabs and | | |
| | | | billets----- | 5,343 | 880 |
| | | | Other alloy steel----- | 337 | 36 |
| | | | Carbon steel sheets----- | 4,642 | 310 |
| | | | Other carbon steel----- | 238 | 18 |
| | | | Ferrocrome----- | 1,155 | 104 |
| | | | Ferrotungsten----- | 16 | 8 |
| | | | Manganese----- | 2,076 | 86 |
| | | | Nickel----- | 4,551 | 62 |
| | | | Tungsten----- | 168 | 64 |
| | | | Zinc----- | 722 | 39 |
| | | | Fluorspar----- | 39 | 10 |
| | | | Pig iron----- | 1,482 | 6 |
| | | | | 20,769 | 1,623 |

See footnotes at end of table.

Table 4.--Drawback and related information for principal articles on which drawback was paid in 1967
 - Continued -

| Article | (In thousands of dollars) | | | | Drawback |
|--|---------------------------|---------------------------|----------------------------|----------|----------|
| | U.S. exports 1/ | Exports under drawback 2/ | Imported material | Value 3/ | |
| Copper----- | 208,994 | 27,722 | Unwrought copper: | | |
| | | | Unrefined----- | 1,522 | 61 |
| | | | Refined----- | 5,449 | 196 |
| | | | Brass tubing----- | 51 | 2 |
| | | | Nickel----- | 1,959 | 26 |
| | | | Zinc----- | 28 | 2 |
| | | | | 9,009 | 287 |
| Aluminum----- | 197,181 | 67,687 | Unwrought aluminum----- | 36,982 | 2,129 |
| | | | Aluminum foil----- | 33 | 7 |
| | | | Aluminum compounds----- | 9 | 1 |
| | | | Manganese----- | 77 | 30 |
| | | | Steel wire----- | 34 | 1 |
| | | | Other wire strand----- | 16 | 2 |
| | | | | 37,151 | 2,170 |
| Titanium, intermediate mill shapes or wrought----- | 13,366 | 9,197 | Titanium----- | 638 | 127 |
| Tin cans----- | 10,308 | 11,941 | Tin plate----- | 3,439 | 309 |
| Radar guidance systems----- | 64,217 | 8,254 | Radar apparatus----- | 748 | 111 |
| Passenger automobiles----- | 674,796 | 95,416 | Steel ingots----- | 661 | 60 |
| | | | Steel sheet and plate----- | 580 | 57 |
| | | | Engines----- | 344 | 29 |
| | | | Glass----- | 138 | 22 |
| | | | Copper----- | 76 | 3 |
| | | | Zinc----- | 53 | 3 |
| | | | Aluminum----- | 10 | 1 |
| | | | Lead----- | 9 | 1 |
| | | | All other----- | 85 | 9 |
| | | | | 1,956 | 185 |

See footnotes at end of table.

Table 4.--Drawback and related information for principal articles on which drawback was paid in 1967
 - Continued -

| Article | (In thousands of dollars) | | | Imported material Description | Value ^{3/} | Drawback |
|--|-------------------------------|--|--------------------------------------|----------------------------------|---------------------|----------|
| | U.S. exports ^{1/} | Exports under drawback ^{2/} | | | | |
| Trucks----- | 379,383 | 24,408 | Glass----- | 8 | 1 | |
| | | | Iron and steel----- | 2 | 5/ | |
| | | | Diesel engines----- | 347 | 38 | |
| | | | Gasoline engines----- | 23 | 2 | |
| | | | Tires----- | 559 | 47 | |
| | | | Tubes----- | 244 | 24 | |
| | | | Parts----- | 29 | 3 | |
| | | | | 1,212 | 115 | |
| Motor vehicle stampings and assemblies----- | 830,137 | 146,000 | Steel ingots----- | 2,990 | 252 | |
| | | | Steel sheet and plate----- | 11,967 | 1,120 | |
| | | | Zinc, unwrought----- | 709 | 35 | |
| | | | Parts, automobile and engine----- | 81 | 9 | |
| | | | | 15,747 | 1,416 | |
| Watches----- | 2,384 | 4/ 4,523 | Movements----- | 1,885 | 872 | |
| | | | Cases----- | 132 | 47 | |
| | | | Other----- | 9 | 2 | |
| | | | | 2,026 | 921 | |
| Total listed items----- | 4,577,052 | 2,896,746 | | | | |
| All other items----- | 26,570,171 | 514,753 | | 797,243 | 46,519 | |
| | | | | 40,562 | 4,710 | |
| Total----- | 31,147,223 | 3,411,499 | | 837,805 | 51,229 | |

^{1/} Official statistics of the U.S. Department of Commerce.

^{2/} Derived from the quantity reported by the Bureau of Customs on the basis of the unit value of total U.S. exports of each item. The exports are those on which drawback was paid in 1967. Actual shipment was generally made in an earlier year.

^{3/} About half of the values are given and the other half calculated from the quantity on the basis of the unit value for total imports into the United States of each item.

^{4/} Includes amount, not reported as exports, sold to military post exchanges.

^{5/} Less than \$500.

Source: U.S. Bureau of Customs, except as noted.

Table 5.--U.S. foreign trade zones: Origin and destination of shipments, fiscal years 1964-67

| Location and Year | (Amounts in thousands of dollars) | | | | | |
|---|-----------------------------------|---------|-----------|----------------------------|---------|-----------|
| | Shipments into the zones | | | Shipments out of the zones | | |
| | by source | | | by destination | | |
| | U.S. | Foreign | Total | U.S. | Foreign | Total |
| New York, New York: | | | | | | |
| 1964----- | 7,341 | 31,987 | 39,328 | 31,559 | 15,532 | 47,091 |
| 1965----- | 8,422 | 26,382 | 34,804 | 18,428 | 14,524 | 32,952 |
| 1966----- | 9,719 | 28,967 | 38,686 | 21,142 | 14,644 | 35,786 |
| 1967----- | 9,812 | 32,039 | 41,851 | 26,942 | 14,361 | 41,303 |
| New Orleans, Louisiana: | | | | | | |
| 1964----- | 871 | 13,100 | 13,971 | 11,155 | - | 11,155 |
| 1965----- | 7,414 | 3,286 | 10,700 | 9,623 | 1,159 | 10,782 |
| 1966----- | 4,186 | 10,468 | 14,654 | 4,100 | 9,695 | 13,795 |
| 1967----- | 8,257 | 9,884 | 18,141 | 16,503 | 3,380 | 19,883 |
| San Francisco, Calif.: | | | | | | |
| 1964----- | 510 | 2,118 | 2,628 | 2,180 ^{1/} | 904 | 3,084 |
| 1965----- | 608 | 2,519 | 3,127 | 1,815 | 753 | 2,568 |
| 1966----- | 2,099 | 2,274 | 4,373 | 2,242 | 2,373 | 4,615 |
| 1967----- | 1,772 | 3,177 | 4,949 | 1,743 | 1,916 | 3,659 |
| San Francisco, Calif., subzone: | | | | | | |
| 1964----- | - | 901 | 901 | 545 | 3 | 548 |
| 1965----- | 14 | 1,156 | 1,170 | 771 | 3 | 774 |
| 1966----- | 34 | 1,290 | 1,324 | 1,142 | 2 | 1,144 |
| 1967----- | 47 | 1,054 | 1,101 | 757 | 27 | 784 |
| Seattle, Washington: | | | | | | |
| 1964----- | 60 | 1,104 | 1,164 | 1,085 | 7 | 1,092 |
| 1965----- | 947 | 1,519 | 2,466 | 2,343 | 28 | 2,371 |
| 1966----- | 109 | 1,127 | 1,236 | 1,235 | 93 | 1,328 |
| 1967----- | 124 | 1,565 | 1,689 | 1,450 | 48 | 1,498 |
| Mayaguez, Puerto Rico: | | | | | | |
| 1964----- | 257 | 32 | 289 | 338 | 10 | 348 |
| 1965----- | 297 | 55 | 352 | 291 | 22 | 313 |
| 1966----- | 325 | 261 | 586 | 233 | 66 | 299 |
| 1967----- | 586 | 799 | 1,385 | 1,077 | 221 | 1,298 |
| Penuelas, Puerto Rico, subzone: 2/ | | | | | | |
| 1964----- | - | 4,218 | 4,218 | 8,198 | - | 8,198 |
| 1965----- | - | 3,917 | 3,917 | 8,365 | - | 8,365 |
| 1966----- | - | 5,715 | 5,715 | 11,215 | - | 11,215 |
| 1967----- | - | 6,529 | 6,529 | 11,080 | - | 11,080 |
| Toledo, Ohio: | | | | | | |
| 1964----- | 3/ 25,613 | 16,301 | 3/ 41,914 | 3/ 41,758 | - | 3/ 41,758 |
| 1965----- | 899 | 7,023 | 7,922 | 12,851 | 5 | 12,856 |
| 1966----- | - | 10,479 | 10,479 | 9,642 | - | 9,642 |
| 1967----- | 931 | 7,950 | 8,881 | 8,431 | - | 8,431 |
| Honolulu, Hawaii: | | | | | | |
| 1966----- | 21 | 10 | 31 | 10 | - | 10 |
| 1967----- | 914 | 850 | 1,764 | 1,334 | 29 | 1,363 |
| Totals: | | | | | | |
| 1964----- | 34,652 | 69,761 | 104,413 | 96,818 | 16,456 | 113,274 |
| 1965----- | 18,601 | 45,857 | 64,458 | 54,487 | 16,494 | 70,981 |
| 1966----- | 16,493 | 60,591 | 77,084 | 50,961 | 26,873 | 77,834 |
| 1967----- | 22,443 | 63,847 | 86,290 | 69,317 | 19,982 | 89,299 |

