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UNITED STATES TARIFF COMMISSION

ECONOMIC FACTORS AFFECTING THE USE OF ITEMS 807.00 and 806.30 OF THE TARIFF SCHEDULES OF THE UNITED STATES

Report to the President on Investigation No. 332-61
Under Section 332 of the Tariff Act of 1930

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UNITED STATES TARIFF COMMISSION

Address all communications to

United States Tariff Commission

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REPORT TO THE PRESIDENT

U.S. Tariff Commission,
September 30, 1970.

To the President:

In accordance with the request contained in your letter of August 18, 1969, the U.S. Tariff Commission reports herein the results of its investigation of the economic factors affecting the use of items 806.30 and 807.00 of the Tariff Schedules of the United States.

In your letter, you directed that the Commission's report should include, but not be limited to an analysis of:

(1) the competitive relationship in U.S. consumption of articles admitted under items 806.30 and 807.00 and other like or directly competitive articles;

(2) the operations of U.S. industries, or firms, utilizing items 806.30 and 807.00 of the TSUS, including data with respect to their production, imports, exports, foreign investments in production facilities, and the effect of the operation of these provisions upon their competitive position in the United States and in foreign markets;

(3) the effect of operations under these provisions of the TSUS upon the U.S. balance of payments; and

(4) the relationship of these provisions and imports thereunder to employment opportunities and wage levels in the United States, particularly in the industries utilizing these provisions; and

(5) the probable effect of repeal of either 806.30 or 807.00, or both.

The investigation (No. 332-61) was conducted by the Commission under the authority of section 332 of the Tariff Act of 1930 (19 U.S.C. 1332). Notice of the institution of the investigation and of a public hearing to be held in connection therewith was issued on August 28, 1969, and published in the Federal Register (34 F.R. 14043) (appendix A).

Originally, the report on the results of the investigation was scheduled not later than January 31, 1970, and the Tariff Commission scheduled public hearings beginning November 18, 1969. Subsequently, on the basis of expressions from interested industry groups, the Bureau of the Budget, and the U.S. Tariff Commission, that the original deadline provided inadequate time for a study of this scope and complexity, the scheduled date for the report was extended to August 31, 1970 (appendix B). The date for the start of the Commission's public hearing was accordingly rescheduled to May 5, 1970.

The public hearing was held during the period May 5-19, 1970. All interested parties were given an opportunity to be present, produce evidence, and be heard.

This report on the results of the investigation provides an overall view of the operations conducted under items 806.30 and 807.00, including information on the customs treatment provided such products; an analysis of the trends in trade, by commodity group and by country; the relationship between the trade in these items and the overall trade balance of the United States; information on the relative importance of these provisions to the total operations of the major users in terms of their value of shipments, exports and imports, employment, and foreign investment; and finally, the Tariff Commission's estimate of the probable effect of the elimination of either or both of these two tariff provisions. Because of the large number of individual products involved, 1/ the estimates of the probable effect of elimination of items 806.30 and 807.00 that are presented, are in terms of the major product groups (e.g., wearing apparel, consumer electronic products, aluminum mill products, etc.) that account for the bulk of the imports under these tariff items.

Introduction

Total U.S. imports under tariff items 806.30 and 807.00, combined, increased annually from $953 million in 1966 to about $1,842 million in 1969. While trade under both of the provisions rose sharply and without interruption over that period, most of the aggregate increase, $889 million, was accounted for by articles assembled abroad, containing U.S. fabricated components, that were entered under item 807.00. The imports under this provision rose from $890 million in 1966 to $1,649 million in 1969, or by $759 million.

The growing volume of imports, particularly under item 807.00, has been accompanied by increasing expressions of concern by the AFL-CIO Executive Council and other labor groups that the duty allowance on the U.S. materials contained in the articles in question has encouraged a shift of productive facilities from the United States to foreign countries that have lower wage rates than those prevailing in this country, and, accordingly, has resulted in the exportation of U.S. job opportunities. 2/

1/ The imports herein considered enter under some 1,000 individual tariff classifications and are supplied by over 30 countries.

2/ The full statement of the AFL-CIO Executive Council submitted in connection with this investigation appears in appendix C. The statements of other trade unions are included in the copies of briefs and of the hearing transcripts which are being transmitted under separate

Largely in response to these expressions of concern, plans were initiated early in 1968 for the establishment of an interagency task force to examine the extent to which tariff item 807.00 "contributes to the expansion, contraction, or relocation abroad of U.S. jobs," or "to the expansion of domestic or foreign commerce of the United States." Still another objective was to determine whether U.S. private investment abroad "for the sole or major purpose of producing goods for export to the United States" is in the economic interest of the United States. 1/ Subsequently the President requested of the Tariff Commission an analysis of the relevant economic factors respecting the trade in both item 807.00 and 806.30.

After initiating the investigation, the Commission undertook an intensive effort to identify U.S. firms using the two tariff provisions with a view toward developing the information needed to respond to the points of reference contained in the President's request. From information in the Commission's files, from contacts with the trade, and from a review of customs invoices and other sources, a list of some 1,200 firms was developed; the firms were believed to be actual or prospective users of the two tariff items.

In December 1969, a preliminary survey of the firms on the Commission's mailing list was undertaken by questionnaire. The purpose of the survey was twofold. First, it sought to develop more meaningful data than that available from official sources respecting the commodity

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1/ The task force issued no public report.

composition of the trade under both of the tariff items in question. 1/ Secondly, the survey endeavored to establish a "profile" respecting each of the participating concerns, including information as to the volume of its imports, whether the concern acts merely as an importer or jobber of foreign merchandise containing U.S. materials subject to duty allowance, or whether the concern's operations consisted of a sequential export-import transaction involving the domestic production or procurement of U.S. materials for processing or assembly abroad and return. In addition, certain data were developed in the survey respecting the amount of employment and U.S. investment in the foreign facilities in which U.S. materials imported with duty-allowance are processed or assembled.

After a review of the responses to the preliminary survey, follow-up questionnaires were sent to those firms which appeared to be significant importers of the products entered under these provisions and which appeared best able to supply the comprehensive information needed to comply with the President's request. The Commission endeavored to canvas the U.S. firms that were major users with respect to each of the principal product categories (e.g., wearing apparel, consumer electronic products, transportation equipment, toys, and scientific instruments) in the three Tariff Schedules of the United States

1/ From Bureau of the Census records it was possible to tabulate trade statistics for the years 1966-69 on the value and source of imports under item 807.00, by commodity. Comparable data by commodity are not reported on imports under item 806.30 by the U.S. Bureau of the Census. The commodity detail respecting the imports under item 806.30 that are used in this report are estimates based on tabulations of Customs entry documents and information obtained by questionnaire.

(schedules 3, 6, and 7) in which the import trade has been concentrated. Such firms appeared to be the ones best able to supply the data required (e.g., information on foreign wage levels, foreign employment, and the relative cost of producing articles abroad under these tariff provisions and of producing the same or similar articles in the United States). The canvas concentrated on U.S. firms having a sequential export-import operation in connection with foreign facilities in which they had an investment. With a view toward developing additional relevant information, questionnaires were also sent to certain foreign concerns with sales or manufacturing facilities in the United States that import under these provisions.

Firms responding to the preliminary survey accounted for 92 percent of the total imports under item 807.00 in 1969. Based on these returns, it appears that in 1969 about 40 percent of the imports under this tariff provision was by U.S. concerns having an investment in the overseas assembly facility from which the imports were obtained; about 60 percent of this trade was by U.S. firms whose foreign establishments were primarily oriented to 807.00 assembly operations. The remainder of the trade was largely by foreign concerns that, on their own account, obtain U.S. components for assembly into the products they export to the United States. A small part of the total trade (chiefly in wearing apparel) was by jobbers or contractors with no financial interest in the foreign establishment from which the assembled article was obtained. 1/

1/ About half of the total imports of wearing apparel appear to be by concerns operating in such capacity.

Detailed follow-up questionnaires were received from firms which accounted for 36 percent of total 807.00 imports, for 88 percent of the imports by U.S. firms with investments in foreign assembly facilities, and for 79 percent of the imports by U.S. firms whose foreign plants are exclusively or chiefly oriented toward 807.00 operations.

With respect to item 806.30, responders to the preliminary survey accounted for about 85 percent of the imports under the provision in 1969. Data obtained in the survey indicate that about 58 percent of total 806.30 imports in 1969 was by U.S. concerns with investments in the foreign facilities in which the U.S. metal articles were processed; the great bulk of these imports were processed in facilities that were wholly or chiefly engaged in processing metal articles for return to the United States under this tariff item. About 21 percent of the 1969 trade under item 806.30 was by foreign concerns which generally obtain the U.S. metal articles to be processed from their subsidiaries or affiliates in the United States; another 21 percent was by domestic importers or jobbers with no financial interest in the foreign facilities in which U.S. metal articles are processed.

Detailed follow-up questionnaires were received from concerns that in 1969 accounted for 54 percent of total imports under item 806.30, for 89 percent of the imports by U.S. concerns with investments in foreign processing facilities, and for 93 percent of those whose foreign plants are wholly or chiefly engaged in 806.30 operations.

Details respecting the amount of imports reported by responders to the preliminary survey and to the followup questionnaires sent to users of tariff items 807.00 and 806.30 are shown below (in millions of dollars):

	807.00	806.30
Total U.S. imports, 1969	1,649	193
Response to preliminary survey:		
Total imports by responders	1,521	164
Imports by firms with U.S. investments in foreign facilities:		
Total	608	95
Firms whose foreign facilities are exclusively or chiefly assembling or processing U.S. materials	376	82
Response to detailed followup questionnaires:		
Total	586	105
Firms whose foreign facilities are exclusively or chiefly assembling or processing U.S. materials	298	76

In addition to data obtained by questionnaire, much useful information was supplied by other Government agencies, principally the U.S. Department of Labor, the Department of Commerce, and the U.S. Bureau of Customs. The Commission was also provided with a considerable amount of data during the public hearings and in briefs submitted by interested parties. Information contained in this report is also based in part on field work by the Commission's staff and information in the Commission's files.

U.S. Customs Treatment

Tariff items 806.30 and 807.00 are provided for in schedule 8, part 1, subpart B, of the Tariff Schedules of the United States (TSUS). Pursuant to the provisions of item 806.30, articles of metal (except precious metal) that have been manufactured, or subjected to a process of manufacture, in the United States and exported for processing and return to the United States for further processing, are subject to duty only on the value of the foreign processing. Under tariff item 807.00, imported articles assembled in foreign countries with fabricated components that have been manufactured in the United States are subject to duty upon the full value of the imported product less the value of the U.S. fabricated components contained therein. No further processing in the United States is required for articles imported under item 807.00. The provisions of the respective items are shown below:

Tariff Schedules of the United States: Schedule 8--
Special Classification Provisions: Part 1
Articles Exported and Returned

Subpart B headnotes:

1. This subpart shall not apply to any article exported--

(a) from continuous customs custody with remission, abatement, or refund of duty;

(b) with benefit of drawback;

(c) to comply with any law of the United States or regulation of any Federal agency requiring exportation; or

(d) after manufacture or production in the United States under item 864.05 of this schedule.

2. <u>Articles repaired, altered, processed, or otherwise changed in condition abroad</u>.--The following provisions apply only to items 806.20 and 806.30:

(a) The value of repairs, alterations, processing, or other change in condition outside the United States shall be --

(i) the cost to the importer of such change; or

(ii) if no charge is made, the value of such change,

as set out in the invoice and entry papers; except that, if the appraiser concludes that the amount so set out does not represent a reasonable cost or value, then the value of the change shall be determined in accordance with section 402 or 402a of this Act.

(b) No appraisement of the imported article in its changed condition shall be required unless necessary to a determination of the rate or rates of duty applicable to such article.

(c) The duty upon the value of the change in condition shall be at the rate which would apply to the article itself, as an entirety without constructive separation of its components, in its condition as imported if it were not within the purview of this subpart. If the article, as returned to the United States, is subject to a specific or compound rate of duty, such rate shall be converted to the ad valorem rate which when applied to the full value of such article determined in accordance with section 402 or 402a of this Act would provide the same amount of duties as the specific or compound rate. In order to compute the duties due, the ad valorem rate so obtained shall be applied to the value of the change in condition made outside the United States.

3. <u>Articles assembled abroad with components produced in the United States</u>.--The following provisions apply only to item 807.00:

(a) The value of the products of the United States assembled into the imported article shall be --

(i) the cost of such products at the time of the last purchase; or

(ii) if no charge is made, the value of such products at the time of the shipment for exportation,

as set out in the invoice and entry papers; except that, if the appraiser concludes that the amount so set out does not represent a reasonable cost or value, then the value of such products shall be determined in accordance with section 402 or 402a of this Act.

(b) The duty on the imported article shall be at the rate which would apply to the imported article itself, as an entirety without constructive separation of its components, in its condition as imported if it were not within the purview of this subpart, if the imported article is subject to a specific or compound rate of duty, the total duties shall be reduced in such proportion as the cost or value of such products of the United States bears to the full value of the imported article.

4. No imported article shall be accorded partial exemption from duty under more than one item in this subpart.

* * * * * * *

Item	Articles	Rates of duty
	Articles returned to the United States after having been exported to be advanced in value or improved in condition by any process of manufacture or other means:	
	* * * * *	
806.30	Any article of metal (except precious metal) manufactured in the United States or subjected to a process of manufacture in the United States, if exported for further processing, and if the exported article as processed outside the United States, or the article which results from the processing outside the United States, is returned to the United States for further processing.......	A duty upon the value of the repairs or alterations (see headnote 2 of this subpart)
	* * * *	
807.00	Articles assembled abroad in whole or in part of fabricated components, the product of the United States, which (a) were exported in condition ready for assembly without further fabrication, (b) have not lost their physical identity in such articles by change in form, shape, or otherwise, and (c) have not been advanced in value or improved in condition abroad except by being assembled and except by operations incidental to the assembly process such as cleaning, lubricating, and painting..................................	A duty upon the full value of the imported article, less the cost or value of such products of the United States (see headnote 3 of this subpart)

As provided in the above headnotes, no imported article may be accorded partial exemption from duty under more than one of these tariff items. 1/ Neither may an article benefit from these tariff provisions if the article had previously been exported with remission, abatement, or refund of duty; or with the benefit of drawback, or after manufacture or production in bond under the provisions of tariff item 864.05.

With respect to entries under item 806.30, the duty, as noted, is assessed only against the value of processing outside the United States. The form of the metal article may be changed in the process so long as the resultant product imported is returned for further processing. Under item 807.00, the duty exemption is limited to those fabricated components, the product of the United States, which have not lost their physical identity by a change in form, shape, or otherwise, and which have not been advanced in condition abroad except by their having been assembled.

The rate of duty upon the dutiable portion of the value of the articles imported under each of these tariff items is the rate which would apply to the article itself, as an entity, as if it were not

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1/ An article could, however, be exported and returned to the United States under one item and be subsequently re-exported and returned under another if this were economically feasible and if the form of the article had been sufficiently changed after its first importation. Thus, for example, a metal article exported and returned to the United States under item 806.30 for further processing in such a way to constitute a new "fabricated" article as defined under tariff item 807.00 could then be reshipped abroad for assembly and return under the provisions of the latter item.

under the purview of schedule 8. 1/ While the great bulk of the applicable rates of duty are subject to trade-agreement concessions, the provisions of the tariff schedules (items 806.30 and 807.00) providing for a duty allowance on the U.S. materials contained in the imported articles are not. Thus the elimination or amendment of these tariff provisions may be effected by the Congress without impairment of U.S. trade-agreement concessions, notwithstanding that the result would be an increase in the amount of duty collected.

If the applicable rate of duty is a specific or compound rate, such rate is converted to an ad valorem equivalent which, when applied to the full value of the article, would provide the same amount of duty as the specific or compound rate. For customs purposes, the value is determined in accordance with section 402 or 402a of the Tariff Act of 1930, as amended (see appendix D). 2/

1/ In this connection it is to be noted that the admission of an article under either of these two tariff items does not relieve it from quantitative limitations imposed under other provisions of law, e.g., certain articles of cotton covered by the Long Term Arrangement Regarding International Trade in Cotton Textiles (LTA).

2/ Section 402 of the Tariff Act of 1930, as amended, is the basic method of valuation, for customs purposes, of merchandise imported into the United States. It was made effective in 1958 pursuant to the Customs Simplification Act of 1956 (Public Law 927, 84th Cong.) and is applicable to most articles imported into the United States. Under section 402a of that act, valuation standards that had previously been in effect are applied to a "final list" of articles for which the new standards would result in a reduction of 5 percent or more in the appraised value of the merchandise based on imports in fiscal 1954 (see T.D. 54521).

Legislative history

Item 806.30.--Tariff item 806.30, which provides a partial duty exemption for certain U.S. metal articles exported for processing and return for further processing, incorporates in the Tariff Schedules of the United States, without significant change, the provisions of paragraph 1615(g) of the Tariff Act of 1930, as amended.

The provision had its origin in the Customs Simplification Act of 1956. According to its sponsor, the Honorable Victor A. Knox (R., Michigan), the purpose of the provision was to facilitate the processing of U.S. metal articles in contiguous areas of Canada during breakdowns or other emergencies at nearby plants in the United States. In explanation, Mr. Knox stated on the floor of the House of Representatives 1/ that the provision would:

> . . . permit manufacturers to send (metal articles) into Canada principally for processing . . . (when) . . . they are unable to process that particular metal product within their own plants. There have been periods of time when the industry has had breakdowns in the manufacturing plant and did not have the facilities to continue on with the work . . . . It has been necessary for industry--I speak of the Detroit area--to ship to Algoma . . . Canada . . . metal products in order to have them processed, because there was no other plant accessible to the manufacturer to have this particular work done . . . . I believe there is no possibility that these particular products would ever be shipped to such countries as Belgium, Spain, Portugal, and so forth, because of high transportation cost . . . .

Debate on the United States Senate floor regarding the provision focused on whether it would tend to encourage importations of metal articles from low-wage countries. However, the Senate Committee on

1/ Congressional Record, House of Representatives, July 13, 1953, pp. 8850 to 8859.

Finance in reporting favorably on the provision expressed no desire that its use be limited to imports from contiguous countries. In its analysis of the provision, it stated:

> Section 202 will permit manufacturers of any article of metal (except precious metal) processed in the United States to export such articles for further processing and at the time of reimportation to pay duty on the cost of the processing done in the foreign country. 1/

The provision has not been amended since it was incorporated in the TSUS and no legislation on it is pending.

Item 807.00.--The provisions of item 807.00--providing for a duty allowance on imported products containing U.S. fabricated components assembled therein--were formulated by the Tariff Commission as part of the Tariff Classification Study, which led to the adoption of the new Tariff Schedules of the United States, effective August 31, 1963 (P.L. 87-456, Pres. Proc. 3548). Item 807.00 had no direct counterpart in the former tariff schedules in effect prior to August 31, 1963; they were designed to provide a tariff provision in the new schedules covering an anomalous, but well established, practice which arose under paragraph 1615(a) of the Tariff Act of 1930 as a result of a 1954 ruling of the U.S. Customs Court (CD 1628) reversing an administrative ruling, an abstract of which was published as T.D. 52191.

Paragraph 1615(a) provided for the duty-free entry of American products returned to the United States that had not been "advanced in

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1/ Customs Simplification Act of 1954, Committee on Finance, United States Senate, Report No. 2326 to accompany H.R. 10009, 83d Cong., 2d sess., p. 5.

value or improved in condition by any process of manufacture or other means." The Customs Court, in its 1954 ruling (C.D. 1628), held that the labor expended abroad in installing an American motor in a Canadian-built motorboat did not advance the value of the American motor or improve it in condition. The court was of the opinion that the U.S. parts contained in the imported articles would qualify for duty-free entry if--

> . . . by physical examination at the time of importation, they could be identified in the imported article as the identical American product exported from the United States and as not having been changed in any manner other than by their assembly with other parts into a new or different article.

If any work, other than assembly with other parts, was performed directly upon the American product, the allowance of duty would not have been accorded under paragraph 1615(a).

The Bureau of Customs, in numerous rulings applying the principle of C.D. 1628 after 1954, allowed free entry to American-made components assembled into foreign articles if, "under the theory of constructive segregation," the components were "capable of being identified and removed without injury" to themselves or to the articles into which they have been assembled.

Item 807.00 in the Tariff Schedules of the United States, effective August 31, 1963, continued the substance of earlier practice, but without the assumption that the American components had not been advanced or improved by assembly and without reference to whether they could be removed without injury or constructively segregated.

In its report on the Tariff Classification Study, 1/ the Tariff Commission commented on C.D. 1628 and the Bureau of Customs practices based thereon as follows:

> . . . there is no logic to attributing the labor costs involved in assembly exclusively to foreign parts, nor is there any logic in holding that assembly operations do not advance or improve the component parts assembled therein. Such component parts reach their ultimate value only when they have been assembled into an article where they can in fact perform the function for which they were designed and made.
>
> . . . whether or not an American component can be separated from a foreign article "without injury" to either is an unrealistic and arbitrary condition upon which to predicate partial exemption from duty.
>
> The real issue is not whether you can remove "without injury" or "constructively segregate" the American part in order to "classify" it under paragraph 1615(a). The only classification of the imported article which must be made for tariff purposes is the classification of the imported article as an entirety. The substance of the issue is what proof shall be required to satisfy customs officers--
>
> (1) that an American part has been assembled into the imported article, and
> (2) that such part was assembled therein without having been changed in condition.
>
> If (1) and (2) are satisfactorily proved, the question then arises as to how much allowance or deduction is to be made from the full value of the imported article on account of its having such "unimproved" American parts.

To assist in the identification of the U.S. components, the products returned free of duty were limited to U.S. products exported for

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1/ See Appendix E for the full text of the explanatory notes respecting tariff items 806.30 and 807.00 in connection with the Tariff Classification Study.

the purpose of assembly abroad. The original language of the article description in item 807.00 was as follows:

> Articles assembled abroad in whole or in part of products of the United States which were exported for such purposes and which have not been advanced in value or improved in condition by any means other than by the act of assembly.

The above language appeared to be ambiguous in certain respects, and to preclude minor operations, incidental to assembly abroad, such as painting. Therefore, in 1965, item 807.00 was amended by Public Law 89-241, as follows:

> Articles assembled abroad in whole or in part of fabricated components, the product of the United States, which (a) were exported, in condition ready for assembly without further fabrication, for the purpose of such assembly and return to the United States, (b) have not lost their physical identity in such articles by change in form, shape, or otherwise, and (c) have not been advanced in value or improved in condition abroad except by being assembled and except by operations incidental to the assembly process such as cleaning, lubricating, and painting.

Subsequently, in November 1966, the clause "for the purpose of such assembly and return to the United States" was deleted from the language of item 807.00, pursuant to Public Law 89-806. In a summary report of pending House-passed bills prepared for the use of the Senate Committee on Finance, 1/ the bill (H.R. 11216) which became Public Law 89-806 is commented upon as follows:

> In the Tariff Schedules of the United States, item 807.00 continued this court-approved practice. However, the new provision eliminated the anomalies involved in the old practice, first by recognizing that U.S. components do increase in value by assembly operations and second by making it unnecessary to show that the U.S.

1/ Committee on Finance, United States Senate, Summary of Minor-Passed Bills Pending Before the Committee on Finance, Jan. 19, 1966, p. 14.

component could be removed without injury to the assembled article. At the same time it was provided that for the duty-free treatment to apply on its return the U.S. component must have been sent abroad "for the purpose of assembly."

In the Tariff Schedules Technical Amendments Act of 1965 item 807.00 was clarified to make it clear that cleaning, lubricating, and painting could be performed in connection with the assembly function without subjecting the U.S. components to duty on their return to this country. In making this clarification, however, an additional restrictive clause was added to the duty-free provision. It requires that at the time of exportation of the U.S. component there be an intention that the assembled article is to be shipped to the United States. This additional restriction has raised complaints by interested importers and foreign shippers, and has also been said to introduce problems of customs administration.

H.R. 11216 would eliminate both the requirement that the American component be exported "for the purpose of such assembly" and the requirement that there be an intention at the time of exportation that it be returned to the United States. It would still be necessary, however, for the importer to establish by satisfactory proof that the components of an imported article for which duty-free treatment is claimed are, in fact, components produced in the United States. Moreover, it must be shown that they have not lost their physical identify in the assembled article and have not been advanced in value or improved in condition abroad except by the assembly operation, or operations, incidental to assembly.

There has been no further legislation on item 807.00. In October 1969, however, the Honorable Wilbur D. Mills (D., Arkansas) introduced a bill to amend the Tariff Schedules of the United States by deleting the provision (H.R. 14188). In November 1969, the Honorable William J. Green (D., Pa.) introduced a similar bill (H.R. 14455). Neither of these proposals provided for changes respecting 806.30. Action on these bills is still pending. 1/

Customs practices

Item 806.30.--Under headnotes to this item, the value of the foreign processing on which the duty is levied is its cost to the importer or, if no charge is made, the value as set out in the invoice and entry papers. Generally the value used for customs purposes is that stated in the entry papers. If the appropriate customs officer concludes that the amount so set out does not represent a reasonable cost or value, then such value is determined in accordance with the valuation provisions of the tariff act.

An article of metal (except precious metal) imported under item 806.30 must have been exported for processing abroad and the article

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1/ The matter was considered by the Ways and Means Committee in connection with H.R. 18970, the "Trade Act of 1970," recently ordered reported by the Committee. In report No. 91-1435, accompanying H.R. 18970, the Committee commented in part as follows:

> The President requested last year that the U.S. Tariff Commission make a study of these two provisions [items 806.30 and 807.00], and the results of that study are to be sent to the President by August 31, 1970. In view of the Tariff Commission study, the committee has determined not to propose any changes in the existing provisions until the results of the Tariff Commission study become available. At the same time, the committee would urge that those appropriate agencies in the executive branch promptly review the Tariff Commission report and submit to the Congress such recommendation as may be needed to assure that the use of these provisions will not endanger the overall job opportunities of United States workers, or encourage working conditions abroad inconsistent with the improvement of labor standards in the United States and in other countries.

as processed, or the new article which results from the processing, must be further processed in the United States after its return from abroad. The Bureau of Customs has held that melting, machining, grinding, drilling, tapping, threading, cutting, punching, rolling, forming, plating, and galvanizing are among the operations that qualify as "processing."