^{1/} Estimated.^{2/} In the absence of detailed information the source is shown as foreign.^{3/} Includes a large amount of domestic whisky.

Source: Compiled from annual reports of the Foreign Trade Zones Board.

Table 6.--U.S. bonded warehouse entries and withdrawals by tariff schedule, 1964-67

| Schedule | (Value in thousands of dollars) | | | |
|---|---|-----------|-----------|-----------|
| | 1964 | 1965 | 1966 | 1967 |
| | Entries | | | |
| Animal and vegetable products----- | 416,508 | 417,748 | 501,104 | 531,509 |
| Wood and paper; printed matter----- | 16,816 | 16,079 | 13,891 | 13,259 |
| Textile fibers and textile products----- | 231,084 | 255,849 | 251,152 | 181,367 |
| Chemicals and related products----- | 359,864 | 397,774 | 379,163 | 351,781 |
| Nonmetallic minerals and products----- | 17,073 | 21,407 | 20,347 | 22,251 |
| Metals and metal products----- | 457,665 | 482,724 | 393,152 | 250,662 |
| Miscellaneous and nonenumerated products----- | 92,258 | 106,073 | 106,608 | 123,192 |
| Special classification provisions----- | 410 | 395 | 1,902 | 1,188 |
| Temporary regulations----- | 5,526 | 7,688 | 8,536 | 7,383 |
| Total----- | 1,597,204 | 1,705,737 | 1,675,855 | 1,482,592 |
| | Withdrawals for consumption ^{1/} | | | |
| Animal and vegetable products----- | 372,651 | 423,830 | 439,557 | 505,255 |
| Wood and paper; printed matter----- | 18,436 | 15,498 | 13,243 | 13,674 |
| Textile fibers and textile products----- | 230,310 | 245,661 | 239,932 | 191,079 |
| Chemicals and related products----- | 320,246 | 355,720 | 343,550 | 338,283 |
| Nonmetallic minerals and products----- | 13,534 | 16,233 | 15,688 | 18,007 |
| Metals and metal products----- | 435,441 | 415,519 | 333,149 | 203,894 |
| Miscellaneous and nonenumerated products----- | 89,272 | 96,713 | 91,373 | 115,472 |
| Special classification provisions----- | 625 | 216 | 886 | 1,152 |
| Temporary regulations----- | 31,912 | 51,748 | 14,760 | 12,434 |
| Total----- | 1,512,427 | 1,621,138 | 1,492,138 | 1,399,250 |

^{1/} Includes withdrawals for export from bonded smelting and refining warehouses.

Source: Compiled from official statistics of the U.S. Department of Commerce.

All

Table 7.--Temporary free entries into the United States for supplies
to vessels and aircraft, 1964-67

(Values in thousands of dollars)

| Articles | 1964 | 1965 | 1966 | 1967 |
|---|---------|-----------------|---------|---------|
| Fuel oil----- | 105,014 | 103,599 | 89,891 | 84,828 |
| Jet fuel----- | 42,708 | 59,954 | 73,661 | 91,551 |
| Motor fuels----- | 4,694 | 11,439 | 5,079 | 2,150 |
| Combustion engines, pumps, tools, and repairs----- | 346 | 1,087 | 351 | 2,832 |
| Alcoholic beverages----- | 1,294 | 1,132 | 565 | 837 |
| All other----- | 652 | <u>1/</u> 1,275 | 363 | 177 |
| Total----- | 154,708 | 178,486 | 169,910 | 182,375 |

1/ Includes liquified petroleum gases, \$975,000.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 8.--Copper, lead and zinc, not further manufactured than unwrought metal:
Warehouse entries and withdrawals and entries for direct consumption, 1965-67

| Material and year | Warehouse entries | Warehouse withdrawals | | Entries for direct consumption |
|-------------------|-------------------|-----------------------|-----------------------------------|--------------------------------|
| | | For consumption | For smelting, refining and export | |
| Short tons | | | | |
| Copper: | | | | |
| 1965----- | 407,797 | 77,592 | 282,578 | 112,690 |
| 1966----- | 234,925 | 178,897 | 104,570 | 360,990 |
| 1967----- | 21,254 | 26,133 | - | 622,449 |
| Lead: | | | | |
| 1965----- | 113,329 | 118,456 | 500 | 14,143 |
| 1966----- | 139,814 | 56,318 | 515 | 300,300 |
| 1967----- | 117,302 | 136,469 | - | 381,221 |
| Zinc: | | | | |
| 1965----- | 343,656 | 318,375 | 4,229 | 266,499 |
| 1966----- | 252,882 | 127,472 | 3,850 | 575,807 |
| 1967----- | 284,090 | 180,415 | 1,987 | 498,494 |
| Total: | | | | |
| 1965----- | 864,782 | 514,423 | 287,307 | 393,332 |
| 1966----- | 627,621 | 362,687 | 108,935 | 1,237,097 |
| 1967----- | 422,646 | 343,017 | 1,987 | 1,502,164 |
| 1,000 dollars | | | | |
| Copper: | | | | |
| 1965----- | 286,012 | 47,012 | 181,337 | 77,423 |
| 1966----- | 195,524 | 125,223 | 79,498 | 319,310 |
| 1967----- | 18,445 | 22,441 | - | 545,085 |
| Lead: | | | | |
| 1965----- | 25,649 | 24,620 | 108 | 3,272 |
| 1966----- | 31,242 | 12,277 | 37 | 78,350 |
| 1967----- | 22,923 | 27,677 | - | 92,232 |
| Zinc: | | | | |
| 1965----- | 52,514 | 46,681 | 588 | 53,725 |
| 1966----- | 37,603 | 18,213 | 605 | 112,661 |
| 1967----- | 43,211 | 27,318 | 294 | 92,428 |
| Total: | | | | |
| 1965----- | 364,175 | 118,313 | 182,033 | 134,420 |
| 1966----- | 264,369 | 155,713 | 80,140 | 510,321 |
| 1967----- | 84,579 | 77,436 | 294 | 729,745 |

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 9.--U.S. imports under temporary importation bond for processing and export, 1964-67

(In thousands of dollars)

| Article | 1964 | 1965 | 1966 | 1967 |
|---|----------|----------|--------|--------|
| Halibut and salmon----- | 56 | - | - | 147 |
| Leather----- | 27 | 162 | 15 | 66 |
| Rabbit skins----- | 196 | 70 | 107 | 32 |
| Concentrated orange juice----- | 112 | 172 | 12 | - |
| Tallow----- | 10 | 11 | 12 | 123 |
| Photographs, engravings, and etchings--- | 1 | 5 | 94 | 101 |
| Manmade fiber filaments, not processed-- | 71 | 166 | 50 | 30 |
| Manmade fibers, processed----- | - | - | 552 | 4 |
| Manmade fiber yarns----- | 262 | 184 | 553 | 1,019 |
| Cotton cloth, unbleached----- | 360 | 62 | 399 | 590 |
| Cotton cloth, bleached----- | <u>1</u> | - | 2,229 | 139 |
| Woven fabric of jute----- | - | - | 14 | 160 |
| Woven fabric of manmade fibers: | | | | |
| Continuous filament: | | | | |
| Not bleached----- | 3,505 | 3,973 | 2,851 | 1,480 |
| Bleached or colored----- | 320 | 450 | 431 | 372 |
| Other: | | | | |
| Not bleached----- | 252 | 214 | 866 | 998 |
| Bleached or colored----- | 176 | 332 | 344 | 282 |
| Cotton circular knit fabric----- | 152 | 164 | 197 | 184 |
| Cotton warp knit fabric----- | 476 | 110 | 112 | 99 |
| Knit fabric, acetate----- | - | - | 3 | 143 |
| Tire fabric, manmade fiber----- | 17 | 349 | 126 | 526 |
| Floor covering, not pile or braided, of manmade fiber----- | - | <u>1</u> | - | 366 |
| Cotton handkerchiefs not hemmed, fancy-- | 19 | 71 | 156 | 154 |
| Linen handkerchiefs, not hemmed----- | - | 200 | 364 | 201 |
| Industrial organic chemicals----- | 48 | 100 | 16 | 127 |
| Mercury compounds and mixtures----- | - | 132 | 94 | 12 |
| Silver compounds----- | 316 | - | - | - |
| Synthetic resins and plastic material--- | 22 | 76 | 218 | 114 |
| Diamonds----- | 263 | 464 | 174 | 305 |
| Nonmetallic minerals, processed----- | 611 | - | 250 | 3 |
| Copper ore----- | - | - | 636 | - |
| Steel ingots, blooms, billets; | | | | |
| Other than alloy----- | 17,269 | 3,078 | 684 | 15 |
| Alloy----- | 3,502 | 1,948 | 15,967 | 16,394 |
| Steel bars, not alloy----- | 7 | 317 | 178 | 86 |
| Steel plates and sheets: | | | | |
| Other than alloy----- | 512 | 1,267 | 809 | 404 |
| Alloy----- | 82 | 105 | 135 | 355 |

See footnote at end of table.

Table 9.--U.S. imports under temporary importation bond for processing and export, 1964-67--Continued

(In thousands of dollars)

| Article | 1964 | 1965 | 1966 | 1967 |
|--|------|-------|--------|-------|
| Steel strip, alloy----- | 31 | - | 245 | 99 |
| Round steel wire----- | 222 | 1 | - | 6 |
| Iron or steel pipe----- | 264 | 67 | 699 | 1,457 |
| Copper unwrought----- | 30 | 162 | 7,157 | - |
| Copper waste and scrap----- | - | 605 | 502 | - |
| Copper wire----- | 151 | 41 | 218 | 127 |
| Copper pipe----- | 79 | 125 | 40 | 658 |
| Aluminum plates, sheets, and strip----- | - | 40 | 124 | 72 |
| Nickel----- | 148 | 141 | 80 | 73 |
| Titanium----- | 159 | 158 | 309 | 155 |
| Zirconium----- | 21 | - | 339 | 339 |
| Household articles of iron or steel----- | - | 32 | 204 | 76 |
| Metal articles not especially provided for: | | | | |
| Iron or steel----- | 247 | 57 | 288 | 1,563 |
| Aluminum----- | 179 | 55 | 90 | 60 |
| Parts of steam turbines----- | 88 | 13 | 87 | 653 |
| Diesel engines----- | 172 | 66 | 35 | 79 |
| Automobile engines----- | 723 | 4,597 | 11,316 | 7,087 |
| Gasoline engines, other----- | 7 | 59 | 1 | 204 |
| Aircraft engines, turbo-jet----- | 222 | - | - | 39 |
| Parts of internal combustion engines----- | 462 | 217 | 732 | 2,205 |
| Compressor parts----- | 16 | 94 | 122 | 83 |
| Industrial heating and cooling equipment----- | 29 | - | 380 | 213 |
| Excavators, bulldozers----- | 43 | 61 | 15 | 129 |
| Lifting and loading equipment----- | 46 | 59 | 124 | 74 |
| Printing machinery----- | 7 | 2 | 119 | 4 |
| Metal-working machines----- | 273 | 105 | 52 | 195 |
| Sawmill machines----- | - | - | - | 280 |
| Parts of mineral sorting, washing, grinding, or mixing machines----- | 1/ | 5 | 112 | 6 |
| Parts of mineral agglomerating or shaping machines----- | 332 | 657 | 916 | 72 |
| Machines for molding rubber or plastics | 112 | 190 | 89 | 79 |
| "Other" machines----- | 571 | 268 | 312 | 393 |
| Electric generators and parts----- | 180 | 222 | 52 | 311 |
| Telephone apparatus----- | 707 | 28 | 335 | 8 |
| Television cameras----- | - | - | - | 336 |
| Radio apparatus----- | 242 | 261 | 210 | 362 |
| Radio navigational equipment----- | 19 | 322 | 83 | 489 |

See footnote at end of table.

Table 9.--U.S. imports under temporary importation bond for processing and export, 1964-67--Continued

(In thousands of dollars)

| Article | 1964 | 1965 | 1966 | 1967 |
|---|--------|--------|--------|--------|
| Electric circuit-making and circuit-breaking apparatus----- | 66 | 238 | 159 | 193 |
| Electrical conductors, copper----- | - | - | 47 | 657 |
| Railway cars----- | - | - | - | 163 |
| Trucks----- | 190 | 452 | 155 | 155 |
| Motor vehicles equipped for special functions----- | - | - | 123 | 197 |
| Truck bodies and chassis----- | 144 | 268 | 201 | 330 |
| Motor vehicle parts----- | - | 1,452 | 411 | 874 |
| Airplanes----- | - | - | 518 | 622 |
| Aircraft parts----- | 692 | 36 | 1,316 | 2,783 |
| Electrical instruments for measuring or control----- | 37 | 8 | 111 | 15 |
| Watch movements, over 17 jewels----- | 1 | - | 1 | 896 |
| Metal furniture and parts----- | - | - | 191 | 184 |
| Automobile tires----- | 1,514 | 960 | 1,627 | 1,472 |
| Tubes for automobile tires----- | 165 | 36 | 44 | 46 |
| All other----- | 3,563 | 3,226 | 5,281 | 6,576 |
| Total----- | 40,798 | 29,568 | 64,220 | 58,180 |

1/ Less than \$500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

APPENDIX B

PROVISIONS OF TITLE 19 OF THE U.S. CODE

CHAPTER 1A.—FOREIGN TRADE ZONES

- Sec.
- 81a. Definitions.
 - 81b. Authorization of the establishment of zones; number; preference as between corporations.
 - 81c. Admission of foreign merchandise; treatment; shipment to customs territory; appraisal; reshipment to zone.
 - 81d. Customs officers and guards.
 - 81e. Vessels entering or leaving zone; coastwise trade.
 - 81f. Application for establishment of zone; expansion of zone.
 - 81g. Granting of application.
 - 81h. Rules and regulations.
 - 81i. Cooperation of Board with other agencies.
 - 81j. Cooperation of other agencies with Board.
 - 81k. Agreements as to use of property.
 - 81l. Facilities to be provided and maintained.
 - 81m. Permission to others to use zone.
 - 81n. Operation of zone as public utility; cost of customs service.
 - 81o. Residents; rules as to entering and leaving; exclusion of goods; retail trade.
 - 81p. Accounts; reports of grantee; reports of Board.
 - 81q. Transfer of grant.
 - 81r. Revocation of grant; grounds; proceedings; appeal to court of appeals.
 - 81s. Offenses.
 - 81t. Separability of provisions.
 - 81u. Reservation of right to alter, amend, or repeal chapter.

Library references: Customs Duties \S 22.1; C.J.S. Customs Duties \S 22, 30.

§ 81a. Definitions

When used in this chapter—

- (a) The term "Secretary" means the Secretary of Commerce;
- (b) The term "Board" means the Board which is established to carry out the provisions of this chapter. The Board shall consist of the Secretary of Commerce, who shall be chairman and executive officer of the Board, the Secretary of the Treasury, and the Secretary of War;
- (c) The term "State" includes any State, the District of Columbia, Alaska, Hawaii, and Puerto Rico;
- (d) The term "corporation" means a public corporation and a private corporation, as defined in this chapter;
- (e) The term "public corporation" means a State, political subdivision thereof, a municipality, a public agency of a State, political subdivision thereof, or municipality, or a corporate municipal instrumentality of one or more States;
- (f) The term "private corporation" means any corporation (other than a public corporation) which is organized for the purpose of establishing, operating, and maintaining a foreign-trade zone and which is chartered under special Act enacted after June 18, 1934, of the State or States within which it is to operate such zone;
- (g) The term "applicant" means a corporation applying for the right to establish, operate, and maintain a foreign-trade zone;
- (h) The term "grantee" means a corporation to which the privilege of establishing, operating, and maintaining a foreign-trade zone has been granted;
- (i) The term "zone" means a "foreign-trade zone" as provided in this chapter. June 18, 1934, c. 590, § 1, 48 Stat. 998.