Examples of articles subject to duty allowance under this tariff item are aluminum sheets, processed from ingots of U.S. origin and returned to the United States to be cut to size and shape; lead ingots produced from lead scrap of U.S. origin and returned for further processing; metal screws made abroad from domestic wire and returned for plating; stainless steel tubing coated abroad with chromium and returned for rounding and buffing; tungsten carbide powder sent abroad for sintering and returned for further processing; and electronic circuits printed on silicon wafers, exported for splitting and returned for further processing.

Before the exportation of an article for processing abroad under item 806.30, the owner or exporter must file (as provided in section 10.8 of the Customs Regulations), a certificate of registration showing the article(s) exported. The owner or exporter must state the processes of manufacture to be performed on the merchandise, both abroad and after its return to the United States. The article must be examined by a customs officer and laded for export under customs supervision. Upon its return from abroad the consignee or owner must declare that the article has been processed from the merchandise covered by the certificate of registration and must declare the nature and cost of the processing abroad. The declaration as to the origin of the article, and as to the nature and cost of the processing abroad, must be supported, moreover, by a declaration of the foreign processor. The foregoing requirements may be waived by the appropriate customs officer at the port of entry, but only when he is satisfied that the article is entitled to enter under item 806.30 and that all of the requirements of the provisions have been met.

Pursuant to a decision of the Bureau of Customs (T.D. 54572(22)) item 806.30 is applicable only when the U.S. metal article sent abroad for processing is to be returned for further processing by or for account of the person or firm which exported the article for processing abroad.

Item 807.00.--Under the circumstances surrounding the foreign assembly of the merchandise, it is usually impossible to establish an export value or a U.S. value, as those terms are defined in section 402 of the Tariff Act of 1930, as amended, with respect to the imported articles. A large part of the trade is by U.S. firms and their foreign affiliates that operate and transfer goods on a manufacturing cost basis rather than on the basis of values established in the market place. Moreover, there are frequently no other producers of merchandise of the same general class or kind in the country of exportation or, if they do exist, their usual overhead and gross-profit markup cannot be established for use in customs valuation. Accordingly, the Bureau of Customs generally computes a constructed value.

A constructed value, for customs purposes represents the sum of all costs, actual or putative, for materials used, labor, overhead, depreciation, transportation, other general expenses, a normal profit, and export packing expenses. In most cases, only the cost of materials, labor, and export packing can be readily ascertained. To this is added a markup for overhead and profit in line with the usual markup in the country of exportation, if it can be ascertained, or, if not, the usual markup in the "trade" in a comparable third country or the United States. In actual practice it appears that the usual markup in the trade in the United States is the markup most frequently used. From this gross-constructed value, the value of those elements of the export packing which are of U.S. origin and the value of those U.S. components for which allowance is claimed under item 807.00 is deducted. These deductions are generally represented by the value as shown on Department of Commerce "Shipper's Export Declaration" (Form 7525V) filed when articles are exported from the United States. When the values shown thereon appear unreasonable, other proof of value may be required.

After the implementation of the TSUS in 1963, no specific regulations were issued with respect to the administration of the provisions of item 807.00. Rather, customs officers were informally advised to adapt section 10.1 of the Customs Regulations, relating to American goods returned without advancement in value. It was not until January 1968 that subsection (g) was added to section 10.1, specifically providing for the documentary proof to be filed in connection with the entry of articles containing U.S. fabricated components claimed to be exempt from duty under item 807.00.

Section 10.1 (g) provided for the submission of--

(1) a declaration by the person who performed the assembling operations abroad listing and describing the U.S. components and describing the operations performed abroad on such components, and
(2) an endorsement of the owner, importer, consignee, or agent declaring the declaration in (1) to be correct to the best of his knowledge or belief.

Section 10.1 (g) also makes provision under which an appropriate customs officer may waive the foregoing document if he is "reasonably satisfied because of the nature of the articles or production of other evidence . . . that the components are products assembled in such circumstances as to meet the requirements of item 807.00." Because a large proportion of the entries made under item 807.00 involve non-arm's-length transactions of firms whose business records in the United States generally include the information necessary for the purpose of making entries under item 807.00, this document is generally waived.

As noted earlier, item 807.00 applies only to U.S. fabricated components that are exported ready for assembly without futher fabrication and that do not lose their physical identity in the assembled article. Hence, the provision is not applicable to products resulting from operations involving production from continuous lengths or rolls of material such as wire, fabric, thread, or the like, nor to bulk commodities such as chemicals, food ingredients, liquids, gases, powders, and other materials undergoing a change in form or shape before their return. The foreign assembly operations may include sewing, glueing, force fitting, crimping, screwing, nailing, riveting, soldering, and welding; they also may involve the removal of rust, grease or small amounts of excess material. On the other hand, the foreign assembly operations may not involve cutting, embroidering, weaving, knitting, drilling, shaping, forming, punching, bending, and galvanizing.

The Bureau of Customs has specifically approved, as within the purview of item 807.00, such operations as those involving the assembly of cut parts of wearing apparel by sewing, hemming, or stitching; the installation of U.S. products on articles of foreign manufacture (e.g., of U.S. automotive tires on foreign motor vehicles, and of navigation equipment on aircraft); the assembly, by sewing and stitching, of baseball and softball covers on their cores; and the assembly, as by soldering, of U.S. electrical components (or parts thereof) such as semiconductors, printed circuits, electrical switches, ferrite cores (for electronic memories), timing mechanisms (for clock radios), capacitors, and resistors, into subassemblies or finished articles.

As noted, the Bureau has disapproved such operations as the cutting of continuous lengths, as well as other operations that essentially change the form of the exported component (e.g., the sewing or cutting of buttonholes in parts of garments that have been exported for assembly by sewing, or the breaking of silicon wafers coated with printed circuits into discrete circuits). If the articles imported under item 807.00 contain U.S. materials on which the duty-free provision is disallowed, the value of such U.S. materials is reflected in the foreign, or dutiable value, of the product concerned.

Problems of customs administration

It is evident from the foregoing that the provisions of items 806.30 and 807.00 are complex in their requirements and are therefore difficult to administer and lend themselves to possible misuse. Prerequisite to the allowance of the partial exemptions from duty authorized is the presence in the imported article of the exported U.S. metal article or fabricated component--not a substitute foreign equivalent. It is necessary to know precisely what U.S. articles were exported from the United States, that they were effectively segregated from and not commingled with foreign articles prior to their being processed or assembled, and exactly how they were used abroad in production or manufacture of the imported article. Moreover, as indicated, the data required for valuation purposes is generally more complex and detailed than is required under ordinary circumstances.

Ascertainment of the relevant facts is almost wholly dependent upon extrinsic paper proof rather than physical examination of imports by customs officers. By reason of the large volume of trade under these provisions and the intricacy and mass of detailed information involved in each transaction, customs officers are, in practice, obliged to accept entries as submitted with only a limited opportunity for verification of their factual content.

Foreign Customs Practices Respecting the Return of National Merchandise

During the course of its investigation, the Tariff Commission endeavored to obtain information on the customs practices of other industrially developed countries respecting articles that have been imported after having been processed or assembled abroad--i.e., on provisions similar to those of items 806.30 and 807.00 of the TSUS. Such information, obtained largely from Foreign Service Reports, was compiled for Canada and the members of the European Economic Community (EEC), some of the members of the European Free Trade Area (EFTA), Ireland, and Japan.

Most of these countries, as does the United States, permit the return of articles assembled or processed abroad with duty only on the value added. Unlike the United States, however, they nearly all require the articles to have been exported under license for the processing, and they generally allow only superficial processing before return. By contrast less developed countries (LDC's) typically do not have such provisions.

Moreover, other factors tend to result in the greater use of such tariff provisions by the United States than by most other developed countries. With the exception of Canada, the differential between the domestic and foreign wage rates of most other countries is substantially less than that for the United States. For the most part, the internationalization of production by U.S. industries is far more advanced than by industries in other developed countries. Details of analogous foreign customs provisions for which data were received are discussed below, by country.

Canada

Canada, one of the major suppliers of merchandise under these two tariff items, has no directly comparable customs provision. Under the appropriate sections of the Financial Administration Act, however, certain remissions of the tariff and of applicable sales taxes reportedly are made with similar effect. Generally, the firms importing the products are in the process of establishing plants in Canada, and are permitted to perform some of the manufacturing processes on articles imported free of duty on an interim basis. Most of these duty exemptions have been for the benefit of U.S. concerns, and have been used principally for the purposes of encouraging industrial development.

EEC

Most of the countries of the European Economic Community have, for goods returned from abroad, tariff provisions that are similar to those in the United States. In Germany, goods returned after processing abroad are subject to differenzverzollung, which has the effect of levying a duty only on the value added abroad. The duty paid represents the difference between the amount of duty which is normally levied on the unprocessed merchandise and the amount that would be applied to the processed or finished product. The intent is to accord full tariff protection to German producers of like finished merchandise without, at the same time, requiring payment of duty on materials which are of German origin. If the duty on the processed merchandise is lower than that on the unprocessed material, the system has the effect of assessing the duty at the lower rate applicable to the processed article, as indicated below:

Product	Dutiable value	Rate of duty	Actual rate applied	Amount of duties
Shirt fabrics-----	DM 100	15%	1/ 10%	DM 10
Finished shirts---	DM 200	10%	10%	DM 20
			Duty collected---	DM 10

1/ The rate applicable to the finished article.

In order to control the exportation of the merchandise and to assure verification of the German materials in the imported product and establish the period within which the re-importation will occur, transactions of this type require the advance approval of the Collector of Customs.

Practices in the Belgium-Luxembourg Economic Union, as defined in its customs code, are analogous to those in Western Germany. Under the so-called regime de perfectionnement passif (RPF), the duty payable on goods re-imported after processing abroad is reduced by the amount which would be owed if they had been imported before processing. If, however, the goods to be processed abroad are not subject to a duty, they are subject to duty at the full rate for the processed goods when re-imported and no tariff advantage inures when the article is re-imported.

In the Netherlands, duties are applied only to the value added abroad, and only to articles which have not been materially changed in character by such processing.

Both Italy and France have legislative provisions comparable to those in the United States. Italian legislation provides, in general, for the duty-free treatment of articles of domestic origin when returned to Italy after processing and/or assembly abroad. If any foreign components have been incorporated abroad, the duty and other applicable taxes are levied only on the foreign components. The French customs code provides for full duty exemption for components of French origin.

Other European countries

In the United Kingdom, only products which have not undergone a change in form or character are granted an exemption from duty. Thus, for example, motor vehicle tires of British origin, would be exempt from duty when imported on an automobile of foreign manufacture. The exemption is achieved by reducing the customs valuation of the foreign automobile by the amount of compenents of British origin contained therein. The foregoing practice appears to be directly analogous to U.S. customs practices respecting tariff item 807.00. The code appears, however, to limit the practice substantially more than in the case of the United States. Thus, for example, an automotive body stamping produced in the United Kingdom would not receive duty exemption when the finished automobile is returned, since it would have undergone a change of form and character through foreign processing. The import would be fully dutiable with no allowance for the British component. Similarly, parts of garments exported for assembly would not be allowable for duty exemption upon their re-importation.

Legislation in Switzerland permits duty exemption on Swiss materials imported after further processing or assembly abroad, but the latitude for such operations is generally limited to those of a kind that are not readily performed at home. Permits are required from the Swiss Customs Office, and reportedly are granted only if it can be conclusively demonstrated that the work cannot be performed at home because (a) the necessary work process is unknown in Switzerland, or (b) that because of labor shortages, the firm in question would be unable to meet contractual obligations. No basic alteration to an article, such as the addition of new materials is allowed, and the character of an article must essentially remain unchanged. If the product was semifinished before exportation it must remain essentially "semifinished" after further processing abroad. Products for which permits are granted may, as a rule, be imported duty-free, provided no new materials were used and the labor costs constituted the only element added abroad.

The Irish Government provides for duty exemption on goods exported for further manufacturing or other processing abroad, provided the form or character of the products exported has not been substantially changed abroad. The products exported, along with proper export documentation, must be submitted to an officer of the Customs and Excise for examination prior to shipment, identifying both the goods exported and the purpose for which they are being exported. When the goods in question are being returned, a declaration, by the foreign exporter, is required documenting the nature and cost of the foreign operations performed. Provided the goods can be identified as those exported, the duty is applied only on the value added abroad.

Japan

The Japanese Customs Tariff Law provides that goods exported for processing may be imported at reduced duties. Authorities are permitted to grant exemptions up to the full amount of the Japanese materials included in the imports, but only for goods imported within 1 year of the issuance of an export license thereof. Reportedly, such licenses are granted only for articles difficult to process or repair in Japan. In recent years, measures appear to have been taken to permit more goods to be sent overseas for processing, but, so far as is known, the approved list continues to be confined to a relatively narrow number of products; the list reportedly includes refrigerators, core memory planes, receiving tubes, transistors and diodes, certain television tubes, and specified watch cases and parts.

Imports Entered Under the Provisions of Items 807.00 and 806.30

Total U.S. dutiable imports increased from $16.0 billion in 1966 to $22.9 billion in 1969. The total value of imports entered under the provisions of items 807.00 and 806.30 increased during the same span of time from $953 million to $1,842 million. Such imports increased at a faster average annual rate during the 1966-69 period than total dutiable imports; in 1966 they were equal to 6 percent and in 1969 8 percent of total dutiable imports.

Imports that were entered with the benefit of the two provisions were supplied by approximately 50 countries and under some 1,000 tariff items in 1969. The total value 1/ of imports entered under each of the two tariff provisions during the period 1966-69 is shown below (in millions of dollars):

Tariff provision	1966	1967	1968	1969
Item 807.00	890	932	1,432	1,649
Item 806.30	63	103	144	193
Total	953	1,035	1,576	1,842

Although imports entered under item 806.30 increased during the period at a much higher average annual rate (45 percent) than those entered under item 807.00 (23 percent), the increased entries under the latter item--$0.8 billion--accounted for the great bulk of the aggregate increase under the two items combined--$0.9 billion.

1/ In this report, the terms "total value", "duty-free value", "dutiable value", and words of similar purport are used to describe imports admitted under items 807.00 and 806.30. These terms, unless the context otherwise requires, refer to values generally determined by customs officers in their administration of these provisions. "Total value" refers to the customs value of imports before the deduction of the "duty-free" portion thereof; "duty-free value" refers to that portion of "total value" to which the partial exemption from duty relates; and "dutiable value" refers to that portion of "total value" against which the applicable rate of duty is levied.

The aggregate calculated duty saving--resulting from the provisions of the two tariff items--amounted to $51 million in 1969; duty saved on imports entered under item 807.00 accounted for 80 percent of the total. The duty saved under item 807.00 was equal to 2.5 percent--and that under item 806.30 was equal to 5.0 percent--of the total value of imports entered under the respective provisions.

The trend and composition of imports entered under the two tariff provisions with respect to the duty-free and dutiable portion of the total value is illustrated in the figure below:

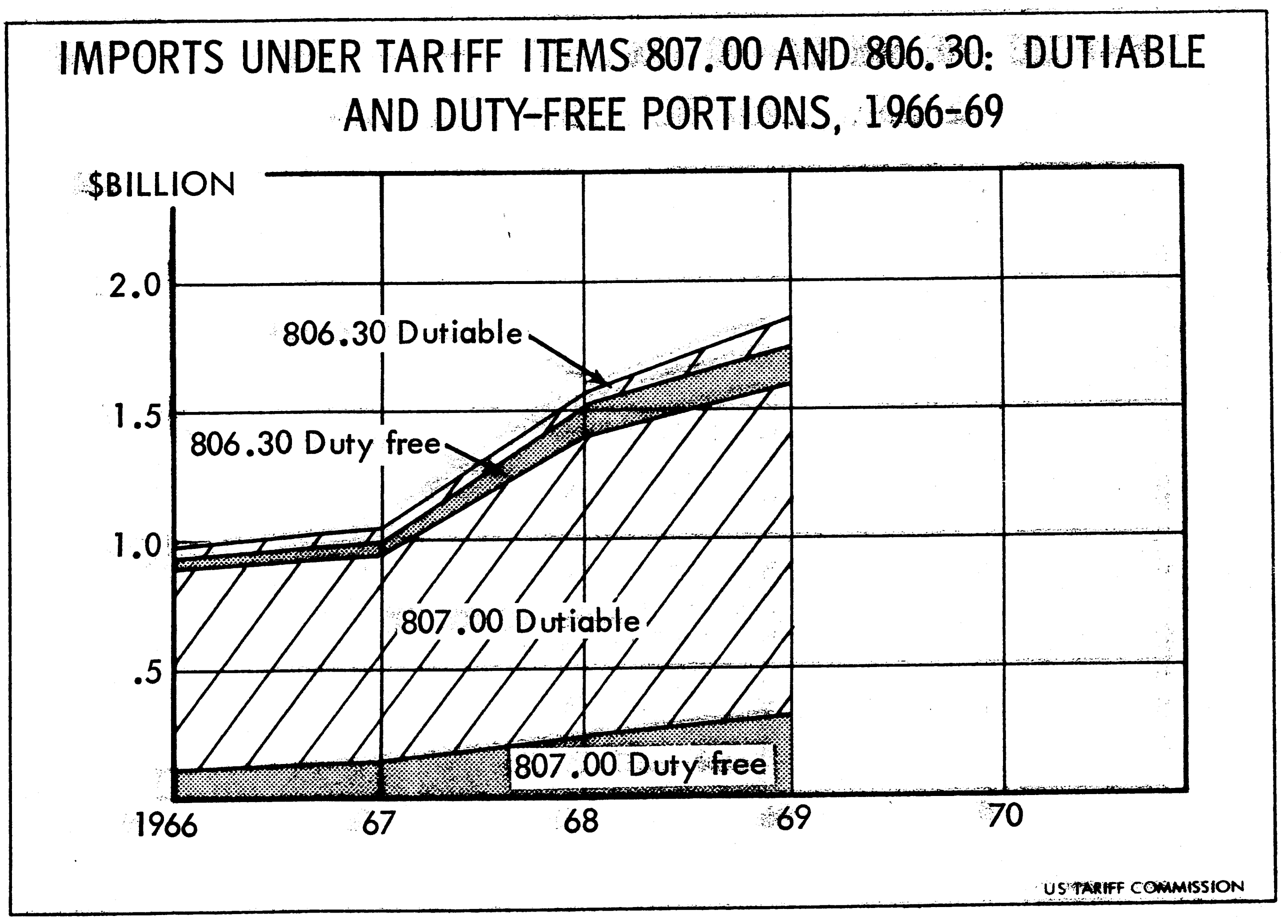


FIGURE 1

The amount of duty-free value (in millions of dollars) in imports entered under tariff items 807.00 and 806.30, respectively, and the ratio (percent) to total value are shown below:

Tariff item	1966	1967	1968	1969
807.00:				
Duty-free value----	113	147	226	339
Ratio (percent) to total value------	12.7%	15.8%	15.8%	20.6%
806.30:				
Duty-free value----	34	51	81	103
Ratio (percent) to total value------	54.0%	49.5%	56.3%	53.4%

Imports under item 807.00

As indicated previously, total imports under item 807.00 have increased sharply in recent years, reaching $1,649 million in 1969. Entries under item 807.00 rose more rapidly than total dutiable imports; the former increased at an average annual rate of 23 percent as compared to 12 percent for the latter. U.S. imports of merchandise similar to that entered under item 807.00 that were imported without the benefit of the provision increased at an average annual rate of 21 percent--from $4.4 billion in 1966 to $7.6 billion in 1969.

The following tabulation shows the value of U.S. components (the duty-free value), the dutiable, and the total value of imports entered under item 807.00 during 1966-69 (in millions of dollars):

Item	1966	1967	1968	1969
Duty-free value--------------	113	147	226	339
Dutiable value--------------	777	785	1,206	1,310
Total--------------------	890	932	1,432	1,649
Ratio of duty-free value to total value---------------	12.7%	15.8%	15.8%	20.6%

While the dutiable portion of 807.00 imports increased at an average annual rate of 19 percent, the duty-free value increased at an average rate of 44 percent; thus the share of the value added abroad (which still remained by far the largest part of the total) to the total value declined from about 87 percent in 1966 to about 79 percent in 1969. The calculated savings in duty under the provision amounted to $41.3 million in 1969 and were equivalent to 2.5 percent of the total value of 807.00 entries. Such savings were equivalent to only 1.6 percent of total duties ($2,551 million) collected on all dutiable imports in the United States in 1969.

The effect of the provision in 1969 was to reduce the total duty-paid cost of imports thereunder by 2.3 percent--from $1,786 million to $1,744 million. 1/ If the final Kennedy Round (1972) rates of duty had been in effect in that year, a reduction of 1.7 percent--from $1,741 million to $1,712 million--would have resulted.

Composition of imports.--In 1969, articles classified under Schedule 6 of the TSUS accounted for $1,546 million or 94 percent of the total value of imports under item 807.00. Most of the remainder consisted of imports classifiable under Schedule 7 (principally toys and scientific instruments) and articles classified under Schedule 3 (principally body-supporting garments and women's outerwear). Imports of animal and vegetable products (Schedule 1), wood, paper, and printed matter (Schedule 2), chemical and related products (Schedule 4), and nonmetallic minerals and products (Schedule 5) were negligible.

1/ The duty paid cost does not include transportation to the United States and certain other minor components of the total cost to the importer.

Trend. While total 807.00 imports almost doubled from $890 million in 1966 to $1,649 million in 1969, the trend in the volume of such imports varied considerably from product to product (table 1 and Appendix F).

Imports of gloves, which increased from $12,000 in 1966 to $5.9 million in 1969, and toys, dolls, and models, which increased from $682,000 in 1966 to $22.2 million in 1969, showed the largest percentage increases; however, imports of motor vehicles and office machines and parts increased the most in terms of absolute value. Imports of motor vehicles under item 807.00 increased from $494.1 million in 1966 to $742.4 million in 1969 and imports of office machines rose from $16.1 million in 1966 to $96.9 million in 1969. During 1966-69, the volume of item 807.00 imports of capacitors increased 20-fold, transformers 6-fold, television receivers, earth-moving and mining equipment, and wearing apparel 5-fold; electronic memories and air conditioning machines more than tripled and scientific instruments doubled. Among the major product groups, nonmilitary aircraft was the only product group to show a decline in imports under item 807.00 during 1966-69. Data on products, imports of which under item 807.00 amounted to at least $20 million in 1969, are shown in the table on the following page.

Duty saving. The amount of duty saved under item 807.00 depends, of course, on the rate of duty applicable to the product imported as well as on the portion of the total value that is represented by the U.S. component returned with duty allowance. Data on products (or product groups) for which the amount of duty saving was large in 1969 are shown in the table on page 39.

Data on products for which imports entered under item 807.00 amounted to at least $20 million in 1969

Product	Total value: Amount, 1966	Total value: Amount, 1969	Total value: Ratio to total value of all 807.00 imports, 1966	Total value: Ratio to total value of all 807.00 imports, 1969	Duty-free value: Amount, 1966	Duty-free value: Amount, 1969	Duty-free value: Ratio to total value of all 807.00 imports, 1966	Duty-free value: Ratio to total value of all 807.00 imports, 1969	Ratio of duty-free value to total value, 1966	Ratio of duty-free value to total value, 1969
	1,000 dollars	1,000 dollars	Percent	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Motor vehicles	494,089	742,422	55.5	45.0	10,281	10,319	9.1	3.0	2.1	1.4
Semiconductors and parts	31,255	106,236	3.5	6.4	11,643	62,415	10.3	18.4	37.2	58.8
Aircraft, nonmilitary	121,613	97,990	13.7	5.9	18,542	18,495	16.4	5.4	15.2	18.9
Office machines and parts	16,075	96,869	1.8	5.9	4,104	38,662	3.6	11.4	25.5	39.9
Radio apparatus and parts	11,904	51,135	1.3	3.1	2,824	8,457	2.5	2.5	23.7	16.5
Electronic memories	12,373	47,213	1.4	2.9	6,386	29,444	5.6	8.7	51.6	62.4
Television receivers	9,515	47,003	1.1	2.9	5,362	17,724	4.7	5.2	56.4	37.7
Television apparatus other than receivers	26,041	40,084	2.9	2.4	12,679	19,721	11.2	5.8	48.7	49.2
Textile articles (schedule 3)	7,314	34,826	.8	2.1	4,027	23,050	3.6	6.8	55.1	66.2
Sewing machines, household type	14,700	22,615	1.7	1.4	1,315	2,446	1.2	.7	8.9	10.8
Toys, dolls, and models	682	22,216	.1	1.3	154	9,711	.1	2.9	22.6	43.7
Phonographs and parts	11,083	21,798	1.2	1.3	2,425	3,474	2.1	1.0	21.9	15.9
Subtotal	756,644	1,330,407	84.9	80.6	79,742	243,918	70.4	71.8	10.5	18.3
All other	133,110	318,794	15.1	19.4	33,459	95,489	29.6	28.2	25.1	30.0
Grand total, all 807.00 imports	889,754	1,649,201	100.0	100.0	113,201	339,407	100.0	100.0	12.7	20.6

Source: Table 1.

Data on products entered under item 807.00 that accounted for a significant share of the aggregate amount of duty saved in 1969

Product	Total value: Amount 1966	Total value: Amount 1969	Total value: Ratio to total value of all 807.00 imports, 1969	Duty-free value: Amount 1966	Duty-free value: Amount 1969	Duty-free value: Ratio to total duty-free value of all 807.00 imports, 1969	Duty saved: Amount 1969	Duty saved: Amount 1972 1/	Duty saved: Ratio to total amount of duty saved on all 807.00 imports, 1969
	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent
Semiconductors	31,255	106,236	6.4	11,643	62,415	18.4	6,242	3,745	15.1
Office machines and parts	16,075	96,869	5.9	4,104	38,662	11.4	3,257	2,089	7.9
Radios and parts	11,904	51,135	3.1	2,824	8,457	2.5	2,984	1,828	7.2
Toys, dolls, and models	682	22,216	1.3	154	9,711	2.9	2,690	1,722	6.5
Electronic memories	12,373	47,213	2.9	6,386	29,444	8.7	2,650	1,619	6.4
Television apparatus other than receivers	26,041	40,084	2.4	12,679	19,721	5.8	1,578	986	3.8
Body supporting garments	2,287	7,831	.5	1,415	5,194	1.5	1,546	1,535	3.8
Aircraft, nonmilitary	121,613	97,990	5.9	18,542	18,495	5.4	1,480	925	3.6
Television receivers	9,515	47,003	2.9	5,362	17,724	5.2	1,418	886	3.4
Women's dresses	707	5,620	.3	457	3,816	1.1	1,302	1,286	3.2
Women's slacks and skirts	466	4,260	.3	316	3,401	1.0	1,205	1,202	2.9
Women's coats, shirts, etc	1,088	4,057	.2	461	2,287	.7	806	799	2.0
Gloves	12	5,873	.4	5	4,063	1.2	777	2/ 929	1.9
Women's blouses	479	3,037	.2	238	1,976	.6	675	673	1.6
Motor vehicles	494,089	742,422	45.0	10,281	10,319	3.0	668	419	1.6
Tractors, nonagricultural	12,595	17,926	1.1	4,210	6,834	2.0	615	376	1.5
Gas turbine engines	11,936	16,147	1.0	3,183	5,270	1.6	422	263	1.0
Scientific instruments	5,751	12,892	.8	1,044	3,949	1.2	387	337	.9
Subtotal	758,868	1,328,811	80.6	83,304	251,738	74.2	30,702	21,618	74.3
All other	130,886	320,390	19.4	29,897	87,669	25.8	10,615	8,006	25.7
Grand total, all 807.00 imports	889,754	1,649,201	100.0	113,201	339,407	100.0	41,317	29,625	100.0

1/ Based on trade in 1969 and rates under the last stage of the Kennedy Round, effective Jan. 1, 1972.
2/ Amount shown for 1972 is larger than 1969 because of the staged elimination of the preferential duty on products of the Philippine Republic.

Source: Tables 1 and 2.

While motor vehicles accounted for 45 percent of the total volume of imports of item 807.00 in 1969, the value of U.S. components which were returned duty-free made up a very small (1.4 percent) portion of the total value (see preceding table and table 2). For this reason and because of the relatively low rates of duty, the saving in duty on motor vehicles imported under item 807.00 was small ($668,000 in 1969) when compared to many other products. Semiconductors and parts was the second largest product group in terms of total value of imports under item 807.00. Imports of this product accounted for about 6.4 percent of the total value of 807.00 imports and for 15.1 percent of the aggregate amount of duty saved ($341 million) on all 807.00 imports. The relatively large amount of duty saved on semiconductors resulted from the combination of the 1969 rate of duty of 10 percent and the substantial amount (59 percent of the total value) of U.S. components contained in the imports.

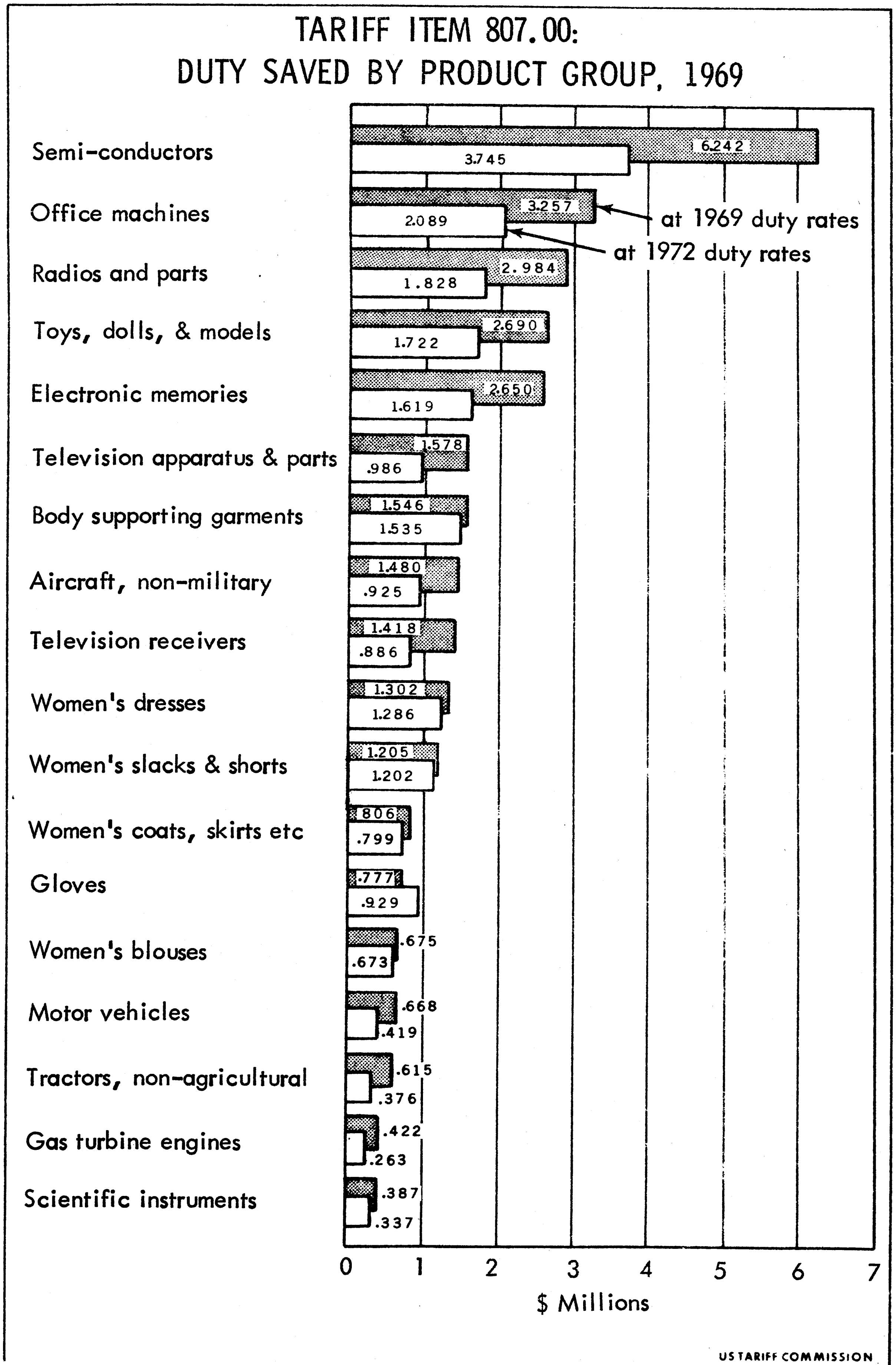
As in the case of semiconductors and parts, the value of the duty-free component for gloves, wearing apparel, and electronic memories in 1969 was larger than the dutiable (foreign) component and, in most cases, the duty rates are relatively high. Thus, the savings in duty were large in relation to the total value of the product. Even though the volume of imports of each of these products ranged from only 1 to 14 percent of the volume of 807.00 imports of motor vehicles, the amounts of duty saved were larger than the amount of duty saved on motor vehicles.

Duty savings under item 807.00 in 1969 amounted to more than $3 million on imports of office machines and parts, from $2 to $3 million each on a group composed of toys, dolls, and models, and on electronic memories, and from $1 to $2 million each on 6 other major product groups. Detailed data on these products are shown in table 2. Based on the projected 1972 rates of duty and 1969 trade, the amount of duty saved would range from 20 to 50 percent less than if the 1969 rates of duty were used, reflecting the remaining Kennedy Round reductions scheduled on these products.

Figure 2 on the following page shows the duty saved in 1969 for the product groups in which the savings were the largest, as well as the duty savings that would have been realized if the final (1972) rates of duty established under the Kennedy Round trade agreement had been in effect in 1969. The products shown, in the aggregate, accounted for 74 percent of the total duty saved under item 807.00 in 1969.

Competitive position. Recent trends in 807.00 imports and imports of similar merchandise 1/ entered without the benefit of item 807.00 (shown in Figures 3-18 on pages 44 through 59) indicate that 807.00 imports, in the aggregate, have increased at a slightly higher average annual rate than the non-807.00 imports. However, the duty-free component of 807.00 imports has increased at a much faster rate than the

1/ Articles entered under the same TSUS items as the articles entered with the benefit of item 807.00; total imports shown in table 1 include, each year, imports entered under all TSUSA items under which



US TARIFF COMMISSION

increases in both categories of imports. The data on total 807.00 imports shown in Figure 3 are strongly influenced by imports of motor vehicles, aircraft, tractors and gas turbine engines which comprise over one-half of the total but are increasing at a low rate. Large gains in both 807.00 and non-807.00 imports characterize many of the other product groups.

Imports benefitting from item 807.00 range from a small fraction of total imports of a product group to nearly 100 percent--as in nonmilitary aircraft. Data on nine of the product groups (semiconductors, electronic memories, nonagricultural tractors, nonmilitary aircraft, TV apparatus other than receivers, airconditioning machines, handtools with self-contained electric motors, baseballs, and hearing aids) included in Figures 4-18 (which accounted for 20 percent of total imports under item 807.00 in 1969), show that more than 50 percent of the total imports were entered under item 807.00; in some other instances (e.g., motor vehicles) imports entered under item 807.00 are approaching 50 percent. In over half of the product groups shown, 807.00 imports are increasing at a substantially higher rate than non-807.00 imports. In most of the remainder, 807.00 imports represent a larger share of total imports in each successive year. In most instances, the duty-free portion of the 807.00 imports represents a growing share of the total value of 807.00 entries.

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

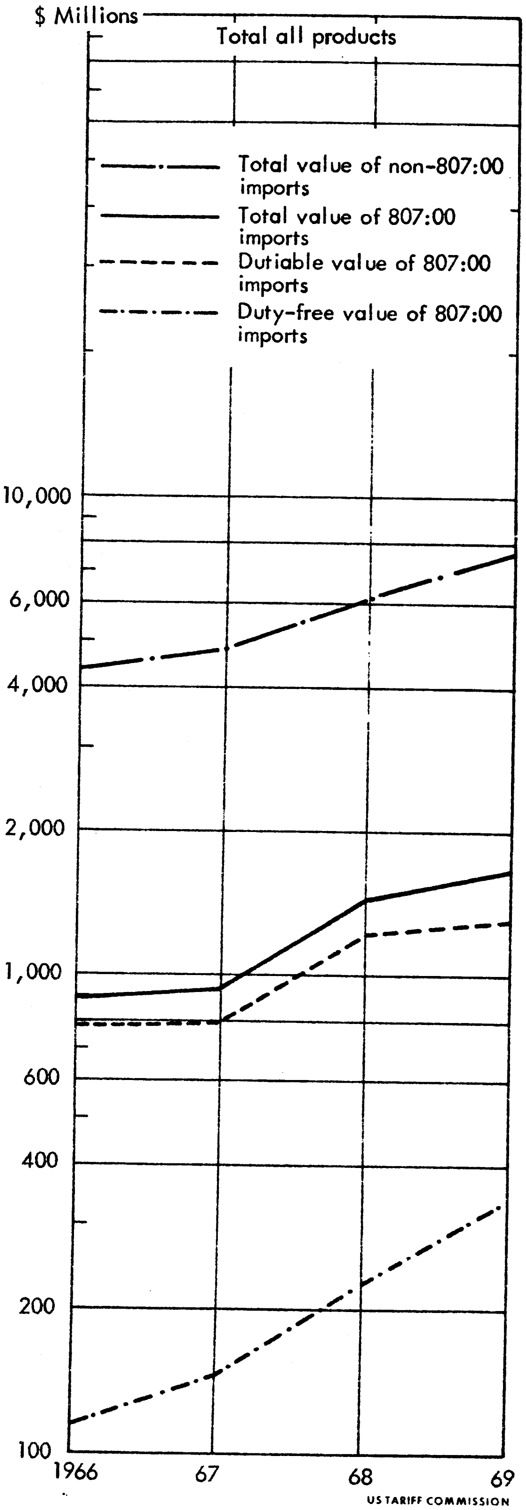


FIGURE 3

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

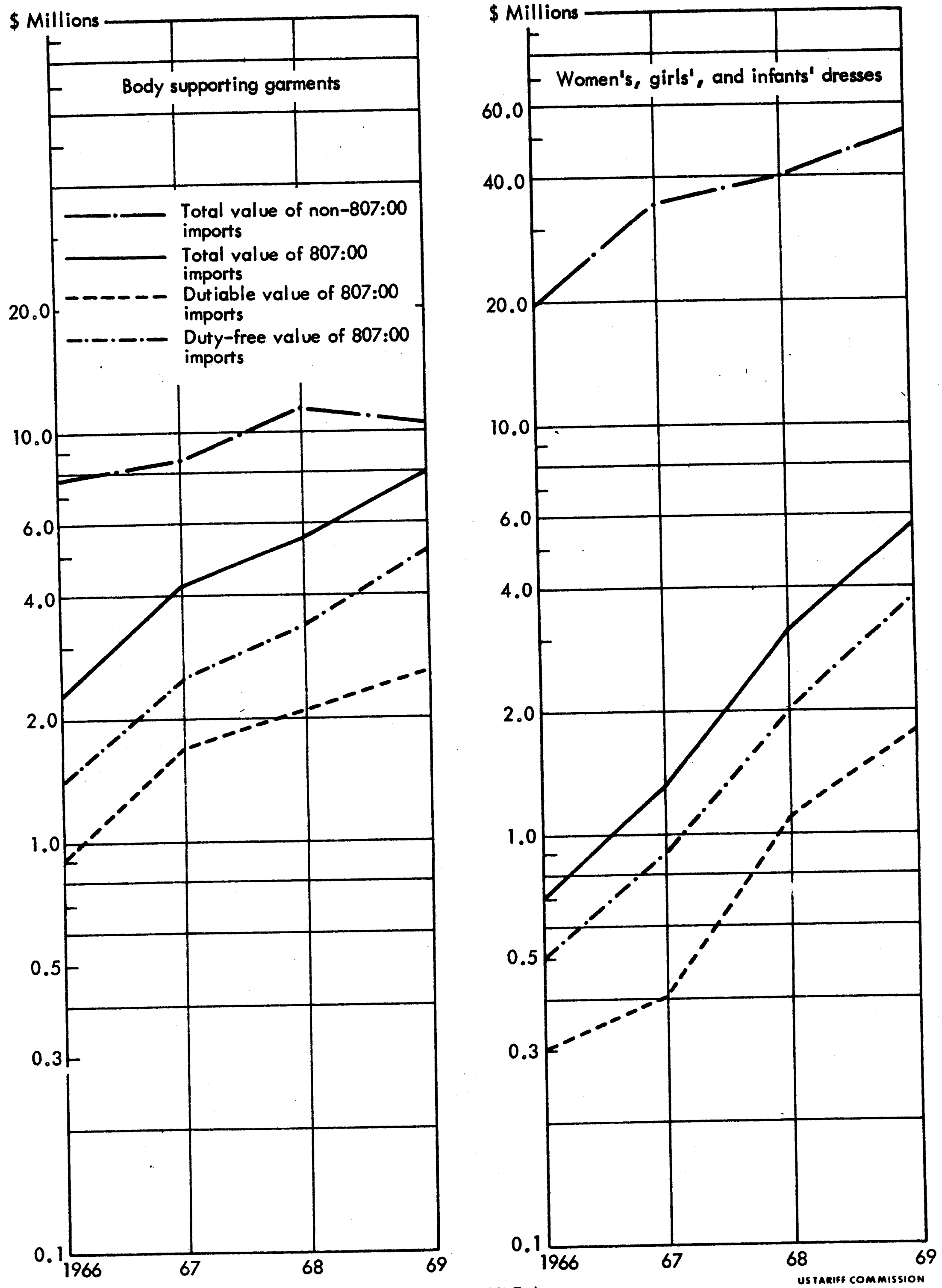


FIGURE 4

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

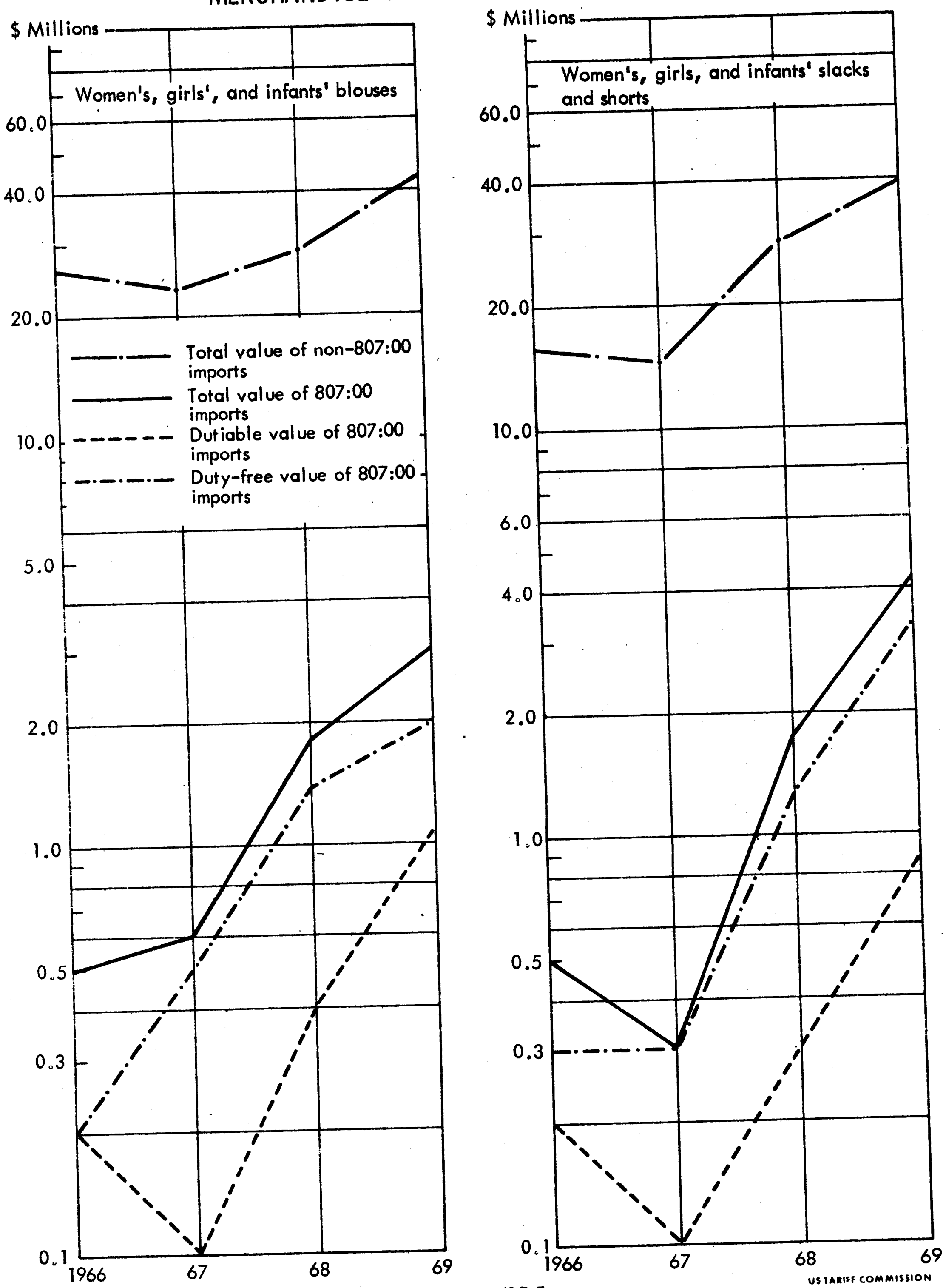


FIGURE 5

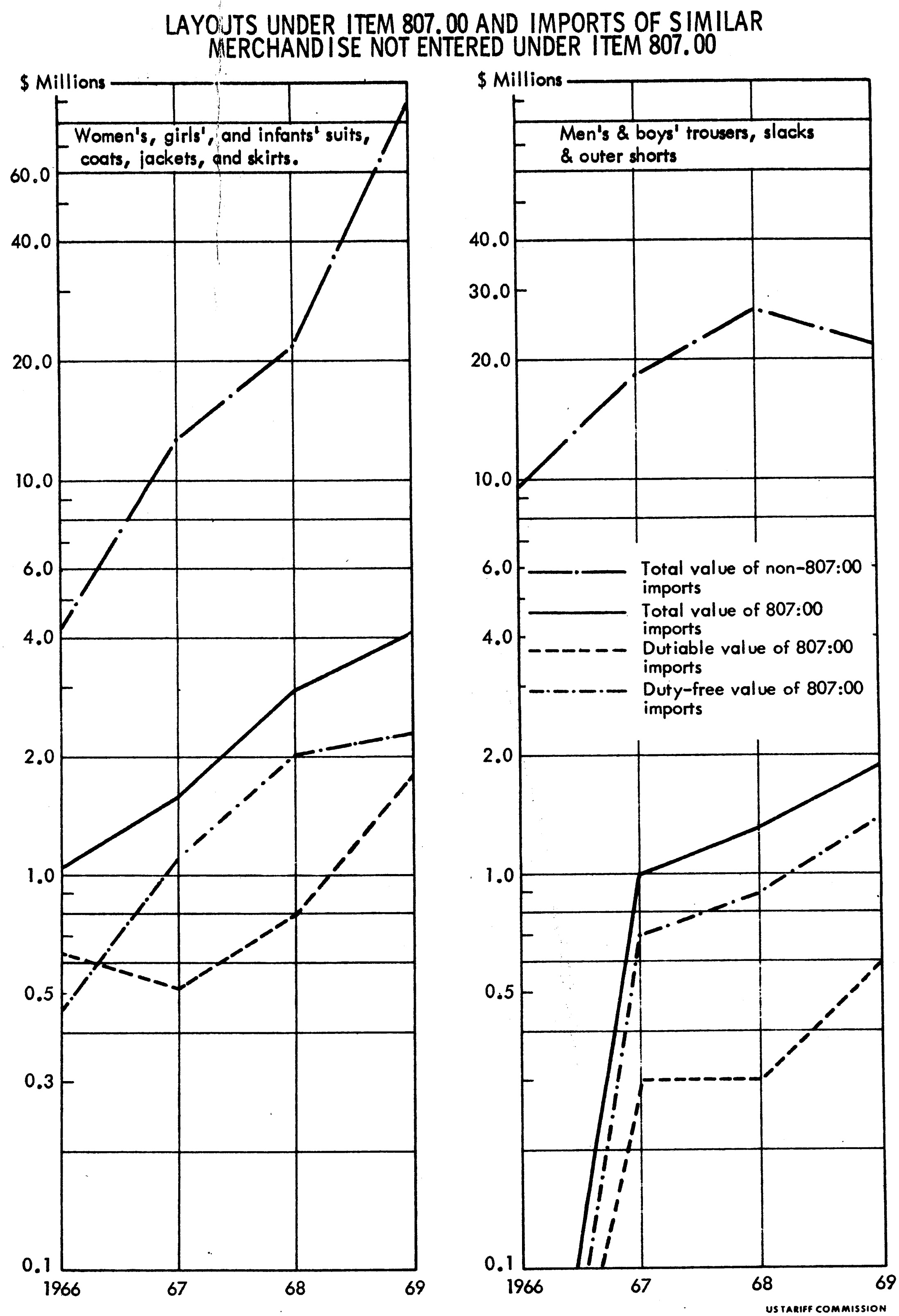

LAYOUTS UNDER ITEM 807.00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807.00
$ Millions
Women's, girls', and infants' suits, coats, jackets, and skirts.
60.0
40.0
20.0
10.0
6.0
4.0
2.0
1.0
0.5
0.3
0.1
1966
67
68
69
$ Millions
Men's & boys' trousers, slacks & outer shorts
40.0
30.0
20.0
10.0
6.0
4.0
2.0
1.0
0.5
0.1
1966
67
68
69
Total value of non-807:00 imports
Total value of 807:00 imports
Dutiable value of 807:00 imports
Duty-free value of 807:00 imports
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FIGURE 6