§ 81b. Authorization of the establishment of zones; number; preference as between corporations

(a) The Board is authorized, subject to the conditions and restrictions of this chapter and of the rules and regulations made thereunder, upon application as hereinafter provided, to grant to corporations the privilege of establishing, operating, and maintaining foreign-trade zones in or adjacent to ports of entry under the jurisdiction of the United States.

(b) Each port of entry shall be entitled to at least one zone, but when a port of entry is located within the confines of more than one State such port of entry shall be entitled to a zone in each of such States, and when two cities separated by water are embraced in one port of entry, a zone may be authorized in each of said cities or in territory adjacent thereto. Zones in addition to those to which a port of entry is entitled shall be authorized only if the Board finds that existing or authorized zones will not adequately serve the convenience of commerce.

(c) In granting applications preference shall be given to public corporations.

(d) In case of any State in which harbor facilities of any port of entry are owned and controlled by the State and in which State harbor facilities of any other port of entry are owned and controlled by a municipality, the Board shall not grant an application by any public corporation for the establishment of any zone in such State, unless such application has been authorized by an Act of the legislature of such State (enacted after June 18, 1934). June 18, 1934, c. 590, § 2, 48 Stat. 999.

§ 81c. Admission of foreign merchandise; treatment; shipment to customs territory; appraisal; reshipment to zone

Foreign and domestic merchandise of every description, except such as is prohibited by law, may, without being subject to the customs laws of the United States, except as otherwise provided in this chapter, be brought into a zone and may be stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign or domestic merchandise, or otherwise manipulated, or be manufactured except as otherwise provided in this chapter, and be exported, destroyed, or sent into customs territory of the United States therefrom, in the original package or otherwise; but when foreign merchandise is so sent from a zone into customs territory of the United States it shall be subject to the laws and regulations of the United States affecting imported merchandise: *Provided*, That whenever the privilege shall be requested and there has been no manipulation or manufacture effecting a change in tariff classification, the collector of customs shall take under supervision any lot or part of a lot of foreign merchandise in a zone, cause it to be appraised and taxes determined and duties liquidated thereon. Merchandise so taken under supervision may be stored, manipulated, or manufactured under the supervision and regulations prescribed by the Secretary of the Treasury, and whether mixed or manufactured with domestic merchandise or not may, under regulations prescribed by the Secretary of the Treasury, be exported or destroyed, or may be sent into customs territory upon the payment of such liq-

liquidated duties and determined taxes thereon. If merchandise so taken under supervision has been manipulated or manufactured, such duties and taxes shall be payable on the quantity of such foreign merchandise used in the manipulation or manufacture of the entered article. Allowance shall be made for recoverable and irrecoverable waste; and if recoverable waste is sent into customs territory, it shall be dutiable and taxable in its condition and quantity and at its weight at the time of entry. Where two or more products result from the manipulation or manufacture of merchandise in a zone the liquidated duties and determined taxes shall be distributed to the several products in accordance with their relative value at the time of separation with due allowance for waste as provided for above: *Provided further*, That subject to such regulations respecting identity and the safeguarding of the revenue as the Secretary of the Treasury may deem necessary, articles, the growth, product, or manufacture of the United States, on which all internal-revenue taxes have been paid, if subject thereto, and articles previously imported on which duty and/or tax has been paid, or which have been admitted free of duty and tax, may be taken into a zone from the customs territory of the United States, placed under the supervision of the collector, and whether or not they have been combined with or made part, while in such zone, of other articles, may be brought back thereto free of quotas, duty, or tax: *Provided further*, That if in the opinion of the Secretary of the Treasury their identity has been lost, such articles not entitled to free entry by reason of noncompliance with the requirements made hereunder by the Secretary of the Treasury shall be treated when they reenter customs territory of the United States as foreign merchandise under the provisions of the tariff and internal-revenue laws in force at that time: *Provided further*, That under the rules and regulations of the controlling Federal agencies, articles which have been taken into a zone from customs territory for the sole purpose of exportation, destruction (except destruction of distilled spirits, wines, and fermented malt liquors), or storage shall be considered to be exported for the purpose of—

(a) the draw-back, warehousing, and bonding, or any other provisions of the Tariff Act of 1930, as amended, and the regulations thereunder; and

(b) the statutes and bonds exacted for the payment of draw-back, refund, or exemption from liability for internal-revenue taxes and for the purposes of the internal-revenue laws generally and the regulations thereunder.

Such a transfer may also be considered an exportation for the purposes of other Federal laws insofar as Federal agencies charged with the enforcement of those laws deem it advisable. Such articles may not be returned to customs territory for domestic consumption except where the Foreign-Trade Zones Board deems such return to be in the public interest, in which event the articles shall be sub-

ject to the provisions of paragraph 1615(f) of section 1201 of this title: *Provided further*, That no operation involving any foreign or domestic merchandise brought into a zone which operation would be subject to any provision or provisions of section 1807 of Title 26 and chapters 15-17, 21, 23-26 or 32 of Title 26, if performed in customs territory, or involving the manufacture of any article provided for in paragraphs 367 or 368 of section 1001 of this title, shall be permitted in a zone except those operations (other than rectification of distilled spirits and wines, or the manufacture or production of alcoholic products unfit for beverage purposes) which were permissible under this chapter prior to July 1, 1949: *Provided further*, That articles produced or manufactured in a zone and exported therefrom shall on subsequent importation into the customs territory of the United States be subject to the import laws applicable to like articles manufactured in a foreign country, except that articles produced or manufactured in a zone exclusively with the use of domestic merchandise, the identity of which has been maintained in accordance with the second proviso of this section may, on such importation, be entered as American goods returned. June 18, 1934, c. 590, § 3, 48 Stat. 999; June 17, 1950, c. 296, § 1, 64 Stat. 246.

§ 81d. Customs officers and guards

The Secretary of the Treasury shall assign to the zone the necessary customs officers and guards to protect the revenue and to provide for the admission of foreign merchandise into customs territory. June 18, 1934, c. 590, § 4, 48 Stat. 1000.

§ 81e. Vessels entering or leaving zone; coastwise trade

Vessels entering or leaving a zone shall be subject to the operation of all the laws of the United States, except as otherwise provided in this chapter, and vessels leaving a zone and arriving in customs territory of the United States shall be subject to such regulations to protect the revenue as may be prescribed by the Secretary of the Treasury. Nothing in this chapter shall be construed in any manner so as to permit vessels under foreign flags to carry goods or merchandise shipped from one foreign trade zone to another zone or port in the protected coastwise trade of the United States. June 18, 1934, c. 590, § 5, 48 Stat. 1000.

§ 81f. Application for establishment of zone; expansion of zone

(a) Each application shall state in detail—

(1) The location and qualifications of the area in which it is proposed to establish a zone, showing (A) the land and water or land or water area or land area alone if the application is for its establishment in or adjacent to an interior port; (B) the means of segregation from customs territory; (C) the fitness of the area for a zone; and (D) the possibilities of expansion of the zone area;

(2) The facilities and appurtenances which it is proposed to provide and the preliminary plans and estimate of the cost thereof, and the existing facilities and appurtenances which it is proposed to utilize;

(3) The time within which the applicant proposes to commence and complete the construction of the zone and facilities and appurtenances;

(4) The methods proposed to finance the undertaking;

(5) Such other information as the Board may require.

(b) The Board may upon its own initiative or upon request permit the amendment of the application. Any expansion of the area of an established zone shall be made and approved in the same manner as an original application. June 18, 1934, c. 590, § 6, 48 Stat. 1000.

§ 81g. Granting of application

If the Board finds that the proposed plans and location are suitable for the accomplishment of the purpose of a foreign trade zone under this chapter, and that the facilities and appurtenances which it is proposed to provide are sufficient it shall make the grant. June 18, 1934, c. 590, § 7, 48 Stat. 1000.

§ 81h. Rules and regulations

The Board shall prescribe such rules and regulations not inconsistent with the provisions of this chapter or the rules and regulations of the Secretary of the Treasury made hereunder and as may be necessary to carry out this chapter. June 18, 1934, c. 590, § 8, 48 Stat. 1000.

§ 81i. Cooperation of Board with other agencies

The Board shall cooperate with the State, subdivision, and municipality in which the zone is located in the exercise of their police, sanitary, and other powers in and in connection with the free zone. It shall also cooperate with the United States Customs Service, the Post Office Department, the Public Health Service, the Immigration and Naturalization Service, and such other Federal agencies as have jurisdiction in ports of entry described in section 81b of this title. Ex.Ord.No.6166, § 14, June 10, 1933; June 18, 1934, c. 590, § 9, 48 Stat. 1000.