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

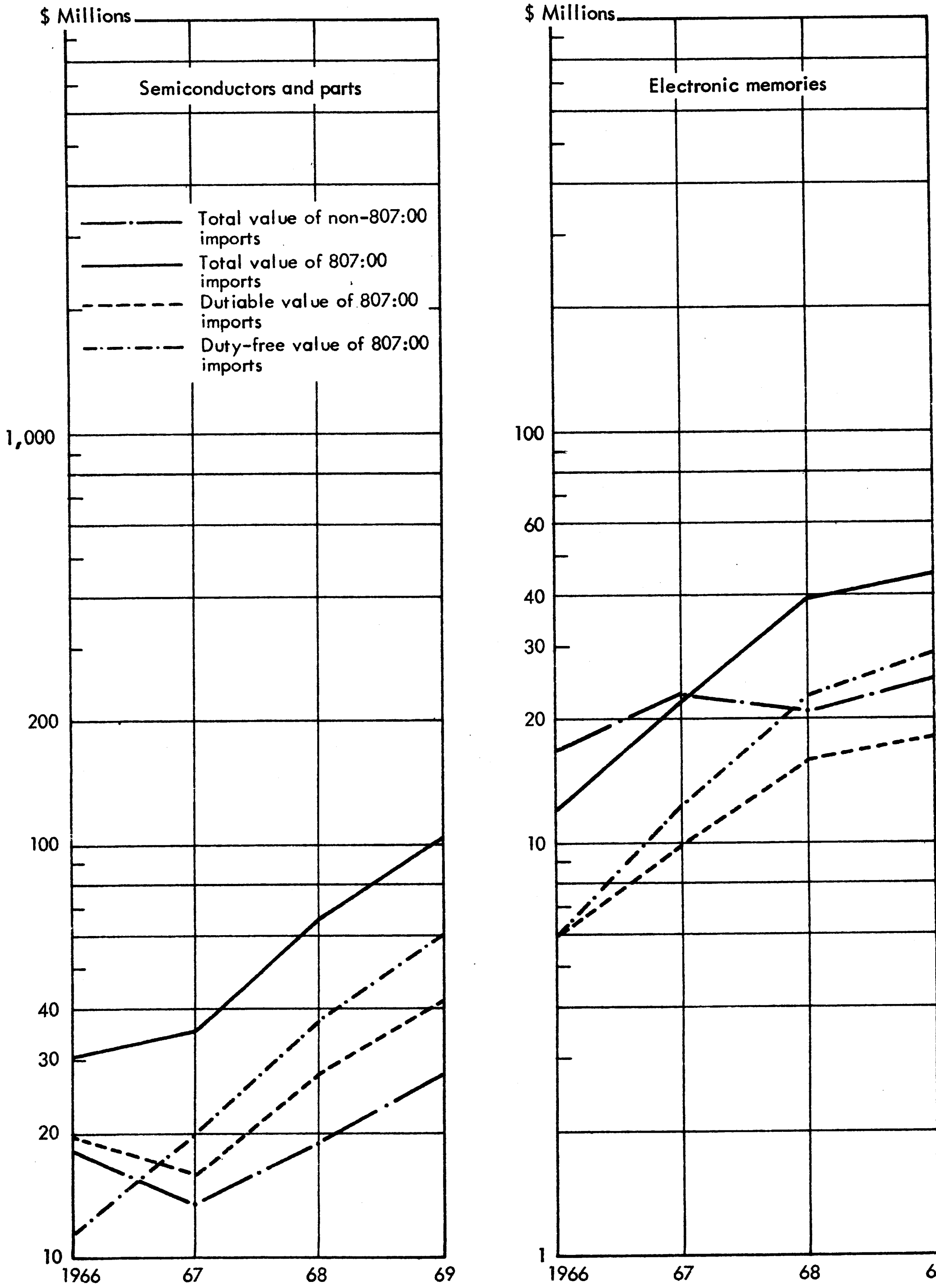

FIGURE 7

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

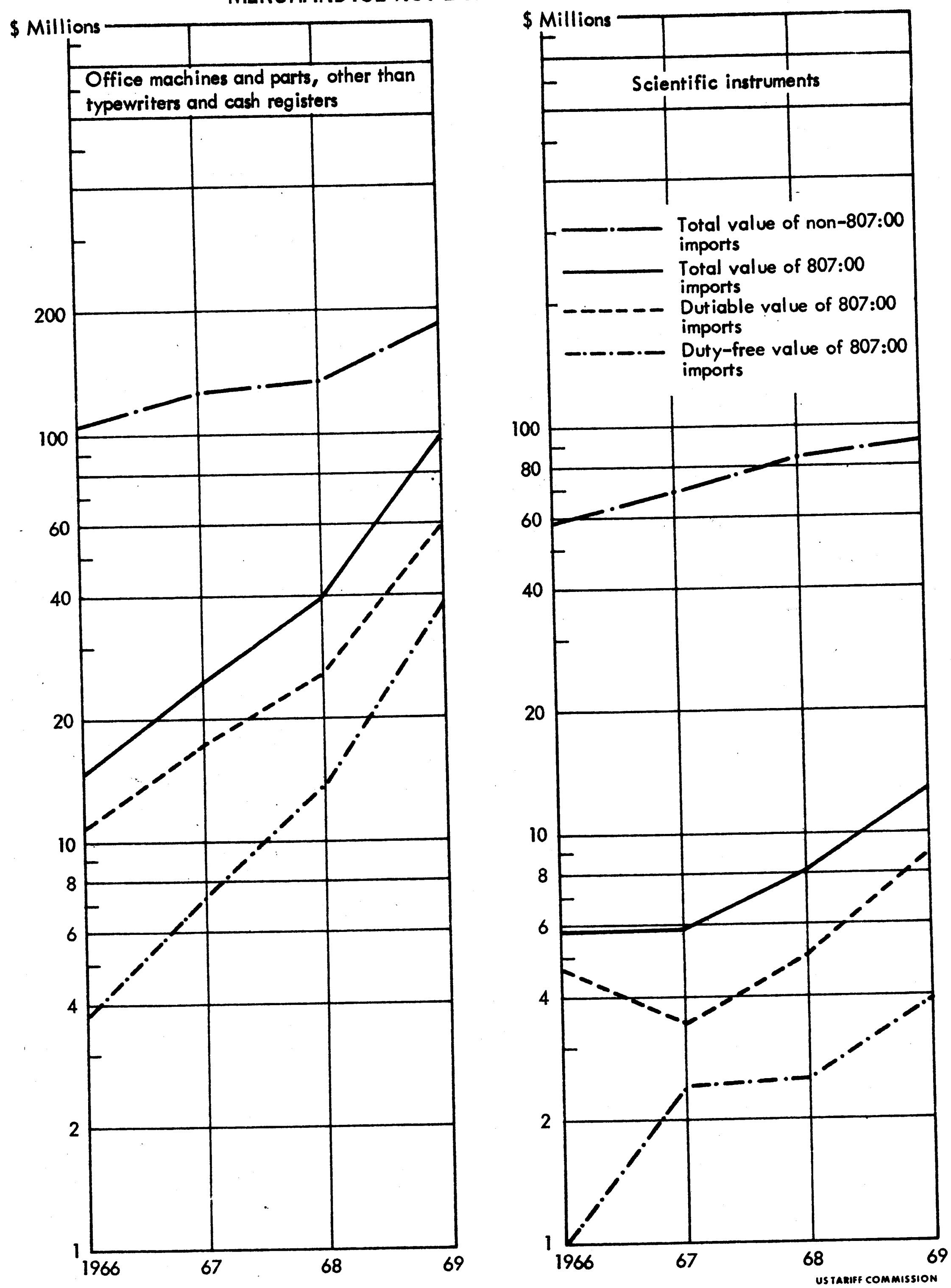

FIGURE 8

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

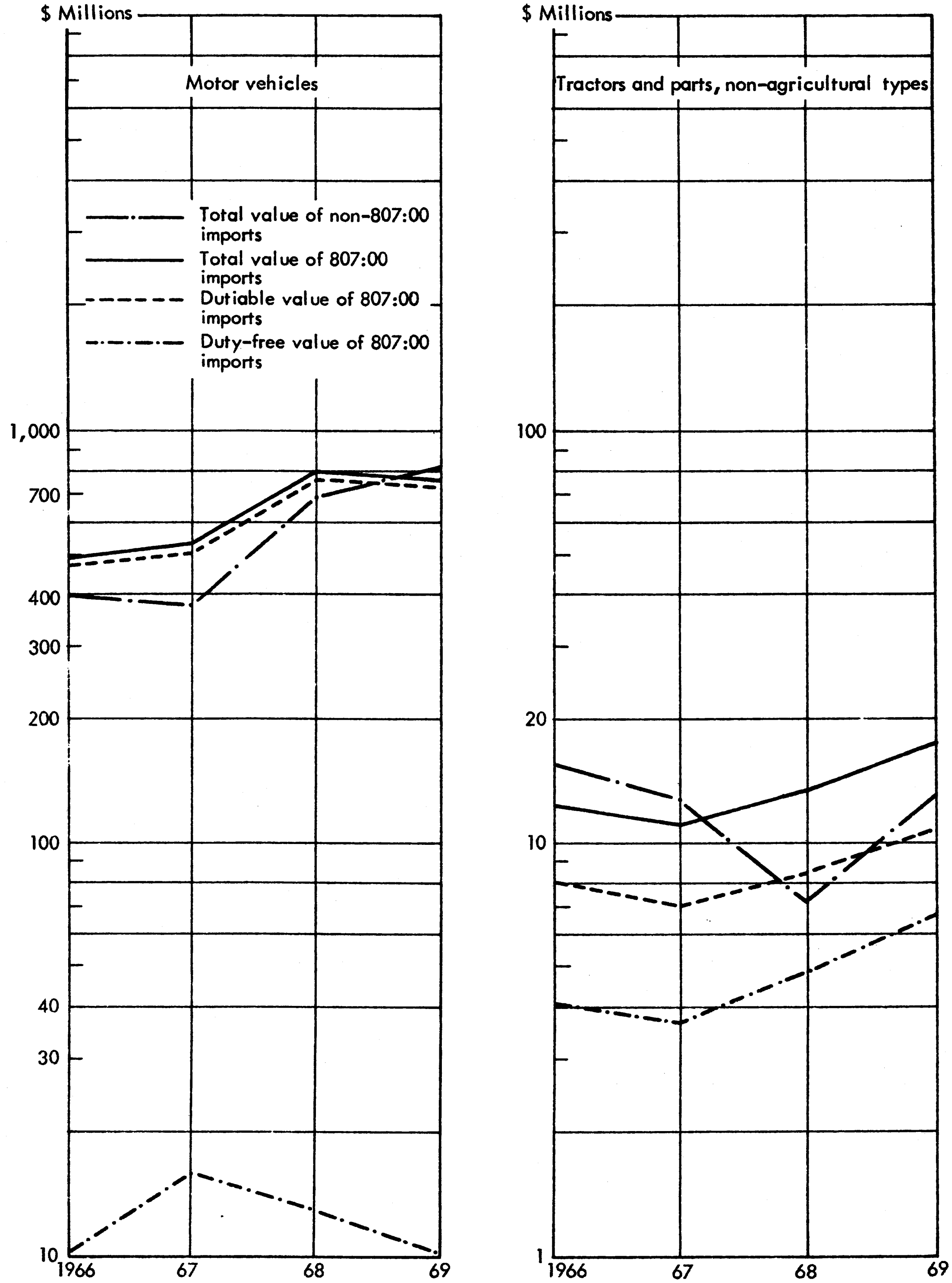

FIGURE 9

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

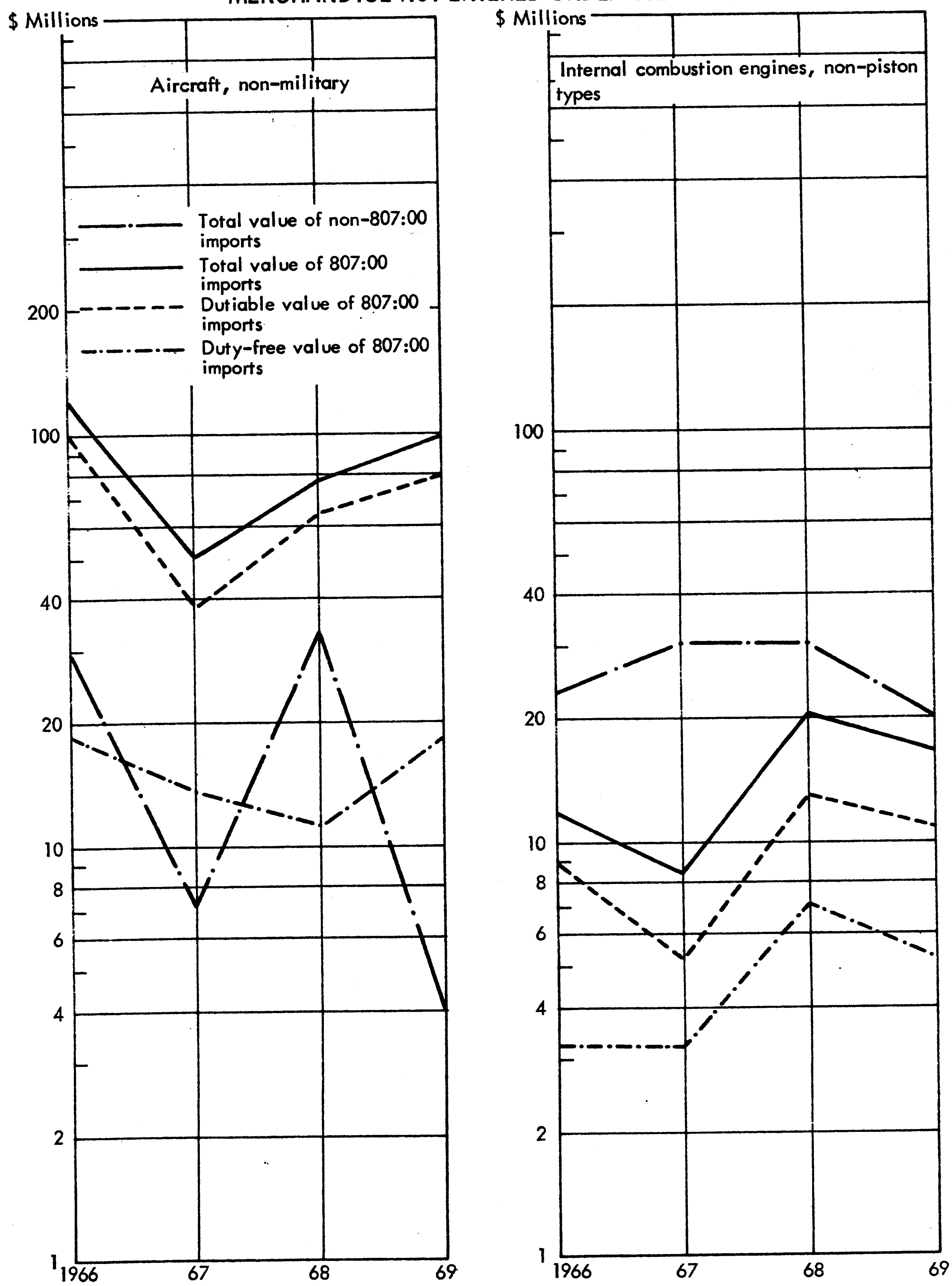

FIGURE 10

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

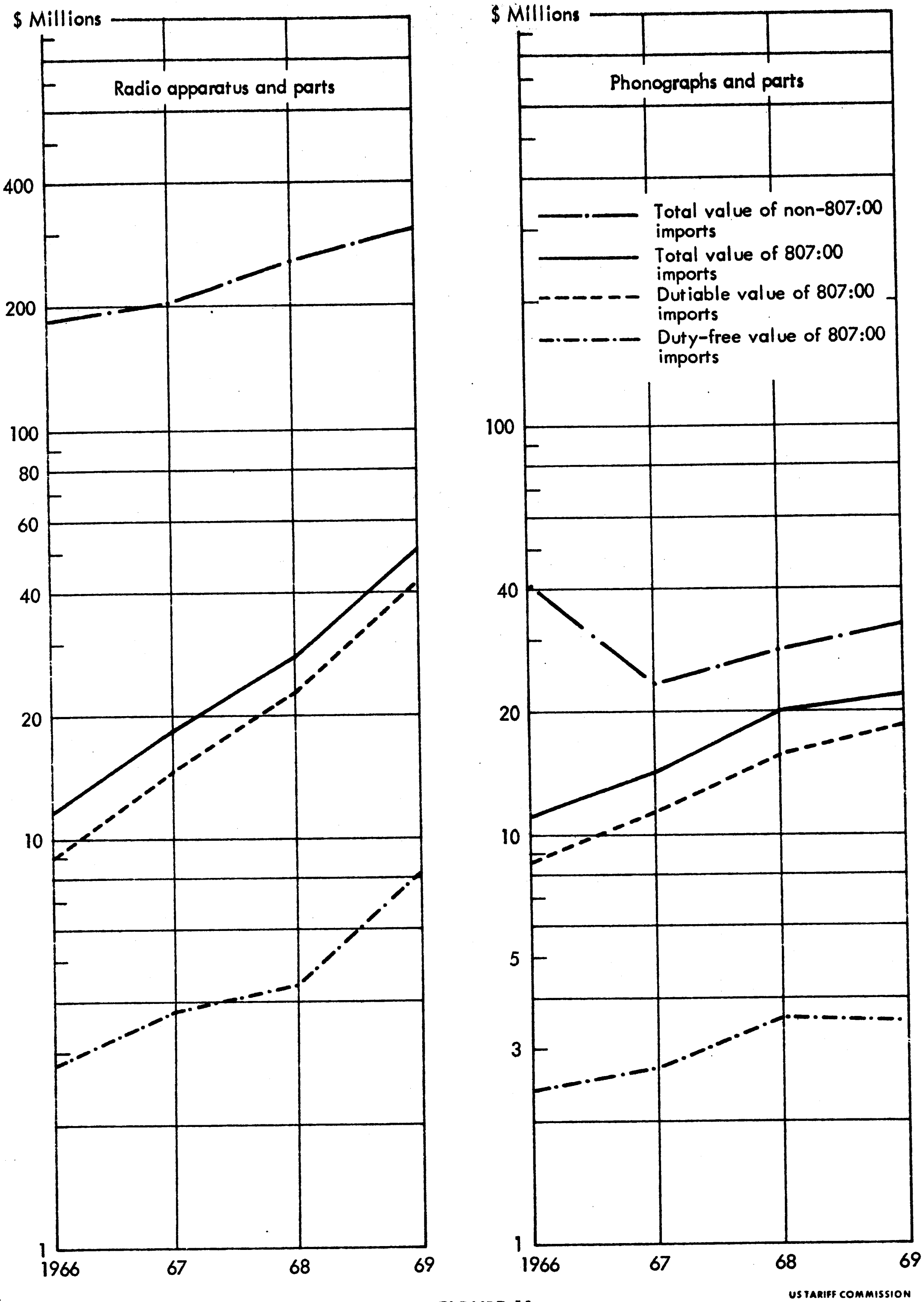

FIGURE 11

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

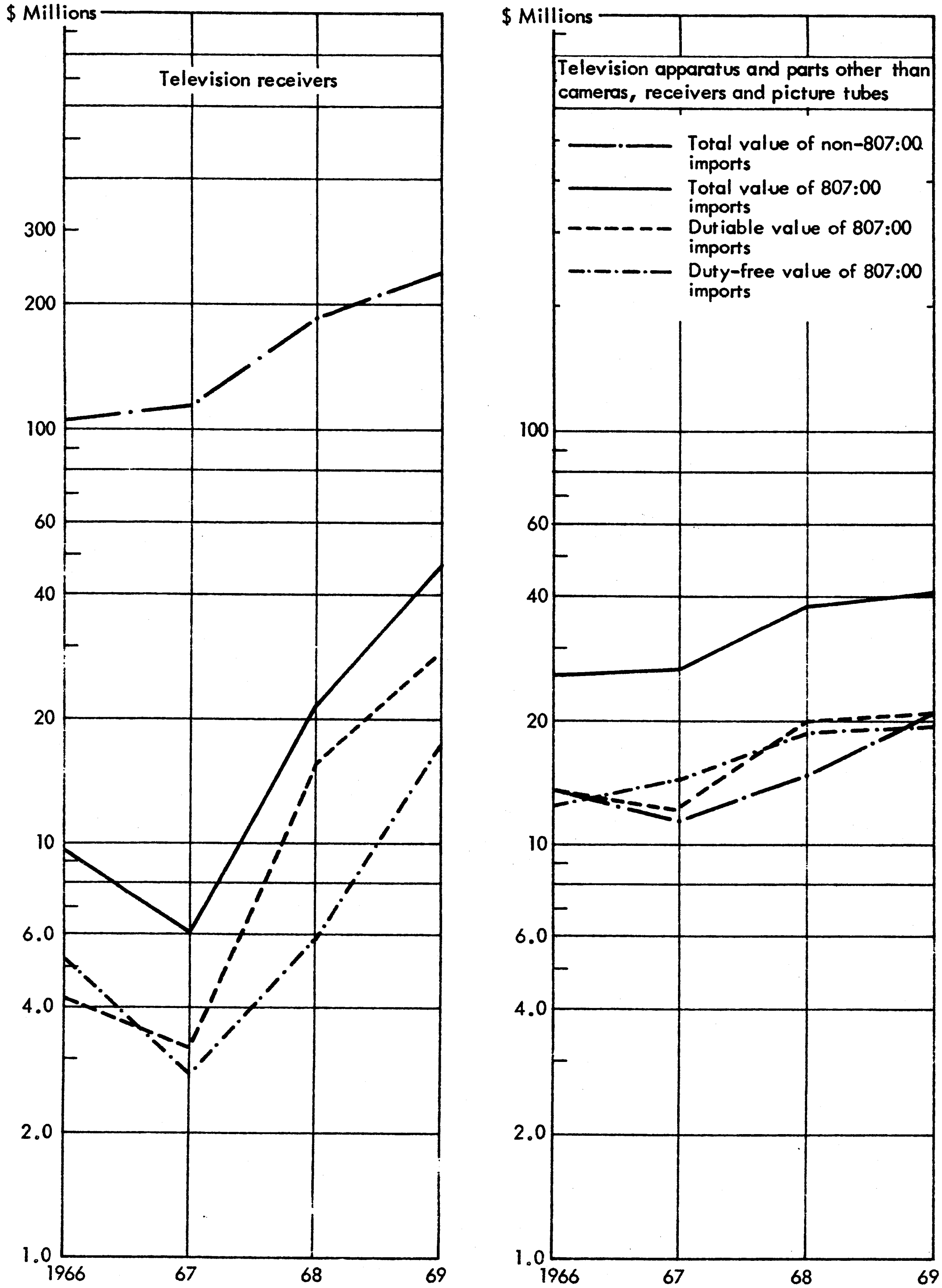

FIGURE 12

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IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

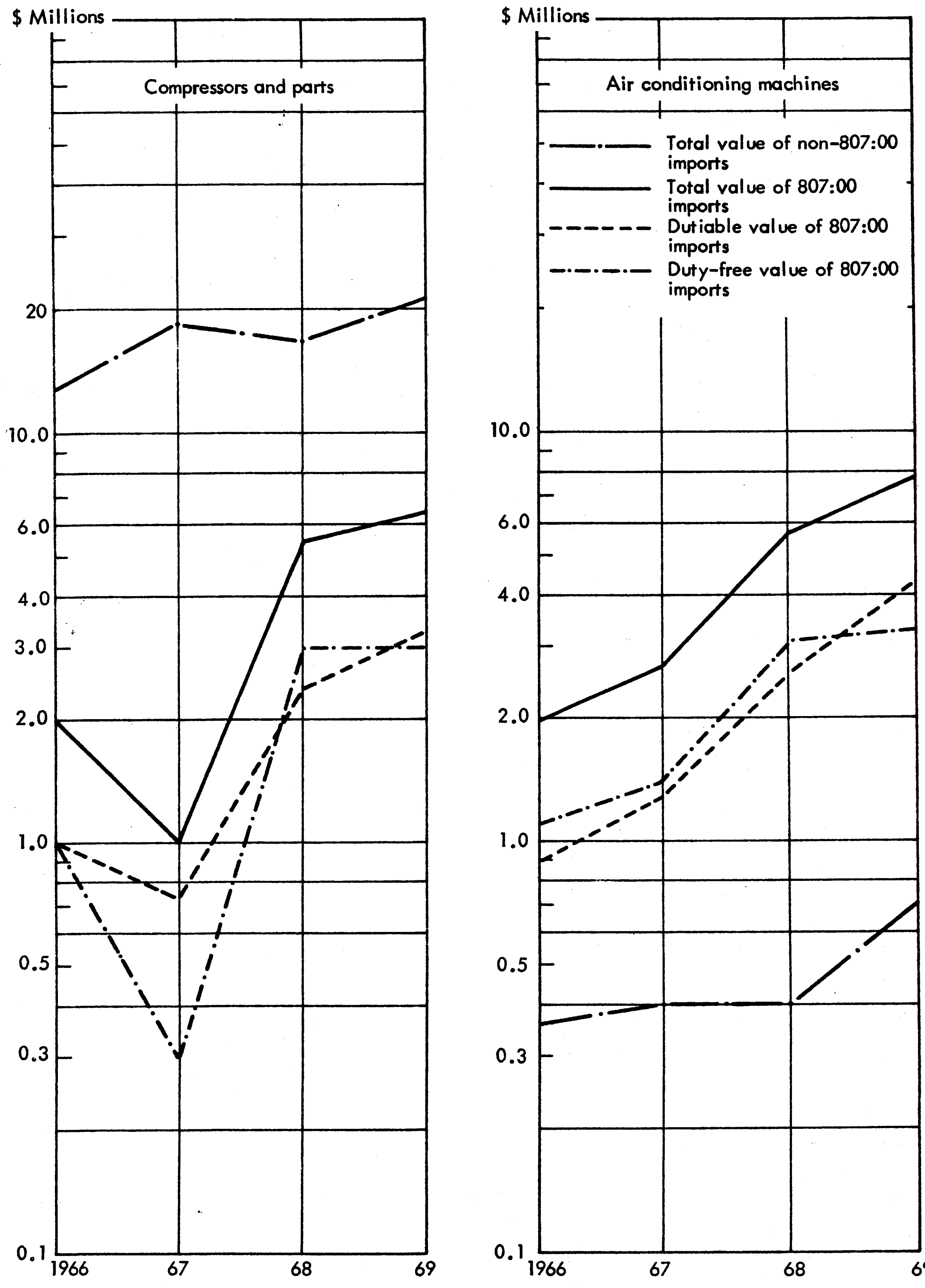

FIGURE 13

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

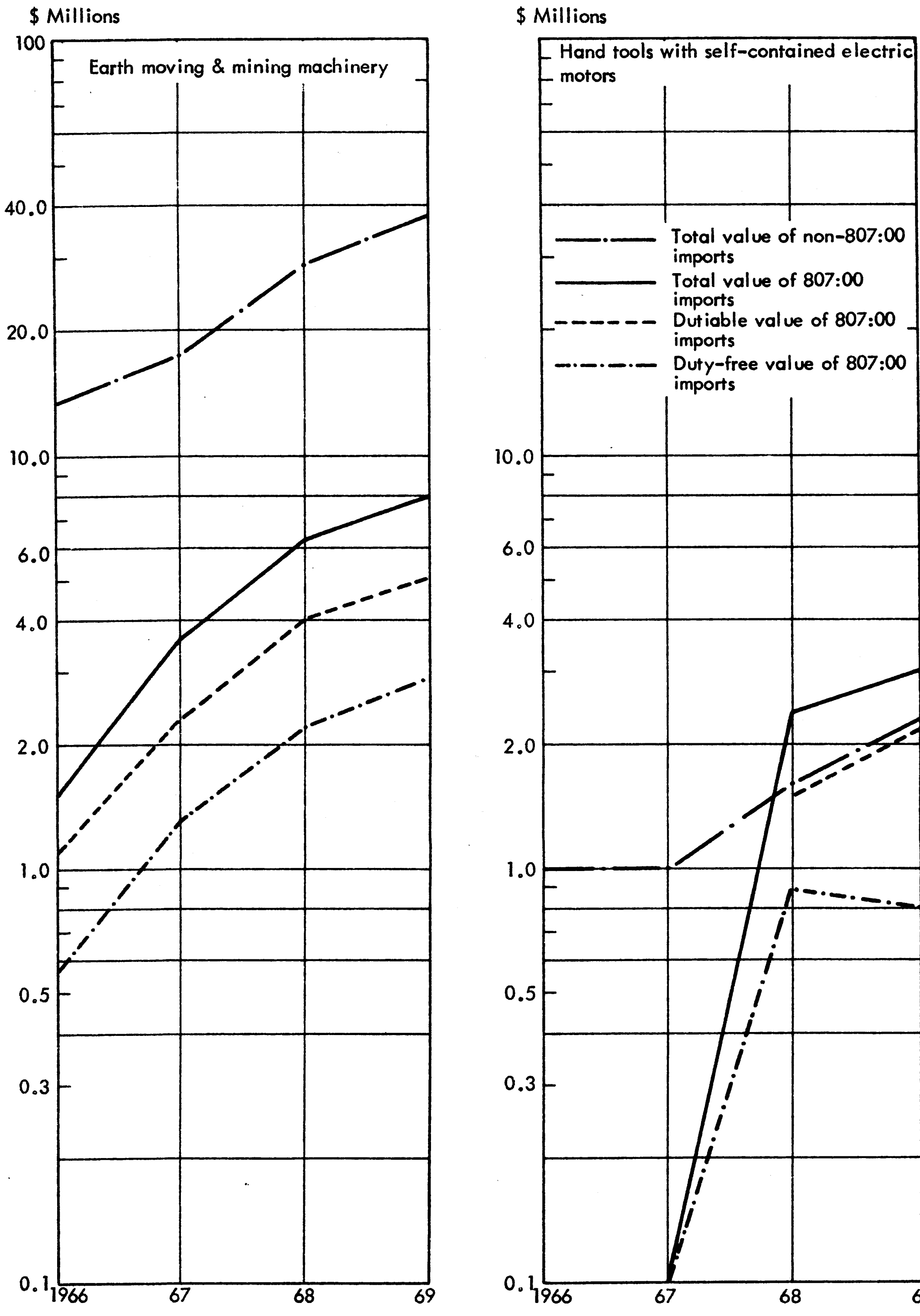

FIGURE 14

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

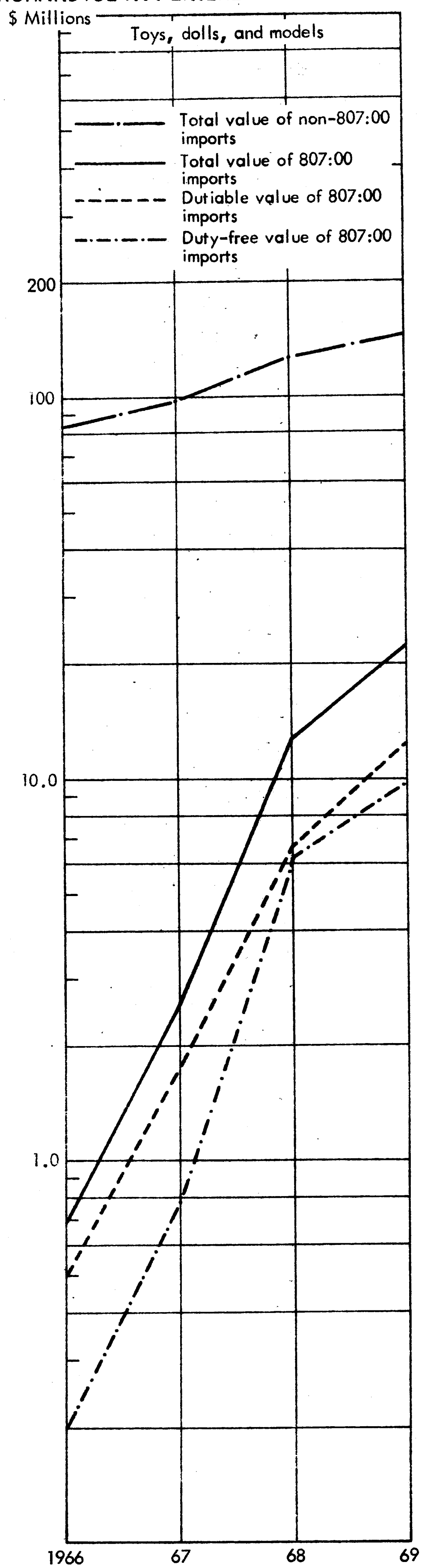

FIGURE 15

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

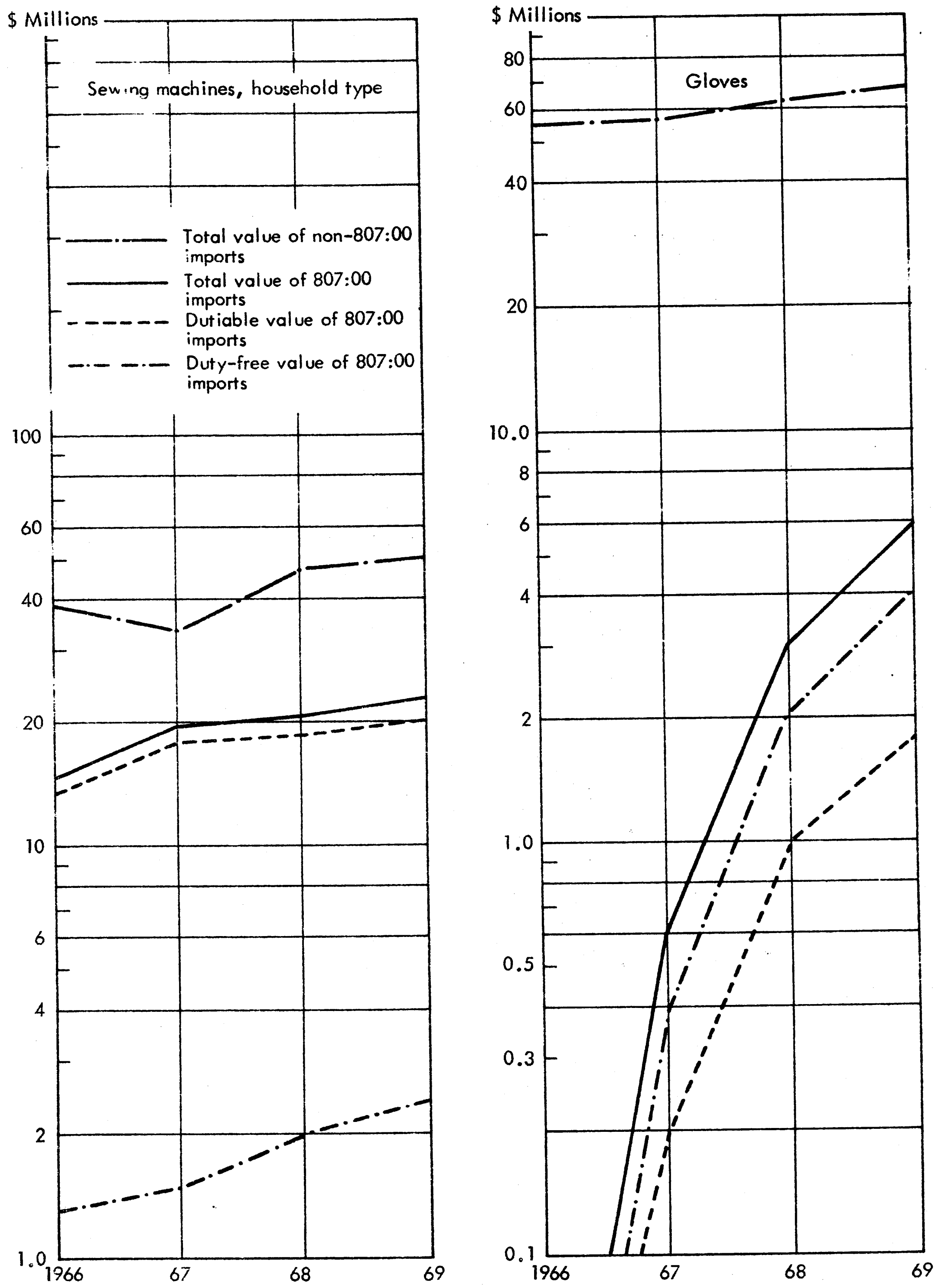

FIGURE 16

IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

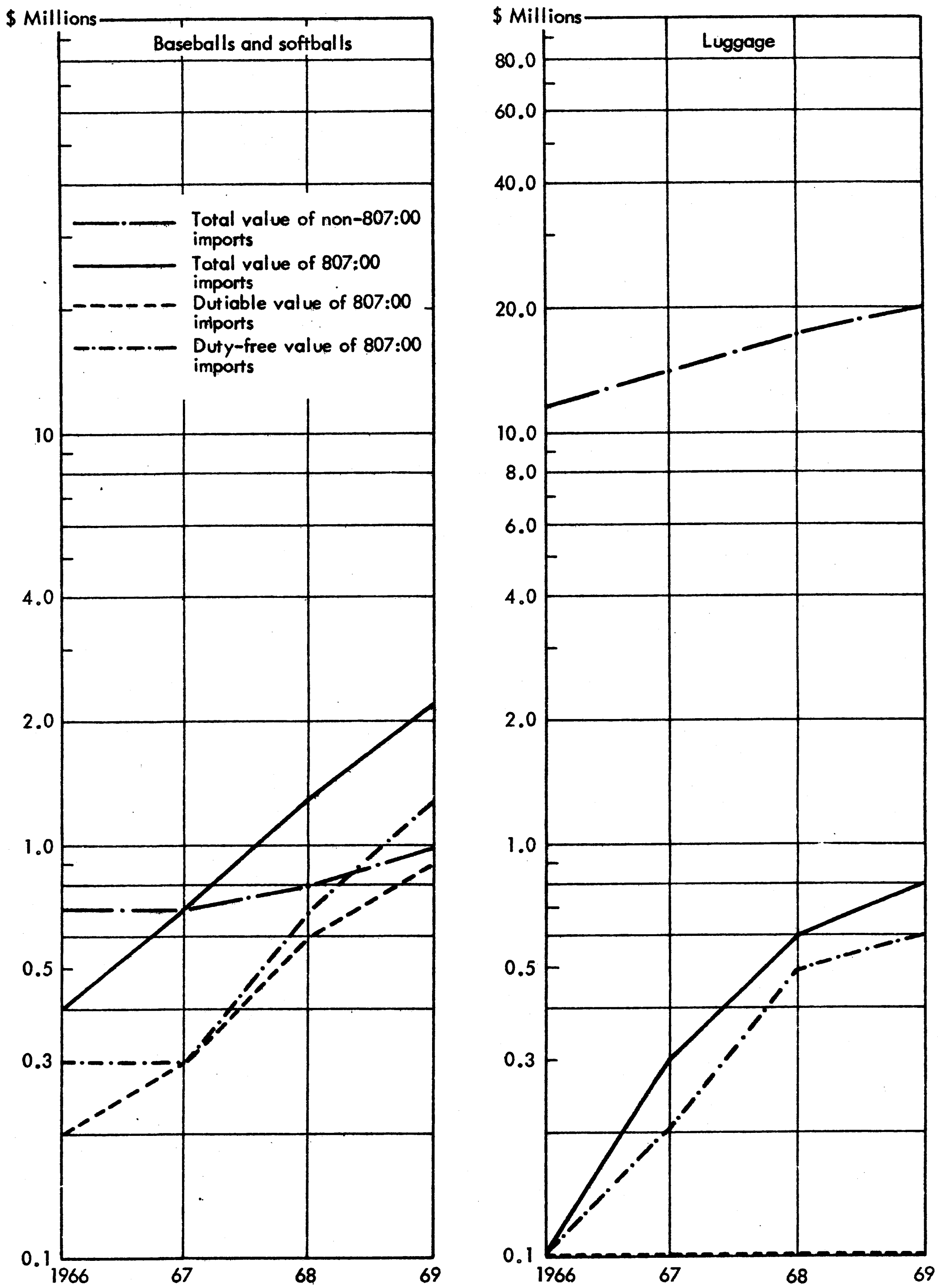

FIGURE 17

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IMPORTS UNDER ITEM 807:00 AND IMPORTS OF SIMILAR MERCHANDISE NOT ENTERED UNDER ITEM 807:00

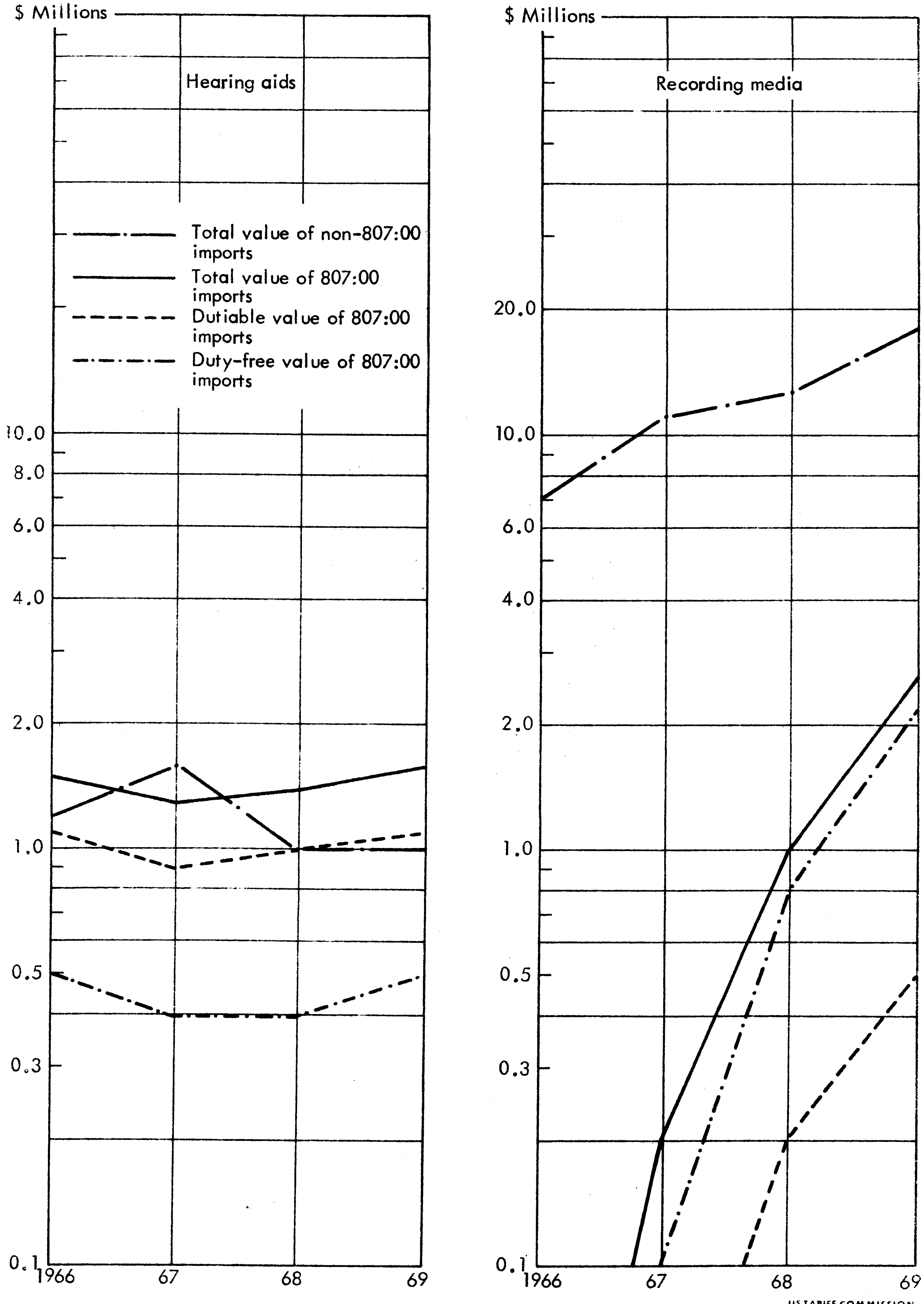


FIGURE 18

Imports from industrially developed countries.--The share of the total value of 807.00 imports accounted for by industrially developed countries declined from 93 percent in 1966 to 78 percent in 1969. Imports under item 807.00 (in millions of dollars) from industrially developed countries during 1966-69 were as follows (based on table 4):

Country	1966	1967	1968	1969
West Germany------------	443.7	464.4	684.0	616.8
Canada------------------	116.0	138.7	188.1	243.2
Japan-------------------	42.2	42.2	87.9	132.9
United Kingdom----------	112.7	48.5	57.2	74.1
Belgium and Luxembourg--	9.4	16.2	45.0	74.0
Sweden------------------	44.2	60.0	81.7	58.2
France------------------	33.3	28.6	22.5	21.3
Ireland-----------------	16.3	17.0	17.6	19.8
Other-------------------	11.2	17.8	31.9	41.5
Total---------------	829.0	833.4	1,215.9	1,281.8
Ratio to total 807.00 imports----	93%	89%	85%	78%

Of the aggregate net increase in total 807.00 imports between 1966 and 1969 ($759 million), developed countries accounted for $453 million, or 60 percent. In terms of the duty-free component of 807.00 imports, the aggregate increase between 1966 and 1969 amounted to $226 million of which developed countries accounted for 21 percent. In terms of the dutiable value (foreign value added), the aggregate increase between 1966 and 1969 amounted to $533 million of which such countries accounted for 76 percent. Details by country respecting the total, duty-free, and dutiable value of imports, for the period 1966-69, are shown in table 4 in Appendix F; the shares of imports accounted for by individual countries in 1969 are shown in table 5.

As indicated by the large proportion accounted for by the dutiable value, most of the products imported from developed countries are generally foreign merchandise with respect to which the U.S. component accounts for but a small part of the total value (for example, U.S. tires incorporated into foreign-made automobiles).

In 1969, 41 percent of the total value of all 807.00 imports and 53 percent of that from developed countries was supplied by West Germany ($617 million) and Sweden ($58 million) (tables 7 and 8). Such imports consisted almost exclusively of motor vehicles. The aggregate duty saved in 1969 (resulting from the small amount of U.S. components contained in the imports) amounted to less than 0.1 percent of the total value of 807.00 imports from these countries. The magnitude of the imports from these two sources under the provision strongly influences all aggregate figures relating to the trade. The amount of duty saved relative to the total value of imports is significantly larger on imports from the remainder of the developed countries.

In 1969, the developed countries accounted for 39 percent of the duty-free component of all 807.00 imports. The duty saved was 32 percent of the total duty saved on imports under item 807.00 (based on 1972 rates of duty it would be 29 percent). The benefits accruing on 807.00 imports from the developed countries are low relative to the total and are projected to account for an even lower portion of the total when the final stage of the Kennedy Round duty reductions becomes effective in 1972.

The duty saved on 807.00 imports from these countries, including West Germany and Sweden, in 1969 amounted to $13.1 million. Such duty saving resulted in a one percent reduction in the total duty-paid cost of imports (table 6).

The great bulk of the 807.00 imports from the developed countries are articles which are dutiable at low rates of duty that are being further reduced pursuant to the Kennedy Round trade agreement. The average 1969 and estimated 1972 ad valorem rates of duty 1/ on such 1969 imports from developed countries and the resulting duty saved are as follows:

Country	Average 1/ import duty at--		Amount of duty saved at--	
	1969 rates	1972 rates	1969 rates	1972 rates
	Percent	Percent	Million dollars	Million dollars
West Germany-----	5.2	3.2	0.4	0.3
Canada-----------	8.8	5.9	5.9	3.9
Japan------------	10.6	7.4	3.6	2.4
United Kingdom---	8.2	5.1	.8	.5
Belgium and Luxembourg-----	5.6	3.4	.4	.2
Sweden-----------	5.1	3.1	1/	1/
France-----------	8.1	5.1	.5	.3
Ireland----------	10.1	6.6	.6	.3
Other------------	9.9	6.0	.9	.7
Total--------	6.9	4.4	13.1	8.6

1/ Less than $100,000.

As indicated in the preceding table, in terms of the greatest amount of duty saved, Canada and Japan are the most important developed countries that supply imports under item 807.00.

Canada. Next to West Germany, Canada has been the largest source of 807.00 imports, supplying 15 percent of the total in 1969 (table 5). Such trade, which was substantial in 1966, increased in each of the last 4 years with a gain of 29 percent from 1968 to 1969. The duty-free portion declined slightly during the 4 years.

1/ Average of the applicable rates of duty weighted by the amount of trade under each rate in 1969.

In 1969, total 807.00 imports from Canada were valued at $243 million, 27.5 percent of which ($67 million) were U.S. components returned duty free (table 9). In the absence of the duty saved in 1969 ($5.9 million), a 2.3-percent increase in total duty-paid cost would have resulted (based on 1972 rates of duty such cost increase would have amounted to 1.5 percent)--see figure 19.

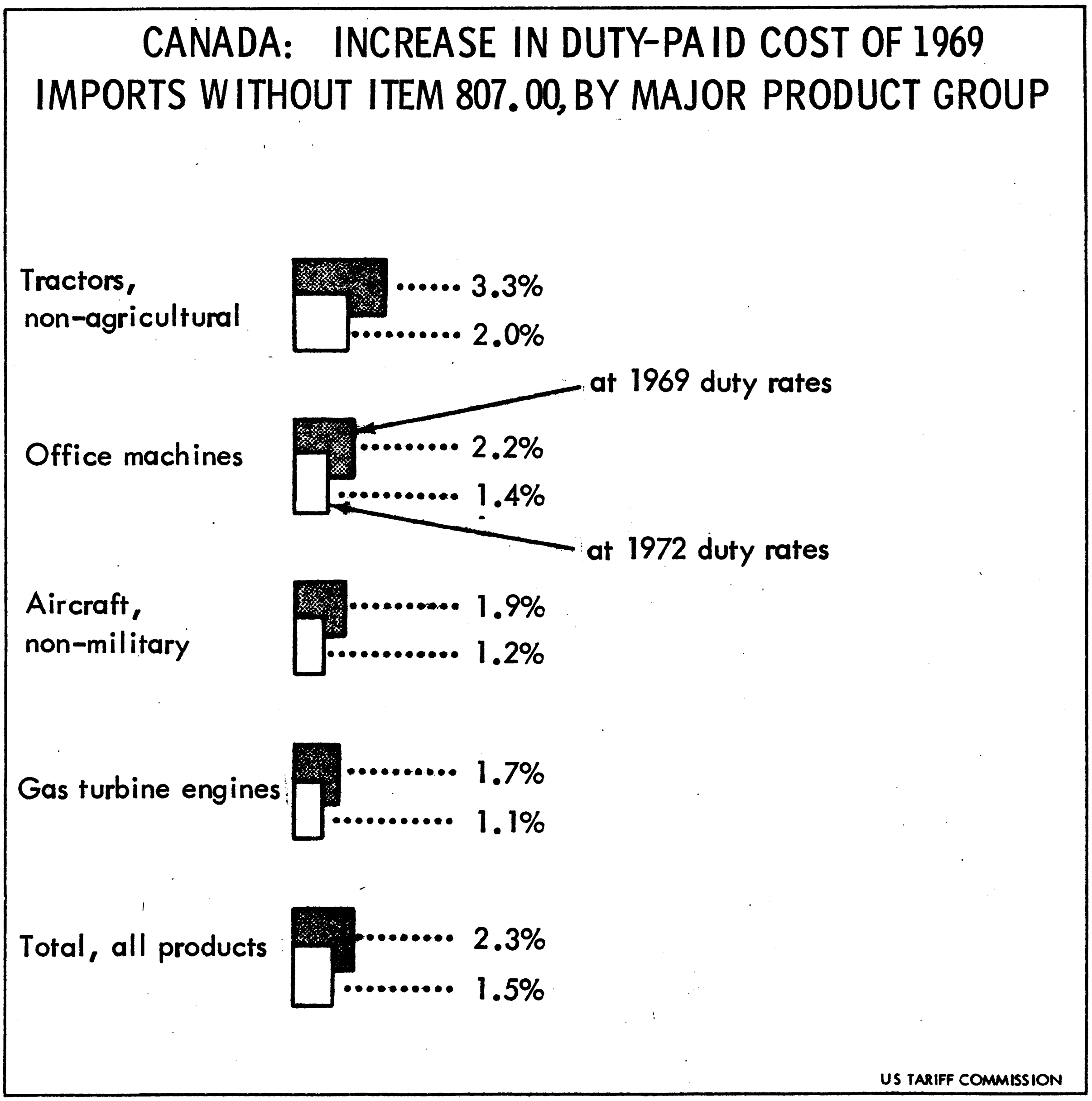


FIGURE 19

Office machines, industrial machinery and transportation equipment make up over 90 percent of the 807.00 imports from Canada. Electronic items and scientific instruments account for most of the rest. The four leading articles entered from Canada under item 807.00 are office machines and parts ($36 million), nonmilitary aircraft ($22 million), nonagricultural tractors ($18 million), and gas turbine engines ($12 million). Together, these product groups comprised 36 percent of the 1969 imports under item 807.00 and a similar portion of the duty-free component and the duty saved. The increases in total duty-paid cost that would have resulted for these four product groups, in the absence of item 807.00, are shown in Figure 19.

Japan. Japan is the fourth largest source of imports under item 807.00, accounting for 8 percent of the total in 1969 (table 5). A sharp increase in 807.00 imports from Japan began in 1968 when they doubled over the previous year. The increase in 1969 over 1968 was 51 percent. The share of the imports that was duty free remained about the same in 1968 and 1969.

Of 807.00 imports from Japan, valued at $133 million in 1969, $22.5 million, or 17 percent, consisted of U.S. components returned duty free (table 10). The duty saved amounted to $3.6 million; in the absence of item 807.00 a 2.5-percent increase in the total duty-paid cost would have resulted. If 1972 rates of duty had been in effect the increase would have been 1.7 percent (Figure 20).