§ 81j. Cooperation of other agencies with Board

For the purpose of facilitating the investigations of the Board and its work in the granting of the privilege, in the establishment, operation, and maintenance of a zone, the President may direct the executive departments and other establishments of the Government to cooperate with the Board, and for such purpose each of the several departments and establishments is authorized, upon direction of the President, to furnish to the Board such records, papers, and information in their possession as may be required by him, and temporarily to detail to the service of the Board such officers, experts, or engineers as may be necessary. June 18, 1934, c. 590, § 10, 48 Stat. 1001.

§ 81k. Agreements as to use of property

If the title to or right of user of any of the property to be included in a zone is in the United States, an agreement to use such property for zone purposes may be entered into between the grantee and the department or officer of the United States having control of the same, under such conditions, approved by the Board and such department or officer, as may be agreed upon. June 18, 1934, c. 590, § 11, 48 Stat. 1001.

§ 81l. Facilities to be provided and maintained

Each grantee shall provide and maintain in connection with the zone—

(a) Adequate slips, docks, wharves, warehouses, loading and unloading and mooring facilities where the zone is adjacent to water; or, in the case of an inland zone, adequate loading, unloading, and warehouse facilities;

(b) Adequate transportation connections with the surrounding territory and with all parts of the United States, so arranged as to permit of proper guarding and inspection for the protection of the revenue;

(c) Adequate facilities for coal or other fuel and for light and power;

(d) Adequate water and sewer mains;

(e) Adequate quarters and facilities for the officers and employees of the United States, State, and municipality whose duties may require their presence within the zone;

(f) Adequate enclosures to segregate the zone from customs territory for protection of the revenue, together with suitable provisions for ingress and egress of persons, conveyances, vessels, and merchandise;

(g) Such other facilities as may be required by the Board. June 18, 1934, c. 590, § 12, 48 Stat. 1001.

§ 81m. Permission to others to use zone

The grantee may, with the approval of the Board, and under reasonable and uniform regulations for like conditions and circumstances to be prescribed by it, permit other persons, firms, corporations, or associations to erect such buildings and other structures within the zone as will meet their particular requirements: *Provided*, That such permission shall not constitute a vested right as against the United States, nor interfere with the regulation of the grantee or the permittee by the United States, nor interfere with or complicate the revocation of the grant by the United States: *And provided further*, That in the event of the United States or the grantee desiring to acquire the property of the permittee no good will shall be considered as accruing from the privilege granted to the zone: *And provided further*, That such permits shall not be granted on terms that conflict with the public use of the zone as set forth in this chapter. June 18, 1934, c. 590, § 13, 48 Stat. 1001.

§ 81n. Operation of zone as public utility; cost of customs service

Each zone shall be operated as a public utility, and all rates and charges for all services or privileges within the zone shall be fair and reasonable, and the grantee shall afford to all who may apply for the use of the zone and its facilities and appurtenances uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States for foreign governments and the cost of maintaining the additional customs service required under this chapter shall be paid by the operator of the zone. June 18, 1934, c. 590, § 14, 48 Stat. 1001.

§ 81o. Residents; rules as to entering and leaving; exclusion of goods; retail trade

(a) No person shall be allowed to reside within the zone except Federal, State, or municipal officers or agents whose resident presence is deemed necessary by the Board.

(b) The Board shall prescribe rules and regulations regarding employees and other persons entering and leaving the zone. All rules and regulations concerning the protection of the revenue shall be approved by the Secretary of the Treasury.

(c) The Board may at any time order the exclusion from the zone of any goods or process of treatment that in its judgment is detrimental to the public interest, health, or safety.

(d) No retail trade shall be conducted within the zone except under permits issued by the grantee and approved by the Board. Such permittees shall sell no goods except such domestic or duty-paid or duty-free goods as are brought into the zone from customs territory. June 18, 1934, c. 590, § 15, 48 Stat. 1002.

§ 81p. Accounts; reports of grantee; reports of Board

(a) The form and manner of keeping the accounts of each zone shall be prescribed by the Board.

(b) Each grantee shall make to the Board annually, and at such other times as it may prescribe, reports containing a full statement of all the operations, receipts, and expenditures, and such other information as the Board may require.

(c) The Board shall make a report to Congress on the first day of each regular session containing a summary of the operation and fiscal condition of each zone and transmit therewith copies of the annual report of each grantee. June 18, 1934, c. 590, § 16, 48 Stat. 1002.

§ 81q. Transfer of grant

The grant shall not be sold, conveyed, transferred, set over, or assigned. June 18, 1934, c. 590, § 17, 48 Stat. 1002.

§ 81r. Revocation of grant; grounds; proceedings; appeal to court of appeals

(a) In the event of repeated willful violations of any of the provisions of this chapter by the grantee, the Board may revoke the grant after four months' notice to the grantee and affording it an opportunity to be heard. The testimony taken before the Board shall be reduced to writing and filed in the records of the Board together with the decision reached thereon.

(b) In the conduct of any proceeding under this section for the revocation of a grant the Board may compel the attendance of witnesses and the giving of testimony and the production of documentary evidence, and for such purpose may invoke the aid of the district courts of the United States.

(c) An order under the provisions of this section revoking the grant issued by the Board shall be final and conclusive, unless within ninety days after its service the grantee appeals to the court of appeals for the circuit in which the zone is located by filing with the clerk of said court a written petition praying that the order of the Board be set aside. Such order shall be stayed pending the disposition of appellate proceedings by the court. The clerk of the court in which such a petition is filed shall immediately cause a copy thereof to be delivered to the Board and it shall thereupon file in the court the record in the proceedings held before it under this section, as provided in section 2112 of Title 28. The testimony and evidence taken or submitted before the Board, duly certified and filed as a part of the record, shall be considered by the court as the evidence in the case. June 18, 1934, c. 590, § 18, 48 Stat. 1002; June 25, 1948, c. 646, § 32(a), 62 Stat. 991; May 24, 1949, c. 139, § 127, 63 Stat. 107; Aug. 28, 1958, Pub.L. 85-791, § 11, 72 Stat. 945.

§ 81s. Offenses

In case of a violation of this chapter, or any regulation under this chapter, by the grantee, any officer, agent, or employee thereof responsible for or permitting any such violation shall be subject to a fine of not more than \$1,000. Each day during which a violation continues shall constitute a separate offense. June 18, 1934, c. 590, § 19, 48 Stat. 1003.

§ 81t. Separability of provisions

If any provision of this chapter or the application of such provision to certain circumstances be held invalid, the remainder of the chapter and the application of such provisions to circumstances other than those as to which it is held invalid shall not be affected thereby. June 18, 1934, c. 590, § 20, 48 Stat. 1003.

§ 81u. Reservation of right to alter, amend, or repeal chapter

The right to alter, amend, or repeal this chapter is reserved. June 18, 1934, c. 590, § 21, 48 Stat. 1003.

§ 151. Bonded warehouses for storage and cleansing of imported garbanzo; withdrawals

Under such regulations and conditions as may be prescribed by the Secretary of the Treasury, bonded warehouses may be established in which imported Mexican peas, commonly called garbanzo may be stored, cleaned, repacked or otherwise changed in condition, but not manufactured, and withdrawn for exportation without the payment of duty thereon. The whole or any part of such imported garbanzo, and the waste material and by-products incident to cleansing or otherwise treating said imported garbanzo, may be withdrawn for domestic consumption upon the payment on the quantity so withdrawn of the duty imposed by law on such garbanzo in their condition as imported. The compensation of customs officers and storekeepers for all services in the supervision of such warehouses shall be paid from moneys advanced by the warehouse proprietor to the collector of customs and be carried in a special account and disbursed for such purposes, and all expenses incurred shall be paid by the warehouse proprietor. June 28, 1916, c. 180, 39 Stat. 239.

DRAWBACKS

§ 170. Special duties treated as regular duties

The special dumping duty imposed by sections 160-171 of this title shall be treated in all respects as regular customs duties within the meaning of all laws relating to the drawback of customs duties. May 27, 1921, c. 14, § 211, 42 Stat. 15.