Consumer electronic and electric products, office and other machinery, and transportation equipment accounted for nearly all 807.00

entries from Japan. In 1969, the leading articles imported were radios and parts ($29 million), sewing machines ($21 million), office machines and parts ($20 million), and nonmilitary aircraft ($19 million). These four product groups made up 67 percent of 807.00 imports from Japan in 1969, accounting for one-half of the total duty-free component and nearly two-thirds of the total duty saved. The cost increases for these four groups in the absence of item 807.00 are shown in Figure 20 below:

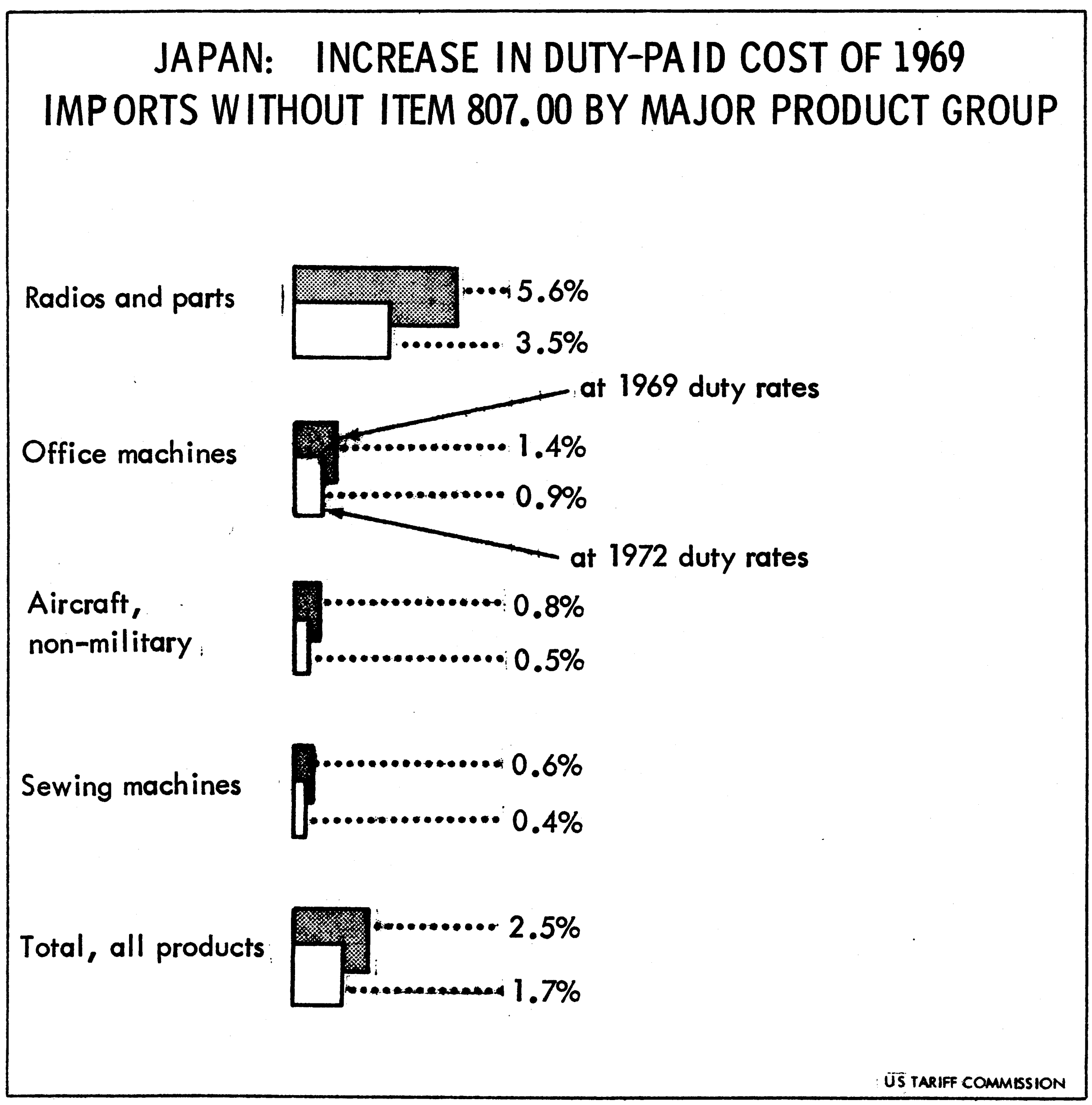


FIGURE 20

Detailed data respecting the other important sources of imports under item 807.00--the United Kingdom, Belgium, France, and Ireland--are shown in appendix table 4, 5, 11, 12, 13, and 14, respectively. The table below summarizes trade data on the most important products imported under item 807.00 from these remaining countries:

Country	Product	807 imports: Total value	807 imports: Duty-free value	Percent increase in duty-paid value 1/ based on rates of duty in--: 1969	Percent increase in duty-paid value 1/ based on rates of duty in--: 1972
		Million dollars	Million dollars	Percent	Percent
United Kingdom-----	(Aircraft	32.9	3.2	0.8	0.5
	(Phonographs	19.3	3.3	1.4	.9
	(Motor vehicles	10.6	.2	.1	.1
Belgium------------	Motor vehicles	66.6	4.0	.4	.2
France-------------	Aircraft	18.6	6.0	2.4	1.6
Ireland------------	Semiconductors	12.5	3.4	2.5	1.6

1/ Increase in the total duty-paid value in the absence of item 807.00.

Imports from less-developed countries.--As noted previously, during the period 1966-69, the share of total imports entered under item 807.00 from less-developed countries (LDC's) increased from 6.8 percent in 1966 to 22.2 percent in 1969 (table 5). The amounts (in millions of dollars) from these countries during 1966-69 were as follows (based on table 4):

Country	1966	1967	1968	1969
Mexico------------------	7.0	19.3	73.4	145.2
Hong Kong---------------	41.4	51.4	65.4	90.7
Taiwan------------------	6.6	15.9	45.5	68.1
Republic of Korea-------	1/	.3	11.0	20.1
Caribbean 2/------------	3.8	7.9	13.4	19.0
Singapore---------------	-	-	1/	6.8
Philippines-------------	.2	.8	3.4	5.2
Other-------------------	1.6	2.6	3.8	11.8
Total---------------	60.5	98.2	215.9	366.9

1/ Less than $50,000.
2/ Bahamas, Jamaica, Haiti, Dominican Republic, Windward and Leeward Islands, Barbados, Netherlands Antilles, French West Indies and Trinidad.

As indicated by the data shown above, imports from LDC's increased at an average annual rate of about 82 percent--a much faster rate than imports from developed countries (16 percent).

Of the aggregate increase in the total value of 807.00 imports between 1966 and 1969 ($759 million), imports from LDC's accounted for 40 percent ($306 million); of the aggregate increase in the duty-free value ($226 million), LDC's accounted for 79 percent ($179 million); of the aggregate increase in dutiable value ($533 million), LDC's accounted for 24 percent ($127 million). As indicated above, the increase in the value of U.S. components returned duty free under item 807.00 was far more significant for imports from LDC's than from developed countries during 1966-69. The value of duty-free components included in total imports from all countries and from the LDC's and the proportion of such value supplied by the LDC's is shown, in millions of dollars, in the tabulation below:

	1966	1967	1968	1969
Total, all countries------	113.3	146.6	225.7	339.4
LDC's---------------------	28.9	55.3	121.1	208.2
Ratio (percent) of LDC's to total----------------	25.5%	37.7%	53.7%	61.3%

The aggregate value of the U.S. component incorporated in the imports (57 percent in 1969) is as great or greater than the value added abroad by the assembly operations for most of the LDC's. For this reason and because the average rate of duty on 807.00 imports from most LDC's is relatively high, the duty saved is substantial in relation to the total value. In contrast to the developed countries, most of the

807.00 trade with LDC's is between U.S. and foreign establishments having, either directly or indirectly, a sequential export-import operation.

The 1969 and the 1972 average ad valorem equivalents of the rates of duty applicable to imports, and the calculated duty savings on 1969 imports under item 807.00 from the less-developed countries are shown below:

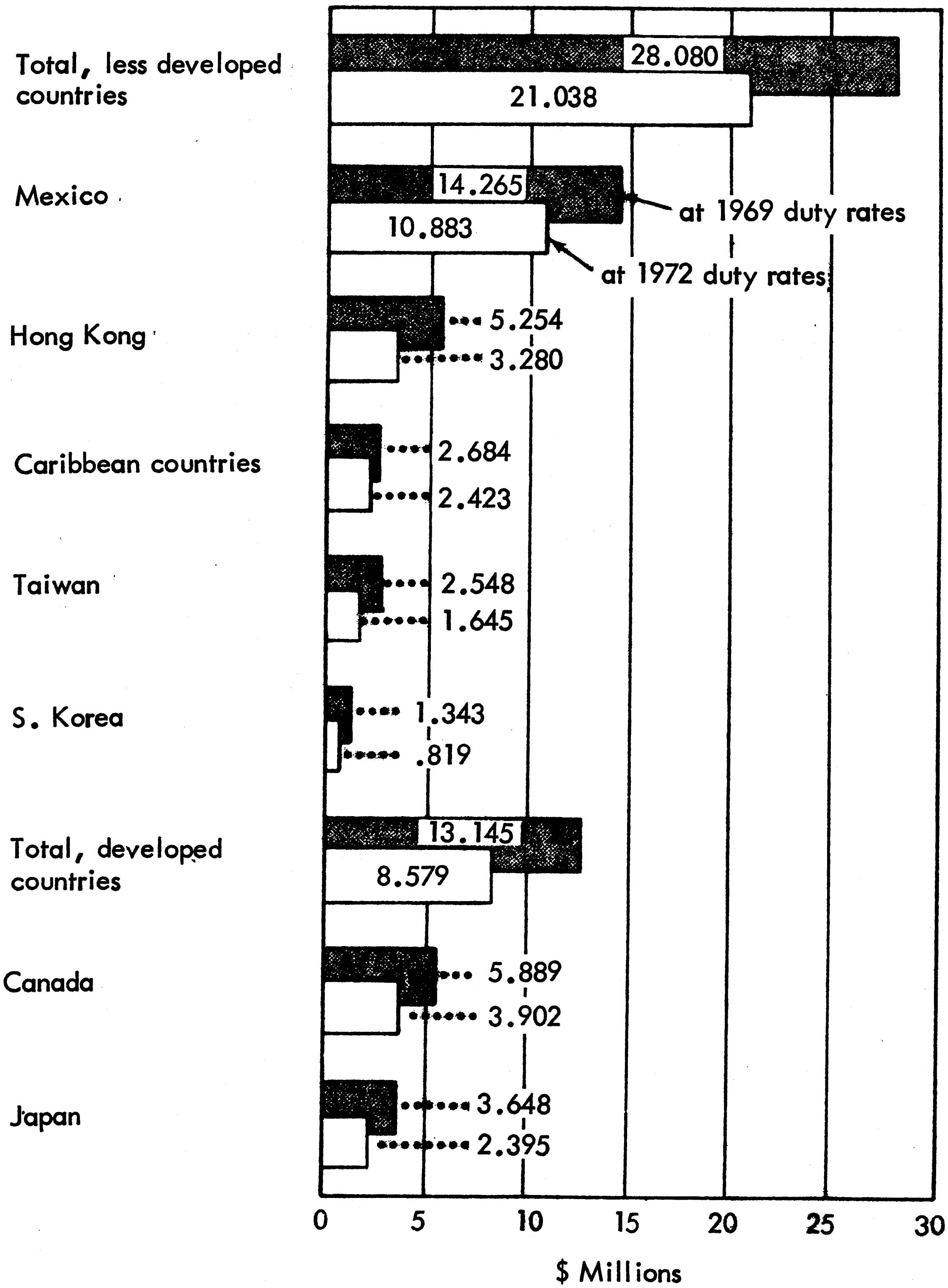
	Average import duty at--		Amount of duty saved at--	
	1969 rates	1972 rates	1969 rates	1972 rates
	Percent	Percent	Million dollars	Million dollars
Mexico--------------	14.9	11.0	14.3	10.9
Hong Kong-----------	10.9	7.1	5.2	3.3
Taiwan--------------	9.9	6.7	2.5	1.6
Republic of Korea--	10.1	6.3	1.4	.8
Caribbean-----------	21.7	19.5	2.7	2.4
Singapore-----------	10.0	6.0	.3	.2
Philippines---------	17.4	22.3	.6	.8
Other---------------	16.5	14.5	1.1	1.0
Total----------	13.0	9.7	28.1	21.0

The amounts of duty saved on 807.00 imports from LDC's and those from developed countries are contrasted in figure 21.

Of the aggregate amount of duty saved ($41.3 million) on 807.00 imports from all sources, the duty saved ($28.1 million) on imports from the LDC's accounted for 68 percent. In 1969, in the absence of item 807.00 the duty-paid cost of imports from LDC's would have been 7.3 percent higher; using projected 1972 rates of duty it would have been 5.5 percent higher.

Details by major products imported from LDC's as a group are shown in table 15 in Appendix F. As indicated in that table, imports of most products entered from the LDC's were dutiable at relatively high rates of duty which, weighted by the amount of trade under each, averaged almost twice as high as those for developed countries (table 6). The

TARIFF ITEM 807.00: DUTY SAVED, BY COUNTRY, 1969



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average rates for individual countries were 9.9 percent ad valorem for Taiwan, 10.1 percent for South Korea, 10.9 percent for Hong Kong, 14.9 percent for Mexico, and an average of 21.7 percent for the Caribbean countries. The lower average ad valorem rates reflect the predominance of metal articles (Schedule 6) in the imports; the higher rates reflect the predominance of wearing apparel (Schedule 3) and miscellaneous articles (Schedule 7) in the imports.

Mexico. Among the important sources of 807.00 imports, use of the provision is increasing faster in Mexico than in any other country. From 1968 to 1969 such imports from Mexico nearly doubled and its share of all 807.00 imports increased from 5 to 9 percent, making it the third largest source of 807.00 imports in 1969 (tables 4 and 5).

In 1969, 807.00 imports from Mexico amounted to $145 million. U.S. components returned duty free made up 66 percent of the total and the duty paid-value would have been 9.3 percent higher without the 807.00 duty saving. At 1972 duty rates, it would be 7.3 percent higher.

Two-thirds of the 807.00 imports in 1969 ($94 million) consisted of assembled metal articles, mostly consumer electronic products and components (table 16).

Toys, dolls, and models, with a value of $17 million, accounted for 12 percent of 807.00 imports from Mexico in 1969. About one-half of the value entered duty free and in the absence of the duty savings a 12.5 percent increase in the duty-paid cost would have occurred. At 1972 rates, the increase in the duty paid-cost without item 807.00 would be 8.3 percent.

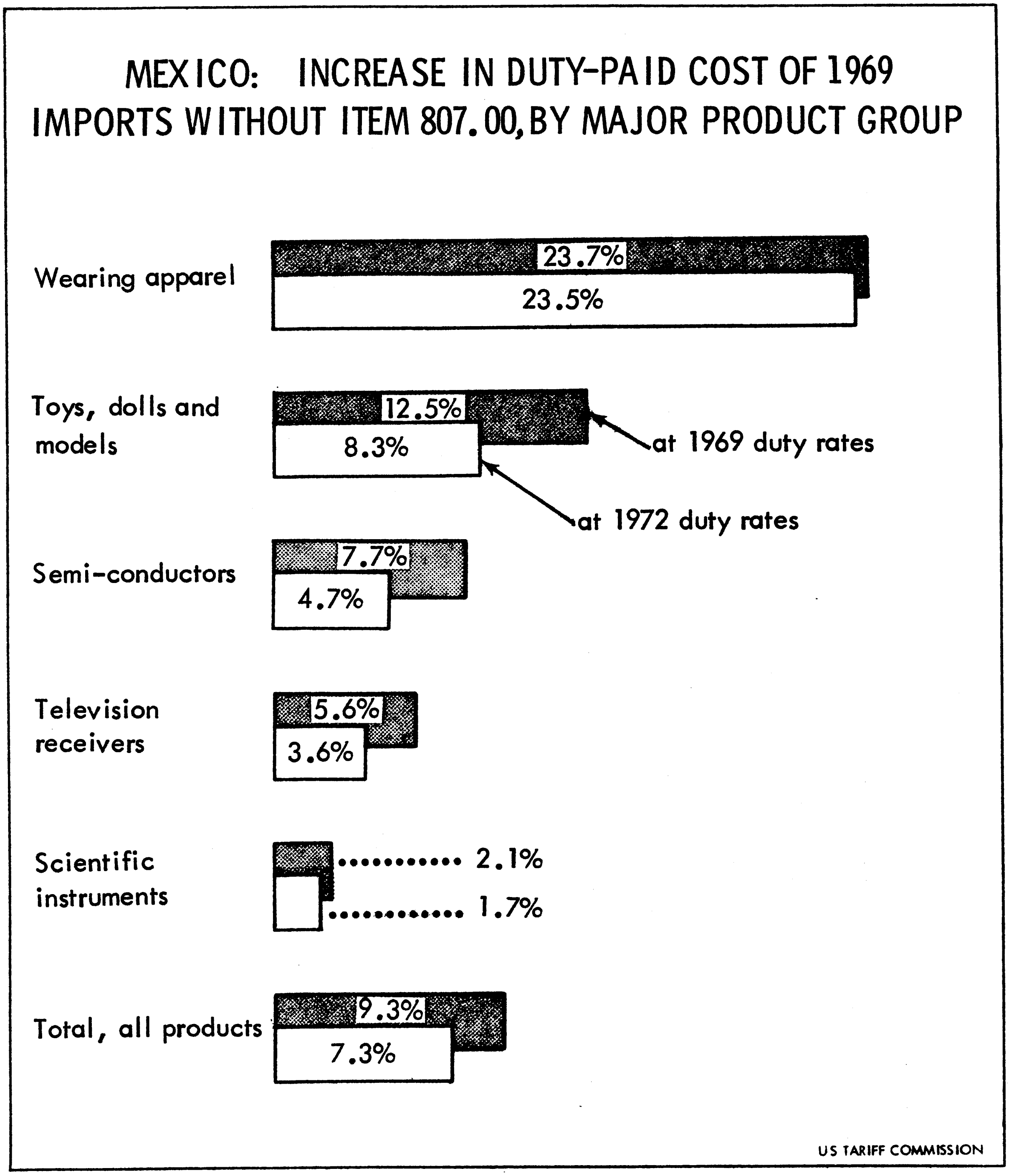

FIGURE 22

About half of the remaining 807.00 imports from Mexico in 1969--12 percent of the total, valued at $17 million--consisted of various items of wearing apparel. A duty-free component of 74 percent and relatively high rates of duty resulted in a duty saving of $4.3 million without which the duty-paid cost of such 807.00 imports would have increased by nearly 24 percent. The savings would be about the same at the 1972 rates as very few rates of duty applicable to apparel were reduced substantially in the Kennedy Round.

Figure 22 shows the calculated increased costs for the significant product groups of 1969 imports without the benefits of 807.00, using both 1969 and 1972 average rates of duty.

The Government-sponsored Border Industrialization Program 1/ is an important factor in the growth of U.S.-Mexican trade. Mexico's location also favors 807.00 trade with a transportation advantage over offshore suppliers and relatively easy access for U.S. managerial personnel. The twin plant concept promoted by U.S. border cities has also been a factor in the growth of trade with Mexican border areas.

Hong Kong. As a well established industrial producer, Hong Kong has been a significant source of 807.00 imports in each of the four years 1966-69. Consequently the rate of increase has been less than that for the more recent sources of such imports. Nonetheless, 807.00 imports from Hong Kong increased 39 percent from 1968 to 1969 and its share of all 807.00 imports advanced to 5.5 percent (tables 4 and 5).

In 1969, 56 percent of the $91 million worth of 807.00 imports from Hong Kong consisted of U.S. components returned duty free (table 17).

1/ For a description of the program see the section of this report titled "Incentives Employed by Foreign Governments."

The duty saved was $5 million. Without the benefits of item 807.00, the duty-paid cost would have increased 5.5 percent; at 1972 rates the increase would be 3.5 percent.

Over 90 percent of the 807.00 imports from Hong Kong consist of assembled metal articles such as electronic products and machinery. The principal products making up this group include semiconductors ($32 million), electronic memories ($20 million), office machines ($10 million), and television and radio receivers and components ($17 million). The rates of duty for these items are being reduced under Kennedy Round commitments. The increase in total duty-paid cost without the benefits of item 807.00 respecting the 3 largest product groups is shown in Figure 23.

HONG KONG: INCREASE IN DUTY-PAID COST OF 1969 IMPORTS WITHOUT ITEM 807.00, BY MAJOR PRODUCT GROUP

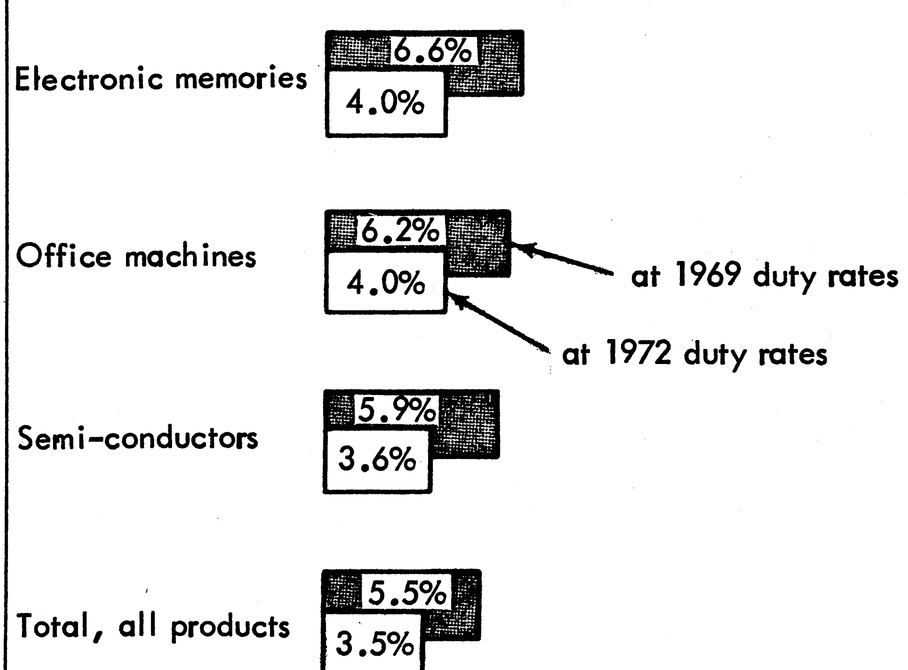

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FIGURE 23

Taiwan. Imports under item 807.00 from Taiwan have increased rapidly in recent years, with a 50-percent gain in 1969, when its share of total 807.00 trade reached 4.1 percent (tables 4 and 5). The portion of the total comprising U.S. components returned with duty allowance has not increased as rapidly with the result that the ratio of the duty-free to total value has declined each year--from 50 percent in 1966 to 35 percent in 1969.

In 1969, 807.00 imports from Taiwan amounted to $68.1 million and U.S. components returned duty free made up 35 percent of the

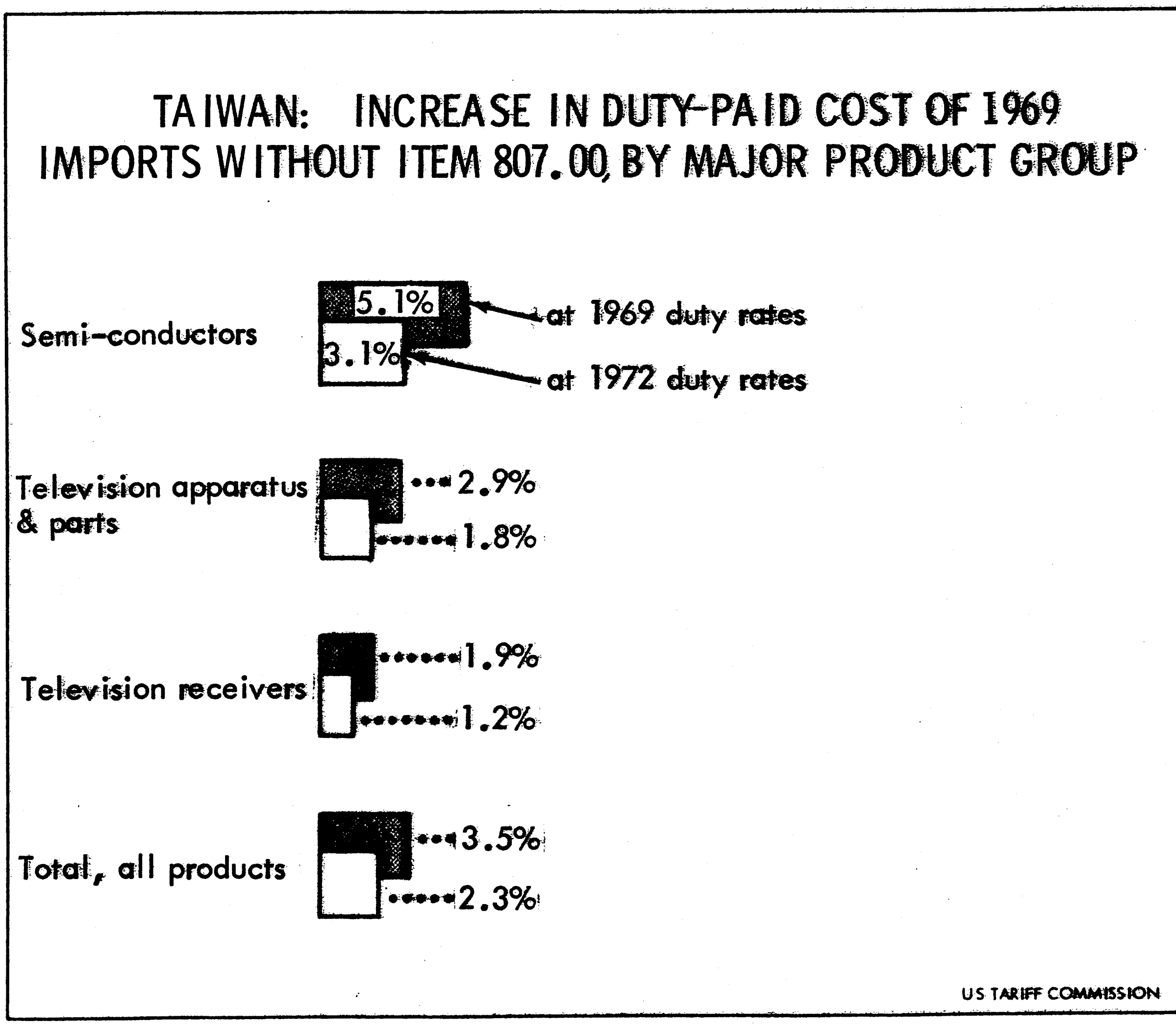


FIGURE 24

total (table 18). Without the duty saved under item 807.00 the duty-paid cost would have been 3.5-percent higher. At 1972 rates it would have increased 2.3 percent.

Nearly all 807.00 imports from Taiwan are assembled metal articles such as television sets, radios, semiconductors and electronic memories. The rates of duty for most such items are being reduced pursuant to the Kennedy Round agreement. The increase in total duty-paid cost without the benefits of item 807.00 on the three largest product groups involved are shown in Figure 24. In 1969, these three groups accounted for about two-thirds of the imports and 51 percent of the duty saved on 807.00 trade from Taiwan.

Republic of Korea. Imports under item 807.00 from the Republic of Korea, one of the more recent sources of such imports, increased from a few thousand dollars in 1966 to $20 million in 1969, the increase in 1969 over 1968 was 83 percent. In 1969 U.S. components returned duty free accounted for 68 percent of the total value of imports. Without 807.00 the 1969 total duty-paid cost would have increased by 6.7 percent; at 1972 rates, it would have been 4.1 percent higher (table 19).

Semiconductors ($15 million) and electronic memories ($4 million), both subject to Kennedy Round duty reductions, made up 94 percent of total 807.00 imports in 1969 and a slightly lower portion of the duty saved. The increase in total duty-paid cost without the benefit of item 807.00 on these products and the total are shown in Figure 25.

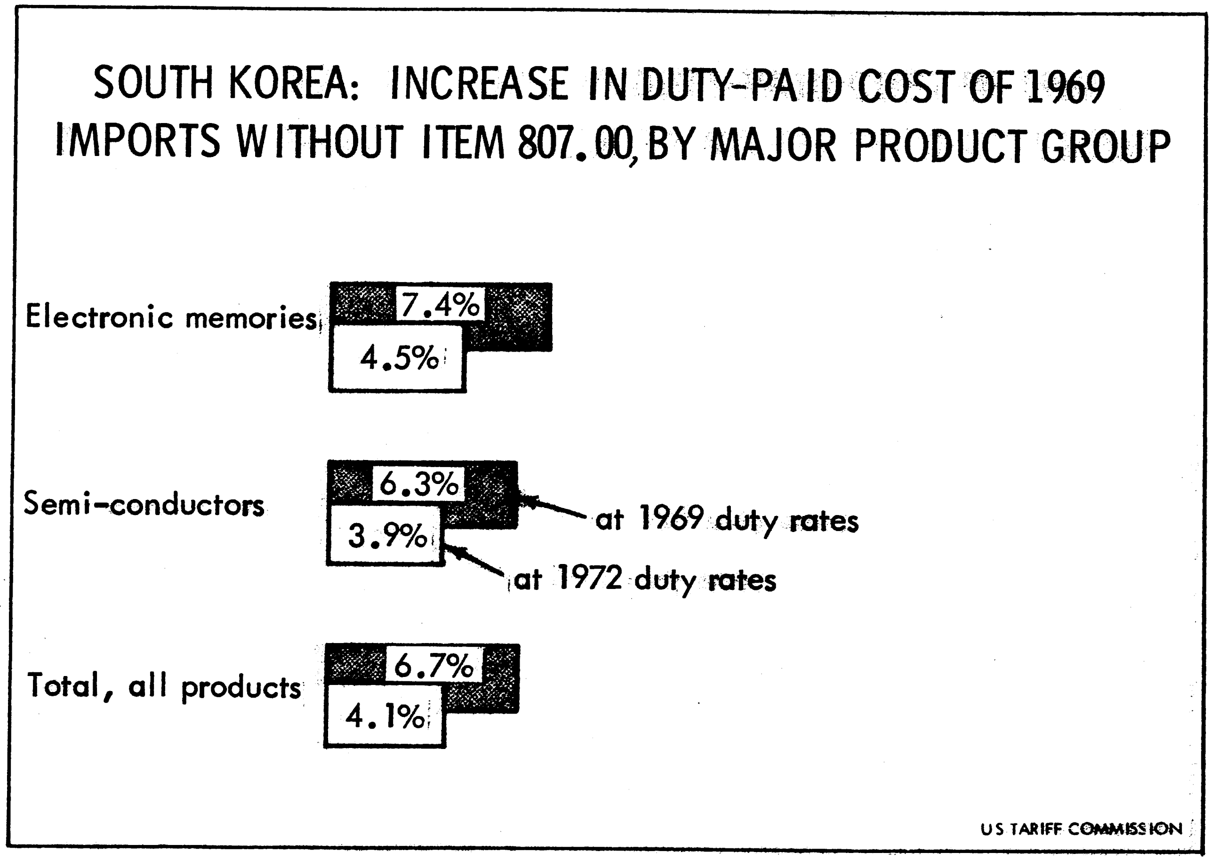


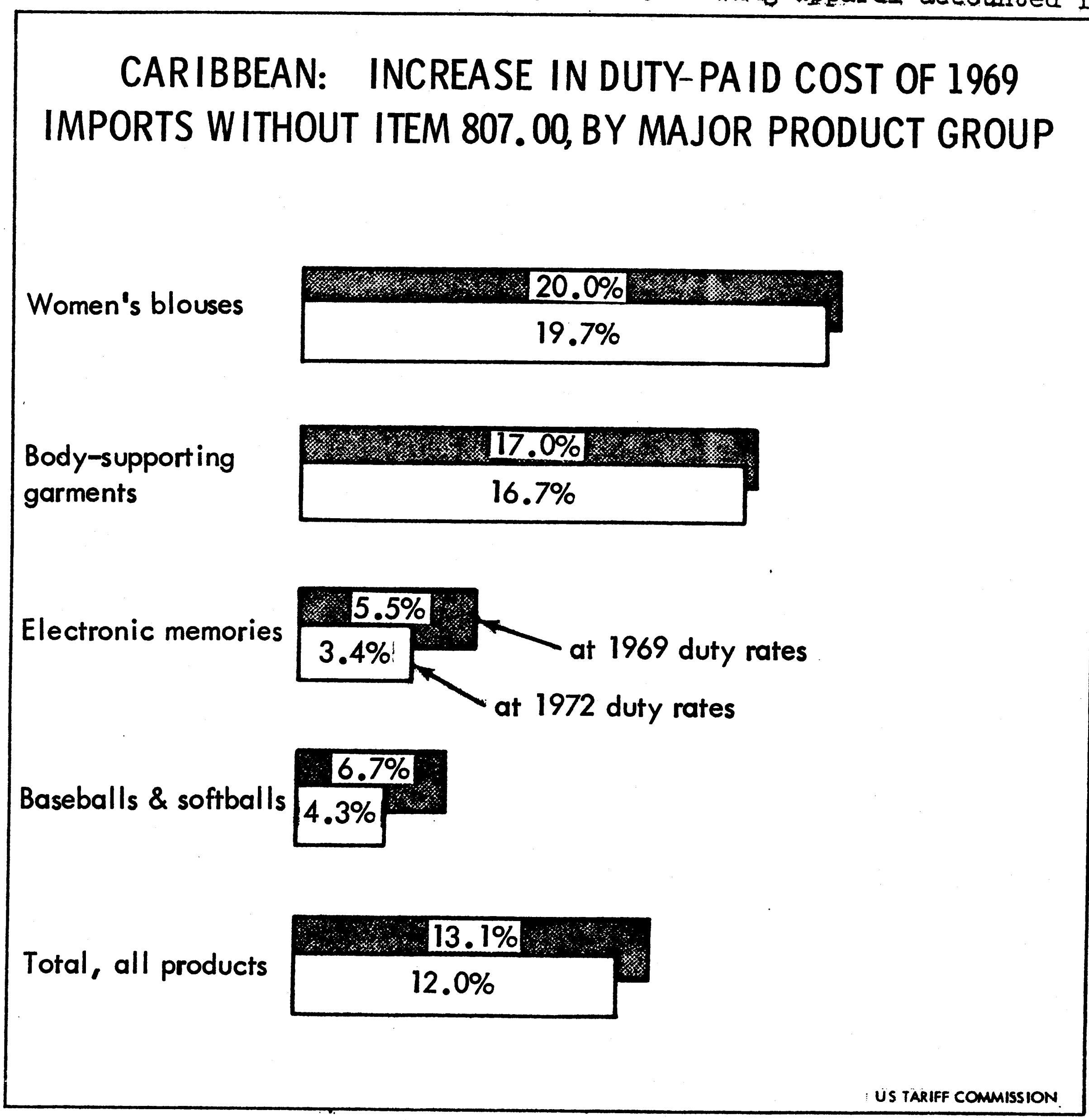
FIGURE 25

Caribbean countries. In 1966, Jamaica and, to a lesser extent, Haiti accounted for practically all of the 807.00 imports from the Caribbean area. In more recent years Trinidad and Barbados have also become significant suppliers. The aggregate 807.00 imports from this area were 42 percent larger in 1969 than they were in 1968; they increased fivefold during 1966-69 (tables 4 and 5).

In 1969, 807.00 imports from the Caribbean totaled $19 million, of which 64 percent consisted of U.S. components returned duty free (table 20). In the absence of item 807.00, the duty-paid cost of such imports would have been 13.1 percent higher; at 1972 duty rates it would have been 12.0 percent higher.

Over one-half ($10 million) of the 807.00 imports from the area consisted of wearing apparel. Electronic items ($3 million) and baseballs ($2 million) accounted for a large part of the remainder. The duty-free component is large in all important 807.00 imports; the dutiable component accounts primarily for foreign labor costs.

Because of relatively high rates of duty (few of which were reduced substantially in the Kennedy Round) wearing apparel accounted for



three-fourths of the total duty saved in 1969. In that year, the duty-paid value of wearing apparel would have been 18 percent higher without the 807.00 duty saving. Large duty savings were also realized on gloves (19.2 percent), jewelry (19.0 percent), and toys, dolls, and models (17.5 percent). Duty savings on many of the other items were 7-9 percent of the total value.

The effect of eliminating the duty saved under item 807.00 for the principal product groups is shown in Figure 26.

Other less-developed countries. Signapore and the Phillipines are examples of other sources of rapidly increasing 807.00 imports (tables 4 and 5). Imports under item 807.00 from Singapore increased from nil in 1968 to $6.8 million in 1969; they consisted solely of electronic components.

Imports from the Phillipines increased almost 7-fold during 1966-69 and totalled $5.2 million in the latter year. Virtually all of the imports consisted of gloves on which the rate of duty is relatively high. In 1969, the rate of duty applicable to articles imported from the Phillipine Republic was 60 percent of the lowest rate applicable to products of other countries; in 1972 it will be 80 percent.

Imports under item 806.30

Imports under item 806.30 increased annually from $63 million in 1966 to $193 million in 1969 as shown below, in millions of dollars; half or more of the total value of imports in each of these years was accounted for by the duty-free value (for details see table 21 in Appendix F).

	1966	1967	1968	1969
U.S. metal articles (duty-free)-----	34	51	81	103
Foreign processing (dutiable)-------	29	52	63	90
Total----------------------------	63	103	144	193

Composition of imports.--The principal articles entered under this tariff provision in 1969 were (in order of the total value of imports): parts of aircraft (primarily wing and tail assemblies and fuselage panels); aluminum sheet and strip, rods, and pipe and tube; semiconductors; copper and brass strip, pipes and tubes, rods, and wire; parts of steam turbines, boilers, and auxiliary equipment; aluminum foil; and parts of internal combustion engines. Other articles imported in significant quantities included steel wire, refractory metal powders and compounds, wrought titanium (primarily round and flat bars), parts of sport-type automobile wheels and railway rolling stock.

In 1969, imports of aircraft parts (valued at $68 million) accounted for the larger part (35 percent) of the total value of imports and also of the duty saved ($1.9 million out of $9.7 million) (table 22). The combined imports of aluminum mill products and aluminum foil ($40 million) were equivalent to 21 percent of the aggregate value of all the imports, and the duty saved thereon ($2.9 million) accounted for 30 percent of the total. Nonferrous metal products (except aluminum) and semiconductors accounted for most of the remaining imports (14 percent and 12 percent, respectively), and of the duty saving (22 percent and 6 percent). Details are shown in the table on the following page.

Item 806.30: Principal product categories imported in 1969

Product	Total value	Ratio to total value of all 806.30 imports	Duty-free value	Ratio to total duty-free value of all 806.30 imports	Ratio of duty-free value to total value
	1,000 dollars	Percent	1,000 dollars	Percent	Percent
Parts of aircraft	67,792	35.2	26,614	25.8	39.3
Aluminum mill products	30,386	15.8	23,005	22.3	75.7
Semiconductors	20,329	10.6	5,993	5.8	29.5
Copper mill products	18,744	9.7	15,170	14.7	80.9
Parts of steam boilers and auxiliary equipment, and steam turbines	13,909	7.2	7,855	7.6	56.5
Aluminum foil	10,007	5.2	6,459	6.2	64.5
Subtotal	161,167	83.7	85,096	82.4	52.8
All other	31,466	16.3	18,125	17.6	57.6
Grand total, all 806.30 imports	192,633	100.0	103,221	100.0	53.6

Source: Table 22.

The relationship between the duty saved and the value of the imports under item 806.30 in 1969, is summarized below, by product group:

Product group	Calculated duty saving as a percentage of-- Total value of imports	Calculated duty saving as a percentage of-- U.S. duty-free value
Aluminum foil------------------	12.8	19.8
Aluminum mill products other than foil--------------------	5.5	7.3
Nonferrous metal products, not elsewhere specified----------	7.9	10.0
Aircraft parts-----------------	2.7	7.0
Steam turbine, steam boiler, and economizer parts---------	6.6	11.7
Semiconductors-----------------	2.9	10.0
All other----------------------	5.2	10.2
Average-------------------	6.2	10.8

In 1969, about 58 percent of the total value of the imports consisted of articles for which the duty savings represented 2.0 to 4.9 percent of the total value of the imports; about 40 percent of the total value was represented by products for which the duty saving was equivalent to over 5 percent of the total value.

Sources of imports.--Canada is the source of half of the imports under item 806.30, and Europe (chiefly Belgium, Italy, West Germany, France, the United Kingdom, and Switzerland) is the source of most of the remainder (tables 21 and 23). Imports from other countries, however, (chiefly the Netherlands Antilles, Japan, Singapore, Mexico, and South Korea) increased significantly in 1969 when they accounted for 15 percent of the total. The sources of imports in 1969, in millions of dollars, were as follows:

Source	Total value	Duty-free value 1/	Dutiable value 2/	Ratio of dutiable value to total value 3/
				Percent
Canada	97	52	45	47
Belgium	22	16	6	29
Italy	13	6	7	56
Netherlands Antilles	11	2	9	79
West Germany	11	6	5	44
France	10	7	3	26
United Kingdom	6	3	3	44
Japan	5	3	2	42
Singapore	5	1	4	75
Mexico	5	2	3	55
Korea	4	2	2	43
Switzerland	2	1	1	45
All other	3	2	1	48
Total or average	194	103	91	46

1/ Value of U.S. metal article returned duty free.
2/ Value of foreign processing.
3/ Based on non-rounded figures.

As shown above, the foreign processing, which is the dutiable component of 806.30 entries, varies significantly as a percent of the total value of these imports, from country to country, depending upon the type of articles being imported from the different countries. Consequently, imports from Belgium and France, consisting primarily of basic metal mill products, such as aluminum sheets and rods, which are processed in capital-intensive automated mills, have relatively small inputs of foreign processing (29 and 26 percent, respectively). However, imports from the Netherlands Antilles and Singapore, which consist of electronic components such as semiconductors, are processed in labor-intensive operations and the foreign processing accounts for a large share (79 and 75 percent, respectively) of the total value of the 806.30 imports from these countries.

Imports under item 806.30 from Canada consist largely of parts of transportation equipment, principally aircraft, and parts of various types of industrial machinery and equipment; the great bulk of these articles are processed by Canadian subsidiaries of large U.S. firms.

Most of the imports from Mexico under item 806.30 are parts of sport-type automobile wheels, electronic components, and metal fasteners; the bulk of these articles are processed by Mexican affiliates of U.S. firms which are located in Southern California.

Imports from Europe under item 806.30 consist primarily of aluminum and other nonferrous metals in such forms as sheets, rods, bars, pipes, and foil. A large part of these imports are processed abroad by foreign concerns that have U.S. subsidiaries or affiliates; some of these foreign concerns obtain their raw material requirements (generally metal ingots) from their U.S. subsidiaries. Most of the imports of aluminum foil are entered by U.S. jobbers; these firms frequently purchase ingot from U.S. producers for conversion into foil--on a toll basis--in European rolling mills.

In all, about 86 percent of the total imports under this tariff item in 1969 were from countries in an advanced stage of industrial development (such as Canada, Japan, and Western European countries). In that year, only about 14 percent, or $27 million, of the total value of imports was from the less developed countries (tables 21 and 23). Imports from the latter sources (chiefly Netherlands Antilles, Singapore, Mexico, and Korea) consisted mainly of semiconductors processed in wholly-owned subsidiaries of U.S. concerns.

From 1966 to 1969, the industrialized countries accounted for most of the aggregate increase ($164 million) in the total value of the imports, as well as for most of the aggregate increase in the duty-free value ($69 million). Over that period, the total value of imports from countries in a lesser developed stage of industrialization rose by about $26 million; the duty-free value of the imports from those countries, which was negligible in 1966, amounted to over $9 million in 1969.

The Nature and Significance of 807.00 Operations to Major Participating Firms, and the Motivation for Using Foreign Facilities and for Using U.S.-fabricated Components.

The growth of trade under the tariff provision in question has been stimulated by a variety of factors, such as the disparity between U.S. and foreign labor costs of assembly or processing; severe and increasing competition in the U.S. market from foreign producers; the existence of U.S.-owned foreign plants initially established with the intent to expand in world markets through the internationalization of production facilities (in some instances prompted by foreign trade barriers); the benefits provided by tariff items 807.00 and 806.30 that accord preferential duty treatment to products that contain U.S. components or materials; and the incentives offered by foreign governments to attract new industry (including tax holidays and other possible tax advantages).

Three general classes of users are involved in the trade under the provisions of item 807.00. One class is comprised of U.S. manufacturers who utilize foreign plants which they own, operate, or utilize on a contract basis to assemble the fabricated components in question. These users have what is described in this report as a "sequential export-import operation"; benefits derived from the domestic/foreign operations and from the provisions of item 807.00 accrue directly to them. While these producers generally manufacture their own components for export, a substantial number pruchase such articles from other U.S. producers.

The second general class of users is comprised of U.S. entrepreneurs (with no manufacturing facilities either in the United States or abroad) who, acting on their own account, export purchased U.S. fabricated components and contract for the assembly of the articles in foreign plants operated by foreign nationals. Benefits derived from the foreign assembly operation and from the duty remission under item 807.00--as in the case of the U.S. producers--accrue directly to such U.S. entrepreneurs.

The third general class of users is comprised of foreign manufacturers (and their related U.S. importers) who--for varying reasons--purchase U.S. components for incorporation into their products. The benefit of duty remission under item 807.00 accrues directly to the U.S. importer, and indirectly to the foreign manufacturer when the duty remission--reflected in the prices charged by the importer--generates increased volume of sales for the foreign producer.

U.S. concerns reporting on their operations in the Commission's detailed follow-up questionnaire, indicated that in 1969 total shipments (including exports) from their establishments engaged in operations relating to item 807.00 1/, in the aggregate, amounted to about $8.9 billion. Shipments by these concerns of products imported under item 807.00, including those which were further processed in the United States, were valued at about $770 million and of articles produced in

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1/ Only those establishments that were engaged in at least one (but not limited to one) of the following activities: (1) Production of fabricated components for assembly abroad, (2) production of products identical with those imported under item 807.00, and/or (3) further processing of assembled products imported under item 807.00.

the U.S. establishments that were like those imported under item 807.00 were valued at about $910 million.

In the aggregate, total exports of all products from these U.S. establishments were valued at about $650 million in 1969. Exports of fabricated components (both produced and purchased) were valued at $267 million; exports of such components to foreign establishments engaged in 807.00 operations were valued at $214 million, or the equivalent of about 80 percent of the total exports of fabricated components. Imports under item 807.00 by the firms reporting were valued at $586 million in 1969. 1/

The articles discussed separately below are the principal articles or groups of articles imported into the United States under the provisions of item 807.00. The discussions set forth the general nature of the 807.00 operations, the significance of these operations to the participating firms, and the motivation attributed by the firms for their use of foreign facilities.

Wearing apparel

Forty-two firms, accounting for more than half of the total apparel imports under item 807.00 in 1969 responded to the Commission's survey. Nearly two-thirds of the 42 respondents were U.S. manufacturers who cut the garment parts in their own plants and exported them for assembly. Slightly over one-fourth were U.S. jobbers who contracted for the cutting of the garment parts and exported the parts for

1/ Data on exports of fabricated components cannot be compared with 807.00 imports by these firms on account of the time lag between exports and subsequent imports, and sales in third markets after assembly.

assembly. The remaining respondents were U.S. contractors who performed sewing or assembly of garment parts for others but also exported garment parts owned by others for assembly. About three-fifths of the total reported apparel imports under item 807.00 in 1969 was from foreign plants in which U.S. firms had a financial interest and about two-fifths was from foreign-owned plants producing for jobbers or contractors.

Over 90 percent of the U.S. apparel components exported for assembly was produced by U.S. firms which import under item 807.00; the remainder was purchased from other U.S. firms. Of all apparel imported under item 807.00 in 1969, about 55 percent was returned to the home plant for some further processing and about 45 percent was sold in essentially the same condition as imported.

The assembly operations abroad consist mostly of various sewing operations necessary to assemble cut fabrics exported from the United States into garments. The use of foreign components in garments imported under item 807.00 is nil. Ninety percent of the total value of shipments of apparel by foreign establishments was exported to the United States under item 807.00 in 1969; the remainder was shipped to other countries.

Twelve firms, accounting for about 20 percent of total imports of apparel under item 807.00, provided detailed information on their operations. In 1969, the ratio of the value of shipments of apparel imported under item 807.00 by these firms amounted to 10 percent of the value of their total shipments ($124 million). In a few instances, however, U.S. shipments of apparel imported under item 807.00 accounted for a large part of an individual firm's total shipments of these articles.

An ample foreign labor supply and lower wages in Mexico, Central America, and Caribbean countries than in the United States were the major reasons given by most apparel firms for having apparel sewn abroad. With both the duty savings under item 807.00 and the savings in labor cost, such manufacturers claim they have built a volume business by supplying chain and specialty stores with low-priced promotional merchandise at prices close to those for apparel imported (but not under item 807.00) from the Far East. The shorter lead time between the United States and Mexico and the Caribbean countries, than that between the United States and the Far East, permits better control of styling and faster turnover--a significant factor in the apparel trade. In addition, some foreign governments offer special incentives such as readily available plants and equipment, trained sewing machine operators, tax holidays, or aid in obtaining loans.

Motor vehicles

Almost half of the total imports under item 807.00 (but only about 3 percent of the duty-free value) is accounted for by imports of motor vehicles. Motor vehicles imported into the United States under the provisions of item 807.00 are assembled largely by foreign motor-vehicle producers in which U.S. firms do not have any financial interest; 20 percent or less are manufactured by foreign subsidiaries of U.S. motor-vehicle producers, and less than one percent (motor busses) are manufactured abroad for U.S. jobbers or contractors.

Except in relation to the assembly of motor busses, virtually all of the foreign activities under item 807.00 consist of motor-vehicle assembly operations in which small quantities of U.S.-manufactured parts are incorporated into essentially foreign motor vehicles. Motor busses utilize substantially higher proportions of U.S.-made parts. The bulk of the U.S. components exported for incorporation in motor vehicles are purchased in the United States by the foreign motor-vehicle producers or their U.S. affiliates; lesser quantities are produced by automobile manufacturers in the United States who incorporate such parts in the automobiles they assemble abroad for entry under item 807.00.

U.S.-produced passenger-automobile parts that are exporred for assembly and return under item 807.00 include sealed-beam headlamps, window glass, tires, automatic transmissions and seat belts.

All of the motor vehicles imported into the United States under item 807.00 are complete assemblies which require no further processing other than the installation of a limited number of dealer-installed options or accessories. Virtually none of the motor vehicles imported under item 807.00 are re-exported.

Automobiles entered by the two largest importers under item 807.00 in 1969 represented about 25 to 35 percent of the total output of the foreign facilities in which these units were assembled. These percentages, however, greatly overstate the importance of item 807.00 to these concerns since the value of the U.S. components included in the imported automobiles represent only 0.6 of one percent of the total duty-paid cost of these articles.

The leading user of item 807.00 in the importation of passenger automobiles indicates that the company purchases components in the United States if the landed duty-paid cost of the article is no higher than the foreign equivalent and if its quality is comparable. Currently, the company is looking for additional articles to purchase in the United States--assuming the retention of item 807.00.

U.S. manufacturers of motor vehicles having foreign assembly facilities in Europe indicate that the U.S. components utilized by them consist chiefly of articles which meet U.S. safety requirements, and are available at lower cost in the United States because of larger production runs in this country than abroad.

The duty saving under item 807.00 is a major factor for the operation of one firm which imports assembled inter-city busses from Europe; in order to remain competitive with the only major U.S. manufacturer of such busses, it must rely upon the utilization of foreign assembly facilities and on the saving realized through the use of item 807.00. For this concern, the aggregate duty saved is large because a high proportion of the total value of the imports is attributable to the duty-free U.S. components contained therein; the duty-free components represented 37 percent of the total value of these imports in 1969.

Semiconductors and parts

The major producers of semiconductors for the mass U.S. market are also major users of items 806.30 and 807.00 or are in the process of instituting operations for the use of these provisions. Very few firms used item 807.00 for the importation of semiconductors prior to 1965; most of them commenced their foreign operations in 1967 or 1968. The importing firms generally own or operate the related foreign establishments.