§ 1309. Supplies for certain vessels and aircraft—Exemption from customs duties and internal-revenue tax

(a) Articles of foreign or domestic origin may be withdrawn, under such regulations as the Secretary of the Treasury may prescribe, from any customs bonded warehouse, from continuous customs custody elsewhere than in a bonded warehouse, or from a foreign-trade zone free of duty and internal-revenue tax, or from any internal-revenue bonded warehouse, from any brewery, or from any winery premises or bonded premises for the storage of wine, free of internal-revenue tax—

(1) for supplies (not including equipment) of (A) vessels or aircraft operated by the United States, (B) vessels of the United States employed in the fisheries or in the whaling business, or actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions, or between Hawaii and any other part of the United States or between Alaska and any other part of the United States, or (C) aircraft registered in the United States and actually engaged in foreign trade or trade between the United States and any of its possessions, or between Hawaii and any other part of the United States or between Alaska and any other part of the United States; or

(2) for supplies (including equipment) or repair of (A) vessels of war of any foreign nation, or (B) foreign vessels employed in the fisheries or in the whaling business, or actually engaged in foreign trade or trade between the United States and any of its possessions, or between Hawaii and any other part of the United States or between Alaska and any other part of the United States, where such trade by foreign vessels is permitted; or

(3) for supplies (including equipment), ground equipment, maintenance, or repair of aircraft registered in any foreign country and actually engaged in foreign trade or trade between the United States and any of its possessions, or between Hawaii and any other part of the United States or between Alaska and any other part of the United States, where trade by foreign aircraft is permitted. With respect to articles for ground equipment, the exemption hereunder shall apply only to duties and to taxes imposed upon or by reason of importation.

The provisions for free withdrawals made by this subsection shall not apply to petroleum products for vessels or aircraft in voyages or flights exclusively between Hawaii or Alaska and any airport or Pacific coast seaport of the United States.

Drawback

(b) Articles withdrawn from bonded warehouses, bonded manufacturing warehouses, continuous customs custody elsewhere than in a bonded warehouse, or from a foreign-trade zone, and articles of domestic manufacture or production, laden as supplies upon any such vessel or aircraft of the United States or laden as supplies (including equipment) upon, or used in the maintenance or repair of, any such foreign vessel or aircraft, shall be considered to be exported within the meaning of the drawback provisions of this chapter.

Articles removed in, or returned to, the United States

(c) Any article exempted from duty or tax, or in respect of which drawback has been allowed, under this section or section 1317 of this title and thereafter removed in the United States from any vessel or aircraft, or otherwise returned to the United States, shall be treated as an importation from a foreign country.

Reciprocal privileges

(d) The privileges granted by this section and section 1317 of this title in respect of aircraft registered in a foreign country shall be allowed only if the Secretary of the Treasury shall have been advised by the Secretary of Commerce that he has found that such foreign country allows, or will allow, substantially reciprocal privileges in respect of aircraft registered in the United States. If the Secretary of Commerce shall advise the Secretary of the Treasury that he has found that a foreign country has discontinued, or will discontinue, the allowance of such privileges, the privileges granted by this section and such section 1317 shall not apply thereafter in respect of aircraft registered in that foreign country. June 17, 1930, c. 497, Title III, § 309, 46 Stat. 690; June 25, 1938, c. 679, § 5(a), 52 Stat. 1080; July 22, 1941, c. 314, § 3, 55 Stat. 602; Aug. 8, 1953, c. 397, § 11(a), 67 Stat. 514; July 7, 1960, Pub.L. 86-606, § 5(a), 74 Stat. 361.

§ 1311: Bonded manufacturing warehouses

All articles manufactured in whole or in part of imported materials, or of materials subject to internal-revenue tax, and intended for exportation without being charged with duty, and without having an internal-revenue stamp affixed thereto, shall, under such regulations as the Secretary of the Treasury may prescribe, in order to be so manufactured and exported, be made and manufactured in bonded warehouses similar to those known and designated in Treasury Regulations as bonded warehouses, class six: *Provided*, That the manufacturer of such articles shall first give satisfactory bonds for the faithful observance of all the provisions of law and of such regulations as shall be prescribed by the Secretary of the Treasury: *Provided further*, That the manufacture of distilled spirits from grain, starch, molasses, or sugar, including all dilutions or mixtures of them or either of them, shall not be permitted in such manufacturing warehouses.

Whenever goods manufactured in any bonded warehouse established under the provisions of the preceding paragraph shall be exported directly therefrom or shall be duly laden for transportation and immediate exportation under the supervision of the proper officer who shall be duly designated for that purpose, such goods shall be exempt from duty and from the requirements relating to revenue stamps.

No flour, manufactured in a bonded manufacturing warehouse from wheat imported after ninety days after June 17, 1930, shall be withdrawn from such warehouse for exportation without payment of a duty on such imported wheat equal to any reduction in duty which by treaty will apply in respect of such flour in the country to which it is to be exported.

Any materials used in the manufacture of such goods, and any packages, coverings, vessels, brands, and labels used in putting up the same may, under the regulations of the Secretary of the Treasury, be conveyed without the payment of revenue tax or duty into any bonded manufacturing warehouse, and imported goods may, under the aforesaid regulations, be transferred without the exaction of duty from any bonded warehouse into any bonded manufacturing warehouse; but this privilege shall not be held to apply to implements, machinery, or apparatus to be used in the construction or repair of any bonded manufacturing warehouse or for the prosecution of the business carried on therein.

Articles or materials received into such bonded manufacturing warehouse or articles manufactured therefrom may be withdrawn or removed therefrom for direct shipment and exportation or for transportation and immediate exportation in bond to foreign countries or to the Philippine Islands under the supervision of the officer duly designated therefor by the collector of the port, who shall certify to such shipment and exportation, or lading for transportation, as the case may be, describing the articles by their mark or otherwise, the quantity, the date of exportation, and the name of the vessel: *Provided*, That the by-products incident to the processes of manufacture, including waste derived from cleaning rice in bonded warehouses under the Act of March 24, 1874, ch. 65, 18 Stat. 24, in said bonded warehouses may be withdrawn for domestic consump-

tion on the payment of duty equal to the duty which would be assessed and collected by law if such waste or by-products were imported from a foreign country: *Provided*, That all waste material may be destroyed under Government supervision. All labor performed and services rendered under these provisions shall be under the supervision of a duly designated officer of the customs and at the expense of the manufacturer.

A careful account shall be kept by the collector of all merchandise delivered by him to any bonded manufacturing warehouse, and a sworn monthly return, verified by the customs officers in charge, shall be made by the manufacturer containing a detailed statement of all imported merchandise used by him in the manufacture of exported articles.

Before commencing business the proprietor of any manufacturing warehouse shall file with the Secretary of the Treasury a list of all the articles intended to be manufactured in such warehouse, and state the formula of manufacture and the names and quantities of the ingredients to be used therein.

Articles manufactured under these provisions may be withdrawn under such regulations as the Secretary of the Treasury may prescribe for transportation and delivery into any bonded warehouse at an exterior port for the sole purpose of immediate export therefrom: *Provided*, That cigars manufactured in whole or in part imported from any one country, made and manufactured in such bonded manufacturing warehouses, may be withdrawn for home consumption upon the payment of the duties on such tobacco in its condition as imported under such regulations as the Secretary of the Treasury may prescribe, and the payment of the internal-revenue tax accruing on such cigars in their condition as withdrawn, and the boxes or packages containing such cigars shall be stamped to indicate their character, origin of tobacco from which made, and place of manufacture.

The provisions of section 3433 of the Revised Statutes shall, so far as may be practicable, apply to any bonded manufacturing warehouse established under this chapter and to the merchandise conveyed therein.

Distilled spirits and wines which are rectified in bonded manufacturing warehouses, class six, and distilled spirits which are reduced in proof and bottled in such warehouses, shall be deemed to have been manufactured within the meaning of this section, and may be withdrawn as hereinbefore provided, and likewise for shipment in bond to Puerto Rico, subject to the provisions of this section, and under such regulations as the Secretary of the Treasury may prescribe, there to be withdrawn for consumption or be rewarehoused and subsequently withdrawn for consumption: *Provided*, That upon withdrawal in Puerto Rico for consumption, the duties imposed by the customs laws of the United States shall be collected on all imported merchandise (in its condition as imported) and imported containers

used in the manufacture and putting up of such spirits and wines in such warehouses: *Provided further*, That no internal-revenue tax shall be imposed on distilled spirits and wines rectified in class six warehouses if such distilled spirits and wines are exported or shipped in accordance with the provisions of this section, and that no person rectifying distilled spirits or wines in such warehouses shall be subject by reason of such rectification to the payment of special tax as a rectifier. June 17, 1930, c. 497, Title III, § 311, 46 Stat. 691; June 26, 1936, c. 830, Title IV, § 404, 49 Stat. 1960.

§ 1312. Bonded smelting and refining warehouses

(a) Any plant engaged in smelting or refining, or both, of metal-bearing materials as defined in this section may, upon the giving of satisfactory bond, be designated a bonded smelting or refining warehouse. Metal-bearing materials may be entered into a bonded smelting or refining warehouse without the payment of duties thereon and there smelted or refined, or both, together with metal-bearing materials of domestic or foreign origin. Upon arrival of imported metal-bearing materials at the warehouse they shall be sampled according to commercial methods and assayed, both under customs supervision. The bond shall be charged with a sum equal in amount to the duties which would be payable on such metal-bearing materials in their condition as imported if entered for consumption, and the bond charge shall be adjusted to reflect changes in the applicable rate of duty occurring while the imported materials are still covered by the bond.

(b) The several charges against such bond may be canceled in whole or in part—

(1) upon the exportation from the bonded warehouses which treated the metal-bearing materials, or from any other bonded smelting or refining warehouse, of a quantity of the same kind of metal contained in any product of smelting or refining of metal-bearing materials equal to the dutiable quantity contained in the imported metal-bearing materials less wastage provided for in subsection (c) of this section, or

(2) upon payment of duties on the dutiable quantity of metal contained in the imported metal-bearing materials, or

(3) upon the transfer of the bond charges to another bonded smelting or refining warehouse by physical shipment of a quantity of the same kind of metal contained in any product of smelting or refining of metal-bearing materials equal to the dutiable quantity contained in the imported metal-bearing materials less wastage provided for in subsection (c) of this section, or

(4) upon the transfer of the bond charges to a bonded customs warehouse other than a bonded smelting or refining warehouse by physical shipment of a quantity of the same kind of metal contained in any product of smelting or refining equal to the dutiable quantity contained in the imported metal-bearing materials less wastage provided for in subsection (c) of this section, and upon withdrawal from such other warehouse for exportation or domestic consumption the provisions of this section shall apply, or

(5) upon the transfer to another bonded smelting or refining warehouse without physical shipment of metal of bond charges representing a quantity of dutiable metal contained in imported metal-bearing materials less wastage provided for in subsection (c) of this section of the plant of initial treatment of such materials provided there is on hand at the warehouse to which the transfer is made sufficient like metal in any form to satisfy the transferred bond charges.

(c) For purposes of paragraphs (1), (3), (4), and (5) of subsection (b) of this section, 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.

(d) Upon the exportation of a product of smelting or refining other than refined metal the bond shall be credited with a quantity of metal equivalent to the quantity of metal contained in the product exported less the proportionate part of the deductions allowed for losses in determination of the bond charge being cancelled that would not ordinarily be sustained in production of the specific product exported as ascertained from time to time by the Secretary of the Treasury.

(e) Two or more smelting or refining warehouses may be included under one general bond and the quantities of each kind of metal subject to duty on hand at all of such warehouses may be aggregated to satisfy the bond obligation.

(f) For purposes of this section—

(1) the term “metal-bearing materials” means metal-bearing ores and other metal-bearing materials provided for in schedule 6, part 1, of the Tariff Schedules of the United States, “metal waste and scrap” and “unwrought metal” to be smelted or refined provided for in schedule 6, part 2, of such schedules, and metal compounds to be processed for the recovery of their metal content;

(2) the term “smelting or refining” embraces only pyrometallurgical, hydrometallurgical, electrometallurgical, chemical, or other processes—

(A) for the treatment of metal-bearing materials to reduce the metal content thereof to a metallic state in the course of recovering it in forms which if imported would be classifiable in part 2 of schedule 6 as “unwrought metal”, or 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, and

(B) for the treatment of unwrought metal or metal waste and scrap to remove impurities or undesired components; and

(3) the term “product of smelting or refining” means metals or metal-bearing materials resulting directly from smelting or refining processes, but does not include metal-bearing ores as defined in part 1 of schedule 6.

(g) Labor performed and services rendered pursuant to this section shall be under the supervision of an officer of the customs, to be appointed by the Secretary of the Treasury and at the expense of the manufacturer. The Secretary of the Treasury is authorized to make such rules and regulations as may be necessary to carry out the provisions of this section. June 17, 1930, c. 497, Title III, § 312, 46 Stat. 692; May 24, 1962, Pub.L. 87-456, Title III, § 301(b), 76 Stat. 75.

§ 1313. Drawback and refunds—Articles made from imported merchandise

(a) Upon the exportation of articles manufactured or produced in the United States with the use of imported merchandise, the full amount of the duties paid upon the merchandise so used shall be refunded as drawback, less 1 per centum of such duties, except that such duties shall not be so refunded upon the exportation of flour or by-products produced from wheat imported after ninety days after June 17, 1930. Where two or more products result from the manipulation of imported merchandise, the drawback shall be distributed to the several products in accordance with their relative values at the time of separation.

Substitution for drawback purposes

(b) If imported duty-paid merchandise and duty-free or domestic merchandise of the same kind and quality are used in the manufacture or production of articles within a period not to exceed three years from the receipt of such imported merchandise by the manufacturer or producer of such articles, there shall be allowed upon the exportation of any such articles, notwithstanding the fact that none of the imported merchandise may actually have been used in the manufacture or production of the exported articles, an amount of drawback equal to that which would have been allowable had the merchandise used therein been imported; but the total amount of drawback allowed upon the exportation of such articles, together with the total amount of drawback allowed in respect of such imported merchandise under any other provision of law, shall not exceed 99 per centum of the duty paid on such imported merchandise.

Merchandise not conforming to sample or specifications

(c) Upon the exportation of merchandise not conforming to sample or specifications or shipped without the consent of the consignee upon which the duties have been paid and which have been entered or withdrawn for consumption and, within ninety days after release from customs custody, unless the Secretary authorizes in writing a longer time, returned to customs custody for exportation, the full amount of the duties paid upon such merchandise shall be refunded as drawback, less 1 per centum of such duties.

Flavoring extracts and medicinal or toilet preparations

(d) Upon the exportation of flavoring extracts, medicinal or toilet preparations (including perfumery) manufactured or produced in the United States in part from domestic alcohol on which an internal-revenue tax has been paid, there shall be allowed a drawback equal in amount to the tax found to have been paid on the alcohol so used.

Upon the exportation of bottled distilled spirits and wines manufactured or produced in the United States on which an internal-revenue tax has been paid, there shall be allowed, under regulations to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, a drawback equal in amount to the tax found to have been paid on such bottled distilled spirits and wines: *Provided*, That such distilled spirits and wines have been bottled especially for export, under regulations prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.

Imported salt for curing fish

(e) Imported salt in bond may be used in curing fish taken by vessels licensed to engage in the fisheries, and in curing fish on the shores of the navigable waters of the United States, whether such fish are taken by licensed or unlicensed vessels, and upon proof that the salt has been used for either of such purposes, the duties on the same shall be remitted.

Exportation of meats cured with imported salt

(f) Upon the exportation of meats, whether packed or smoked, which have been cured in the United States with imported salt, there shall be refunded, upon satisfactory proof that such meats have been cured with imported salt, the duties paid on the salt so used in curing such exported meats, in amounts not less than \$100.

Materials for construction and equipment of vessels built for foreigners

(g) The provisions of this section shall apply to materials imported and used in the construction and equipment of vessels built for foreign account and ownership, or for the government of any foreign country, notwithstanding that such vessels may not within the strict meaning of the term be articles exported.

Time limitation on exportation

(h) No drawback shall be allowed under the provisions of this section unless the completed article is exported within five years after importation of the imported merchandise.

Regulations

(i) Allowance of the privileges provided for in this section shall be subject to compliance with such rules and regulations as the Secretary of the Treasury shall prescribe, which may include, but need not be limited to, the fixing of a time limit within which drawback entries or entries for refund under any of the provisions of this section or section 1309(b) of this title shall be filed and completed, and the designation of the person to whom any refund or payment of drawback shall be made.

Source of payment

(j) Any drawback of duties that may be authorized under the provisions of this chapter shall be paid from the customs receipts of Puerto Rico, if the duties were originally paid into the Treasury of Puerto Rico. June 17, 1930, c. 497, Title III, § 313, 46 Stat. 693; May 17, 1932, c. 190, 47 Stat. 158; June 26, 1936, c. 830, Title IV, §§ 402, 403, 49 Stat. 1960; Aug. 8, 1951, c. 297, 65 Stat. 176; Aug. 8, 1953, c. 397, § 12, 67 Stat. 515; Aug. 6, 1956, c. 1021, § 2, 70 Stat. 1076; Aug. 18, 1958, Pub.L. 85-673, § 1, 72 Stat. 624.

§ 1317. Tobacco products; supplies for certain vessels and aircraft

(a) The shipment or delivery of manufactured tobacco, snuff, cigars, or cigarettes, for consumption beyond the jurisdiction of the internal-revenue laws of the United States, as defined by section 2197 (a) of Title 26, shall be deemed exportation within the meaning of the customs and internal-revenue laws applicable to the exportation of such articles without payment of duty or internal-revenue tax.

(b) The shipment or delivery of any merchandise for use as supplies (including equipment) upon, or in the maintenance or repair of any vessel or aircraft described in subdivision (2) or (3) of section 1309(a) of this title, or for use as ground equipment for any such aircraft, shall be deemed an exportation within the meaning of the customs and internal-revenue laws applicable to the exportation of such merchandise without the payment of duty or internal-revenue tax. With respect to merchandise for use as ground equipment, such shipment or delivery shall not be deemed an exportation within the meaning of the internal-revenue laws relating to taxes other than those imposed upon or by reason of importation. June 17, 1930, c. 497, Title III, § 317, 46 Stat. 696; June 25, 1938, c. 679, § 5(b), 52 Stat. 1081; Aug. 8, 1953, c. 397, § 11(b), 67 Stat. 514.

§ 1557. Entry for warehouse; warehouse period; drawback

(a) Any merchandise subject to duty, with the exception of perishable articles and explosive substances other than firecrackers, may be entered for warehousing and be deposited in a bonded warehouse at the expense and risk of the owner, importer, or consignee. Such merchandise may be withdrawn, at any time within three years from the date of importation, for consumption upon payment of the duties and charges accruing thereon at the rate of duty imposed by law upon such merchandise at the date of withdrawal; or may be withdrawn for exportation or for transportation and exportation to a foreign country, or for shipment or for transportation and shipment to the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, or the island of Guam, without the payment of duties thereon, or for transportation and rewarehousing at another port or elsewhere, or for transfer to another bonded warehouse at the same port: *Provided*, That the total period of time for which such merchandise may remain in bonded warehouse shall not exceed three years from the date of importation. Merchandise upon which the duties have been paid and which shall have remained continuously in bonded warehouse or otherwise in the custody and under the control of customs officers, may be entered or withdrawn at any time within three years after the date of importation for exportation or for transportation and exportation to a foreign country, or for shipment or for transportation and shipment to the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, or the island of Guam, under such regulations as the Secretary of the Treasury shall prescribe, and upon such entry or withdrawal, and exportation or shipment, the duties thereon shall be refunded.

(b) The right to withdraw any merchandise entered in accordance with subsection (a) of this section for the purposes specified in such subsection may be transferred upon compliance with regulations prescribed by the Secretary of the Treasury and upon the filing by the transferee of a bond in such amount and containing such conditions as the Secretary of the Treasury shall prescribe. The bond shall include an obligation to pay, with respect to the merchandise the subject of the transfer, all unpaid regular, increased, and additional duties, all unpaid taxes imposed upon or by reason of importation, and all unpaid charges and exactions. Such transfers shall be irrevocable, shall relieve the transferor from all customs liability with respect to obligations assumed by the transferee under the bond herein provided for, and shall confer upon the transferee all rights to the privileges provided for in this section and in sections 1562 and 1563 of this title which were vested in the transferor prior to the transfer. The transferee shall also have the right to receive all lawful refunds of moneys paid by him to the United States with respect to the merchandise the subject of the transfer, but shall have no right to file any protest under section 1514 of this title except as to decisions with respect to his rights under subsection (c) of this section or under section 1562 or 1563 of this title or against a decision as to the rate or amount of duty, tax, charge, or exaction when such rate or amount has been changed by statute or proclamation on or after the date of the transfer. The transferee shall have no right to file an appeal for reappraisal under section 1501 of this title except when subsequent to the transfer and before a withdrawal for consumption has been deposited for the merchandise, it has been changed in condition pursuant to the provisions of section 1311 or 1562 of this title in a manner which necessitates that it be appraised in its changed condition in order that the correct amount of duties may be assessed. No new or separate liquidation, reliquidation, or determination shall be made in the name of, or on behalf of, a transferee, except with regard to any matter which may arise under subsection (c) of this section or section 1562 or 1563 of this title when the transferee has invoked either of these sections, and in the case of a statutory or proclaimed change in the rate of duty, tax, charge, or exaction applicable to the merchandise the subject of the transfer and effective on or after the date of the transfer. A transferee may further transfer the right to withdraw merchandise, subject to the provisions of this subsection relating to original transfers.

(c) Merchandise entered under bond, under any provision of law, may, upon payment of all charges other than duty on the merchandise, be destroyed, at the request and at the expense of the consignee, within the bonded period under customs supervision, in lieu of exportation, and upon such destruction the entry of such merchandise shall be liquidated without payment of duty and any duties collected shall be refunded. June 17, 1930, c. 497, Title IV, § 557, 46 Stat. 744; June 25, 1938, c. 679, §§ 2, 22(a), 23(a), 52 Stat. 1077, 1087, 1088; Aug. 8, 1953, c. 397, § 21(a), 67 Stat. 519; June 30, 1955, c. 258, § 2(a) (4), 69 Stat. 242.

§ 1558. No remission or refund after release of merchandise

(a) No remission, abatement, refund, or drawback of estimated or liquidated duty shall be allowed because of the exportation or destruction of any merchandise after its release from the custody of the Government, except in the following cases:

(1) When articles are exported with respect to which a drawback of duties is expressly provided for by law;

(2) When prohibited articles have been regularly entered in good faith and are subsequently exported or destroyed pursuant to a law of the United States and under such regulations as the Secretary of the Treasury may prescribe; and

(3) When articles entered under bond, under any provision of law, are destroyed within the bonded period as provided for in section 1557 of this title, or are destroyed within the bonded period by death, accidental fire, or other casualty, and proof of such destruction is furnished which shall be satisfactory to the Secretary of the Treasury, in which case any accrued duties shall be remitted or refunded and any condition in the bond that the articles shall be exported shall be deemed to have been satisfied.

(b) When articles are exported or destroyed under customs supervision after once having been released from customs custody, as provided for in subsection (c) of section 1304 of this title, such exportation or destruction shall not exempt such articles from the payment of duties other than the marking duty provided for in such subsection (c). June 17, 1930, c. 497, Title IV, § 558, 46 Stat. 744; June 25, 1938, c. 679, § 24, 52 Stat. 1088.

§ 1562. Manipulation in warehouse

Unless by special authority of the Secretary of the Treasury, no merchandise shall be withdrawn from bonded warehouse in less quantity than an entire bale, cask, box, or other package; or, if in bulk, in the entire quantity imported or in a quantity not less than one ton weight. All merchandise so withdrawn shall be withdrawn in the original packages in which imported unless, upon the application of the importer, it appears to the collector that it is necessary to the safety or preservation of the merchandise to repack or transfer the same: *Provided*, That upon permission therefor being granted by the Secretary of the Treasury, and under customs supervision, at the expense of the proprietor, merchandise may be cleaned, sorted, repacked, or otherwise changed in condition, but not manufactured, in bonded warehouses established for that purpose and be withdrawn therefrom for exportation to a foreign country or for shipment to the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, or the island of Guam, without payment of the duties, or for consumption, upon payment of the duties accruing thereon, in its condition and quantity, and at its weight, at the time of withdrawal from warehouse, with such additions to or deductions from the final appraised value as may be necessary by reason of change in condition. The basis for the assessment of duties on such merchandise so withdrawn for consumption shall be the adjusted final appraised value, and if the rate of duty is based upon or regulated in any manner by the value of the merchandise, such rate shall be based upon or regulated by such adjusted final appraised value. The scouring or carbonizing of wool shall not be considered a process of manufacture within the provisions of this section. Under such regulations as the Secretary of the Treasury shall prescribe, imported merchandise which has been entered and which has remained in continuous customs custody may be manipulated in accordance with the provisions of this section under customs supervision and at the risk and expense of the consignee, but elsewhere than in a bonded warehouse, in cases where neither the protection of the revenue nor the proper conduct of customs business requires that such manipulation be done in a bonded warehouse. June 17, 1930, c. 497, Title IV, § 562, 46 Stat. 745; June 25, 1938, c. 679, §§ 2, 25, 52 Stat. 1077, 1088; Aug. 8, 1953, c. 397, § 18(f), 67 Stat. 518; June 30, 1955, c. 258, § 2(a) (5), 69 Stat. 242.