An increasing share (60 percent in 1969), of the fabricated components exported for assembly abroad, was produced in the plants of the U.S. importers. The bulk of the U.S. materials exported are fabricated products which are exempt from duty upon return to the United States; however, a significant portion of the exported materials (such as wire cut to length abroad) is dutiable. The fabricated components exported include both electrical and nonelectrical components of semiconductors. In general the foreign assembly and other operations are performed under magnification because of the very small size of semiconductors and their components. Rapidly changing markets, resulting from changes in technology, product innovation, and swift obsolescence of products greatly inhibit automation of the final assembly operations.

Most imported semiconductors are further processed in the United States; such processing includes testing and packaging.

The total value (reported by 14 domestic establishments) of shipments of semiconductors and parts was about $513 million in 1969; shipments of articles entered under item 807.00 represented about one-quarter of this value.

Semiconductors and parts imported under item 807.00 and re-exported accounted for less than 5 percent of total shipments by the

U.S. producers who responded to the Tariff Commission's questionnaires in 1969. The value of exports of fabricated components was $57 million in that year, of which 72 percent was shipped to foreign 807.00 facilities. About half of the total output of most foreign establishments where assembly operations were performed consisted of articles exported to the United States with duty allowance upon entry.

Increasingly intense competition in both the foreign and the domestic markets from foreign producers has been, according to U.S. producers, the compelling factor in their decision to conduct assembly operations offshore.

Radio apparatus and parts

The 14 major users of item 807.00 that import radios, including clock radios,consisted of five firms manufacturing radio receivers in the United States, three firms acting as importers, and six firms acting as jobbers. A few of the users commenced 807.00 operations prior to 1965; most began in 1967 or thereafter.

The chief fabricated components exported are clock or timer mechanisms, molded plastic parts, and printed circuit boards. The exportation of clocks or timers for assembly and return in clock radios was reported by 10 of the 14 major users of the 807.00 provision. Of the value of fabricated components exported by respondents in 1969, 76 percent was purchased (rather than produced in the domestic establishments of firms utilizing the provision); the bulk of such purchases consisted of clock or timer mechanisms.

One large U.S. manufacturer of clocks sells clock mechanisms to importers who ship them to the Far East for installation in clock radios; a second U.S. producer of clocks sells to importers but also utilizes some of its output in its own operations under item 807.00. In general, establishments in the Far East do not manufacture electric timers in quantity, because of a lack of large-scale domestic demand for these items--particularly in Japan--and advanced technology in the United States.

Mostly, the types of operations performed abroad are assembling, soldering and testing. Most of the imported radio receivers are sold in the United States without further processing; however, imported parts of radios are utilized in the assembly of complete radio receivers in the United States.

Nine firms that responded to the Commission's questionnaire had no manufacturing facilities in the United States but accounted for about a third of the 807.00 imports of radio apparatus in 1969. Five other respondents, with manufacturing facilities in the United States, were engaged in sequential export-import operations under item 807.00; these firms accounted for 41 percent of the imports under item 807.00.

Imports under item 807.00 in 1969 were equal to less than a fifth of total shipments of radio apparatus by the 5 respondents that produced such apparatus in the United States. U.S. imports under item 807.00 from the foreign establishments involved in 807.00 operations accounted for the great bulk of total shipments from such foreign establishments in 1969.

For U.S. firms which have clock radios assembled abroad, the duty saving appears to be a major motivating factor. Clocks incorporated into radios are separately dutiable at a relatively high rate (estimated at 44 percent in 1969). The bulk of U.S. components exported consist of purchased clock or timer mechanisms. Moreover, these U.S. producers state that without access to labor at costs comparable to those of foreign producers in their assembly functions, it would be virtually impossible for the U.S. industry to maintain a significant share of the U.S. market--a substantial part of which is already supplied by imports.

Office machines and parts

The principal concerns that have used item 807.00 to import office machines (such as calculating machines, adding machines, and postage franking machines) and subassemblies for these machines are large multinational corporations that enter the articles from their foreign subsidiaries. According to the U.S. Department of Commerce, over 70 percent of total office machine sales by U.S. firms in the world market are produced by overseas subsidiaries of the U.S. firms.

Fabricated components exported for assembly into office machines and parts abroad include many mechanical, electrical, and electronic parts. The use of foreign facilities for the assembly of such U.S. components is, in most instances, the result of the establishment of a world-wide production and distribution system fed in significant part by components supplied from the United States. Total U.S. shipments by the U.S. firms reporting to the Commission amounted to $558 million in 1969, of which shipments of articles entered under item 807.00 accounted for about 6 percent. Foreign assembly operations result from the rationalization of production and concomitant savings in cost.

Electronic memories

The major firms using items 807.00 for the importation of electronic memories are large producers of computers and data systems. Many of the reporting firms used item 807.00 as early as 1965; only a few commenced as late as 1968. Most users own or operate the establishments in which the foreign operations are performed.

Exports of U.S. articles to foreign assembly plants consisted principally of ferrites, stack boards, and magnet wire. Most of the memories imported are further processed in the United States into assemblies to be used in the manufacture of computers or other data processing equipment.

Total shipments of all products from U.S. establishments involved in 807.00 operations relating to electronic memories amounted to $272 million in 1969, of which shipments of the memories imported under item 807.00 accounted for 15 percent.

Total exports produced and shipped from these establishments amounted to $44 million in 1969, of which exports of fabricated components produced in-house accounted for 16 percent. All exports of fabricated components from these establishments were shipped to foreign establishments from which imports under item 807.00 were received. Exports of purchased fabricated components were three times larger than exports of fabricated components produced in-house in 1969.

The assembly of electronic memories abroad has been undertaken both to utilize an available and suitable supply of labor and to reduce the total unit cost of articles. According to U.S. firms, cost saving realized by the use of foreign labor is a critical factor in their ability to compete and expand in world markets.

Television receivers

The principal users of item 807.00 for the assembly of television receivers own or operate the foreign establishments where the 807.00 operations are performed.

Typical of the articles exported for foreign assembly are molded plastic parts, metal stampings, and electronic parts and subassemblies. Some of the television apparatus is tested and packaged at the foreign assembly facility and is ready for sale to the retailer upon importation into the United States.

Virtually all of the fabricated components exported for assembly were pruchased (rather than produced in-house) by the responding U.S. firms.

Total U.S. shipments from 4 establishments operated by major users of item 807.00 who responded to the Commission's questionnaire amounted to $201 million in 1969, of which shipments of articles imported under item 807.00 accounted for 16 percent.

About a third of the total shipments of all products from the foreign assembly facilities to all destinations were of assembled products like those exported to the United States; slightly less than half of these shipments were imported into the United States under item 807.00. The bulk of the shipments were from two Japanese firms doing contract work for a U.S. producer, largely using foreign-made components.

Producers of television receivers state that without access to labor at costs comparable to those of foreign producers in the assembly functions, it would be virtually impossible for the U.S. industry to maintain a significant share of the U.S. market--a substantial part of which is already supplied by imports.

Television apparatus (except complete receivers)

The principal firms that use item 807.00 to import parts of television receivers are among the leading U.S. producers of electronic components and television receivers. These firms generally own or operate the foreign establishments where the 807.00 assembly operations are performed.

About two-thirds of the value of fabricated components exported in 1969 for assembly abroad into parts of television apparatus were purchased from other U.S. producers. Typical of the articles exported for assembly are metal stampings, printed circuit boards and resistors.

The assembled products imported under item 807.00 are further processed in the United States by television receiver manufacturers that complete the assembly of the receiver utilizing the imported tuner, assembled chassis or other parts.

Total U.S. shipments of all products from five establishments operated by the responding firms were valued at $234 million in 1969;

imports under 807.00 were equal to 8 percent of total shipments by these producers.

Assembled products identical to those imported into the United States under item 807.00 accounted for about 40 percent of total value of shipments from foreign assembly facilities. About 45 percent of the the value of the identical products were shipped to the United States in 1969.

Increasingly intense competition both in the world and the domestic market from foreign producers has, according to U.S. producers, been the compelling factor in their decision to conduct assembly operations offshore.

Phonographs and parts

The five major concerns using item 807.00 to import phonographs and parts consisted of two importing subsidiaries of foreign firms and three domestic firms. Only one of these latter firms has a U.S. facility that manufactures phonographs or phonograph parts.

The chief operation performed abroad under item 807.00 is the assembly of U.S.-produced phonograph pickups into foreign-produced phonographs and parts, primarily record changers. The record changers are frequently further assembled in the United States into complete phonographs or combination radio-phonographs.

The great bulk of the domestic fabricated components exported for assembly is purchased rather than produced in-house, since the U.S. importing subsidiaries of foreign firms do not have component production facilities in the United States.

Total U.S. shipments from two establishments operated by responding firms importing phonographs and parts amounted to $377 million in 1969. Imports of phonographs and parts entered under item 807.00, most of which were further processed after importation, amounted to less than 5 percent of the value of total shipments by these firms in 1969. None of the responding firms produced phonographs and parts identical to those imported under item 807.00.

Virtually all of the shipments by foreign establishments of articles like those entered under item 807.00 were exported to the United States.

Increasingly intense competition from foreign producers in both the world and the domestic market has, according to U.S. producers, been the compelling factor in their decision to conduct assembly operations offshore.

Non-piston type internal combustion engines

The principal U.S. components exported for assembly into non-piston type engines include turbine and compressor rotors, other mechanical parts, and fuel and ignition system components. Some of these fabricated components are manufactured by the U.S. engine manufacturers. In the foreign establishments these components are assembled together with certain components of foreign origin to form complete engines.

The available data indicate that 807.00 imports of non-piston type engines represent only a minor share of the total output of the foreign establishments in which they are assembled and about 5 percent of the total shipments of all products by the U.S. producers. In some instances the imports are insignificant; in others they represent a significant share of the U.S. producers' total shipments of like products.

One U.S. producer of gas turbine (jet) engines for aircraft uses its foreign production facilities for the production of such engines because of the economies realized by an integrated production system designed to serve the entire North American market. The company also reported difficulty in obtaining needed workers in highly skilled job classifications in the area of the U.S. plant

The principal reason another U.S. producer has used foreign facilities for the assembly of large gas turbines has been a temporary shortage of capacity to produce these units in the United States. The demand for these turbines has grown at a rapid rate since 1965, and the use of tariff item 807.00 is largely incidental to a temporary lack of capacity. This producer indicated that, in the absence of the 807.00 provision, costs would have been sufficiently high as to have disadvantaged it relative to potential foreign suppliers.

Both U.S. producers of gas turbines indicated that the provisions of item 807.00 indirectly enabled them to obtain a larger share of foreign markets than would otherwise be possible. Total exports of U.S. gas turbine components for assembly abroad include exports of components that are assembled for sale in the market where the facility is located as well as other foreign markets. A U.S. manufacturer might not otherwise have access to the nationally protected markets where the plants are located; since the completed products come from manufacturers within those countries, however, they are eligible for sale in such areas as domestic products.

Electric hand tools

Only one U.S. firm is a significant importer of electric hand tools under the provisions of item 807.00. This company exports a number of small mechanical components produced in its main U.S. plant to a foreign subsidiary where they are assembled with components manufactured and purchased by the foreign subsidiary into electric hand tools. Those tools that are imported into the United States are sold to wholesalers and retail outlets without further processing.

The foreign subsidiary of the U.S. firm is a multiproduct concern which sells almost nothing in the United States except the tools imported under item 807.00. Articles entered under item 807.00 account for a very small share of the importing firm's total shipments of all products; however, the firm does not produce tools in the United States like those being imported.

The U.S. manufacturer uses its foreign subsidiary mainly to achieve optimum utilization of both the U.S. and the foreign facility. Benefits derived from the use of item 807.00 are only incidental to the main purpose for the use of the foreign facility, that is, production of many articles for other than the U.S. market.

Nonmilitary airplanes

The U.S. firms that enter airplanes under item 807.00 are commercial airlines or importer-distributors of aircraft which do not have any ownership interest in the foreign establishments in which the airplanes are assembled.

U.S.-fabricated components incorporated into airplanes entered under item 807.00 include such articles as jet engines, flight control and communication equipment, and pressurization systems. Foreign manufacturers buy components from U.S. manufacturers and assemble them into complete airplanes for export to the United States. Respondents to the Commission's questionnaire indicated the value of the U.S. components as a percent of the total value of the airplanes entered under item 807.00 ranged between 2 and 54 percent.

Data available from published sources indicated that U.S. imports of airplanes under item 807.00 represent more than half of the foreign establishments' total output of certain types of aircraft.

The incorporation of U.S. components (with the consequent duty saving) generally results in a lower cost of the aircraft to the U.S. importer than if the full duty were payable on such aircraft or on aircraft produced wholly from foreign components. For the most part, the duty savings, however, probably is not the factor on which the imports of the aircraft depend.

With respect to U.S. components incorporated in imported aircraft, factors other than the duty saving under item 807.00 have an important bearing on their use. In the case of U.S.-made engines, the availability of service and parts is a very important consideration. Moreover, the incorporation of U.S. instrumentation and communication apparatus and pressurization systems in aircraft that are to be sold in this country enhances their marketability.

Household sewing machines

Household sewing machines imported under item 807.00 are either assembled by branch plants abroad to which the U.S. parent company ships varying amounts of components, or by foreign producers who purchase small amounts of U.S. components. The completely assembled sewing machines are shipped to the United States ready for sale.

U.S.-produced components exported for assembly abroad include various mechanical and electrical parts and assemblies.

Data on the importance of the 807.00 imports of sewing machines to the importing firms and to the total operations of the foreign establishments in which they are assembled are not available.

For the U.S. producer, the cost savings resulting from the rationalization of production have been the primary motive for the use of foreign facilities. To a substantial degree, U.S. components are used in the assembly abroad to assure that the imported sewing machines meet certain specifications required in the U.S. market.

Nonagricultural tractors

Most of the 807.00 imports of nonagricultural tractors, principally of the type used in logging operations, are assembled in plants owned by the Canadian subsidiaries of U.S. firms. U.S. components exported to these plants for assembly include engines and other mechanical and electrical components. These parts, plus materials of foreign origin, are assembled into finished tractors that are sold without further processing in the United States.

For the U.S. firms involved, operations under item 807.00 are minor relative to their total production of nonagricutlural tractors; however, total production in the Canadian plants is signifcant since these plants supply the market for certain tractors in Canada, in the United States, and in other countries.

Assembly operations for nonagricultural tractors were located in Canada both to avoid Canadian duties on sales in the Canadian market and to take advantage of the Commonwealth tariff preference. The decision to locate in Canada was made prior to the adoption of the 807.00 provisions.

Earthmoving and mining machinery

U.S. producers of tractor shovels and other tractor-related machinery export frame components, hydraulic lift assemblies and power train components to their foreign subsidiaries for assembly into the articles which are imported under item 807.00. Most of the major components and subassemblies that are exported are produced in the U.S. establishments of the importers. When imported, the machinery is ready for use by the customer without further processing.

Many U.S. producers of earth-moving and mining machinery have established foreign manufacturing and assembly facilities for the purposes of reducing transportation costs and avoiding tariffs on sales abroad. With respect to Canada, the major source of imports under item 807,00, many U.S. firms have rationalized production by producing all of their requirements for certain types and sizes of equipment for both the U.S. and Canadian markets in a single production facility, thereby realizing cost savings on longer production runs. These firms did not produce the same type and size equipment in the United States as they imported under the 807.00 provision and the saving in duty under the provision has been a minor consideration.

Airconditioning machines

One foreign manufacturer produced all of the airconditioning machines imported into the United States under item 807.00 in 1969. This firm buys components from approximately 25 U.S. firms and assembles them along with certain other components of foreign origin into room airconditioners. The principal U.S. components incorporated into these units are compressors and fractional horsepower motors.

Imports under item 807.00 are believed to account for a major part of the total operations of the sole U.S. importer, and for a significant share of the total output of the foreign establishment in which they are assembled.

Certain U.S. producers of room airconditioners purchase from the importer their requirements for the kinds of units that have a limited sales volume rather than producing these articles in their own facilities. By purchasing the foreign units at a cost reported to be less than the cost of producing comparable units in the United States, the U.S. manufacturers round out their product lines and remain competitive with other domestic producers who manufacture more complete lines. The saving in duty resulting from the use of item 807.00 is an important factor in the pricing of the imported product in a competitive market.

Compressors and parts

The principal U.S. firms that use item 807.00 to enter compressors and parts are manufacturers of these products who also operate foreign assembly facilities. The U.S. firms export electric motors, gas turbines, and other components to foreign establishments where they are assembled with components of foreign origin into complete compressors. The 1969 value of the exported fabricated components was almost evenly divided between purchased articles and articles produced by the U.S. compressor manufacturers. After the compressors are assembled abroad they are shipped to the United States, frequently in a knocked-down condition for subsequent reassembly at the customer's job site. Compressor parts entered under item 807.00 include housings which are incorporated into refrigeration compressors.

The use of Canadian assembly facilities by U.S. firms to produce compressors is believed to be primarily motivated by the avoidance of duties that would be payable on compressors if such articles were produced in, and exported from, the United States. Advantages also accrue when the assembled product is exported from Canada to other Commonwealth countries. Furthermore, firms with both U.S. and Canadian plants allocate production between their North American facilities to maximize production efficiency. For example, the trend towards greater use of centrifugal compressors driven by gas turbines has resulted in one firm having inadequate capacity to produce its total requirements for this equipment in the United States; accordingly it shifted the production of certain parts to Canada in order to balance its production loads, thus achieving the longer production runs which permit greater automation. The duty saved pursuant to item 807.00 is a secondary consideration.

Electric hairsetters

The electric hairsetters imported under item 807.00 are basically foreign products. They are manufactured by independent foreign firms which incorporate, for the most part, small amounts of U.S. manufactured electric components--which are supplied by the U.S. importer. Some components may be purchased directly in the United States by the foreign manufacturer. The completely assembled hairsetters are shipped to the United States ready for sale.

To the U.S. importer, the duty saved under provisions of item 807.00--albeit small in relation to the total value of the product--is an important consideration in a highly competitive market.

Holding fixtures (vises and clamps)

One U.S. producer of wholly unrelated articles imports holding fixtures from a foreign subsidiary; this producer accounts for all of the 807.00 imports of these articles. This company has no production facilities in the United States for these fixtures. The plant in the foreign country supplies these articles for the U.S. firm's assembly plants all over the world.

The 807.00 operation consists of the assembly of fabricated components, which are purchased in the United States by the U.S. firm, into complete fixtures or holding devices. These fixtures are shipped to the United States for use, without further processing, in the importing firm's U.S. plants. Components for making these fixtures are shipped from the United States to assure standardization.

Toys, dolls, and models

Most of the toys imported under item 807.00 in 1969 were assembled in foreign branch plants of one U.S. manufacturer; a large part of the remainder was imported by U.S. jobbers who obtain parts from independent suppliers and contract for assembly operations in Mexico and Haiti.

Nearly all of the U.S. fabricated components exported for assembly and import with duty allowance are purchased from other U.S. suppliers; they include such articles as pressure sensitive sheets, phonograph records and various electrical parts.

In 1969, shipments of toys imported under item 807.00 accounted for a significant share of total U.S. shipments by the principal firms engaged in 807.00 operations. By value, most of the total shipments of all products to all destinations by the foreign assembly plants were 807.00 products shipped to the United States. Exports of fabricated components to foreign 807.00 facilities by the U.S. establishments of the principal importer were insignificant.

By far the principal reason for the assembly of toys abroad is the reduction in the product cost through the use of foreign labor. In Mexico, labor costs per unit of output is about a fourth that of the United States; in the Far East it is less than one-fifth of that in the United States. With respect to the latter area, however, savings in labor costs, relative to those in Mexico, are significantly offset by higher transportation costs.

Scientific instruments

Virtually all of the scientific instruments imported under item 807.00 in 1969 were assembled in foreign branch plants of U.S. firms; a very small part was accounted for by U.S. jobbers or contractors. Original investment in most foreign plants predates the provisions of item 807.00; these plants also supply markets in other countries and ship products to the United States without the use of item 807.00. One importing firm is a wholly owned subsidiary of a Canadian company.

The exported U.S.-fabricated components of scientific instruments and parts include a wide variety of electronic, mechanical, and other articles which are assembled abroad before being returned to the United States under item 807.00. About a quarter of the U.S.-fabricated components exported to foreign 807.00 establishments are produced by the importing concerns themselves; the remainder is purchased in the United States from independent suppliers.

Exports of fabricated components produced by the domestic manufacturers for return under item 807.00 accounted for less than 2 percent of all exports of all products by the reporting firms, and for less than a fifth of all exports of identical fabricated components by the same firms.

Total shipments by major U.S. firms engaged in the importation of scientific instruments under item 807.00 amounted to $580 million in 1969; their shipments of products imported under item 807.00 amounted to less than 1 percent of this total. These firms did not produce in their domestic plants articles identical to those imported under item 807.00.

Shipments of assembled products incorporating U.S. components accounted for less than a tenth of the total shipments by reporting foreign establishments in which the 807.00 assembly operations were performed in 1969. Virtually all of the shipments of these products were returned to the United States.

Most of the U.S. producers of scientific instruments utilizing item 807.00 assemble their products in foreign facilities established prior to the enactment of this provision. Generally, the motive for establishing such facilities was the desirability of market proximity in order to meet local preferences and competition, and to avoid foreign import restrictions or tariffs. Some international companies operate their plants as semi-autonomous units responsible for one line of products irrespective of where the products are marketed. One company reports that the U.S. market for its product is not sufficiently large to warrant the tooling costs of a U.S. facility solely to serve the domestic demand.

Since the institution of item 807.00, however, an important reason for utilizing foreign production facilities--either by expanding production of articles previously assembled only for foreign markets or by commencing production of relatively standardized products with large volume markets in the United States--has been a favorable wage-cost differential vis-a-vis the United States.

Gloves

Most of the 807.00 operations applying to gloves are carried on in plants in which U.S. firms have at least partial ownership or control. Some work is done on a contract basis by independent foreign manufacturers. The Republic of the Philippines is the principal country in which U.S. glove-producing subsidiaries are located.

The most important user of item 807.00 for glove assembly abroad produces virtually all of its requirement for fabricated components in its U.S. plants. The components exported for assembly consist of leather and textile glove parts, and linings of fur and textile. The foreign operation consists entirely of assembling the glove parts by sewing and attaching linings by sewing. In most cases the gloves are returned to the home plant ready for shipment to the customer.

Shipments of articles assembled abroad and imported under item 807.00 accounted for the bulk of total U.S. shipments by the principal user of the 807.00 provision. Shipments by the foreign subsidiary consisted entirely of assembled gloves returned to the parent company.

For gloves, the differential in the wages paid assembly workers abroad and in the United States is large. In the principal assembly operation (sewing), wage rates in the Philippines average 15 percent of the U.S. rate. Differentials in productivity are insignificant, but although other costs involved in the operation (e.g., transportation and allied costs) are high, the duty saving is still significant in relation to the producers' margins.

Imports have been extremely competitive with domestically produced gloves for some time (imports of dress leather gloves probably exceed U.S. production) and many producers import to supplement their domestic lines. In the case of work gloves, price competition from imports has increased in recent years. Without the 807.00 provision some producers would have the complete manufacturing process done abroad.

Magnetic recording media

One U.S. firm accounts for practically all of the magnetic recording media (in the form of tape cassettes) imported under item 807.00. Its Mexican plant assembles and tests blank magnetic tape cassettes. The bulk of the materials and components for the finished cassettes are manufactured in the firm's U.S. plant; these consist of magnetic tape, felt pressure pads and various metal and plastic parts. Some of the returned blank cassettes are further processed by labeling and packaging them; about 5 percent of the cassettes are sold in bulk form and do not require additional processing.

In the production of blank magnetic recording media the differential in the wage rates paid (including fringe benefits) to assembly workers in Mexico and in the United States is large. Data developed in the investigation indicate that the saving resulting from utilizing Mexican labor (at a cost of about one-fifth of that of U.S. labor) enables the company to maintain a competitive price vis-a-vis wholly foreign-produced imports.

Baseballs and softballs

Virtually all of the imports of baseballs and softballs under item 807.00 are accounted for by 7 U.S. firms that operate branch plants in Haiti and/or Jamaica. The nature of the 807.00 operations is essentially the same for each domestic firm. Leather covers, centers, cotton yarn, thread, cement, and latex are manufactured in U.S. plants, then shipped to plants in Haiti and/or Jamaica where the covers are sewn on. The balls are then returned to the United States plant for further minor processing (stamping, cleaning, and packing), before sale; in some cases, however, all of the finishing operations take place in the foreign plant and the product is imported ready for sale.

The principal importer of baseballs and softballs under item 807.00, indicates that imports under item 807.00 account for a large share of the firm's total domestic shipments.

The principal reason reported for the use of foreign assembly facilities for the production of baseballs and softballs is the reduction in the product cost through the use of foreign labor; this is particularly true for lower priced baseballs. Labor accounts for a large proportion of the total manufacturing cost for these articles. According to industry, availability of labor in Haiti and Jamaica, at rates substantially below going rates in the United States, enables U.S. producers to compete successfully with comparable products supplied by other foreign countries--principally Japan.

Luggage

Four U.S. firms are known to utilize item 807.00 in the importation of luggage. One of the users of the provision had 807.00 operations in two foreign countries. These operations consisted of assembling (either by sewing or riveting) pre-cut pieces of material and metal frames produced in the firm's U.S. establishment. The assembled articles are returned to the U.S. plant for inspection and distribution. Practically all of the firm's exports consist of fabricated components to be returned to the United States under item 807.00.

The U.S. producer of luggage, referred to above, chose to use foreign production facilities as an alternative to expanding its U.S. plant. Taking account of the costs of all factors of production, it was found to be somewhat less costly to assemble the articles abroad than to produce them wholly in the United States in an expanded facility.

Jewelry and jewelry findings

Most of the jewelry and jewelry findings (jewelry parts) imported under item 807.00 are accounted for by one U.S. firm that owns the foreign plant where the articles are assembled. Virtually all of the U.S. components (mainly brass and steel stampings) are produced in the U.S. plant of the importer. Most of the jewelry imported under item 807.00 is ready for sale without further processing in the United States although some imports under item 807.00 are plated and polished after importation.

Jewelry and jewelry findings imported under item 807.00 in 1969 accounted for a significant part of the total U.S. shipments of all articles by the principal user. Virtually all of the articles produced in the foreign plant are imported into the United States under the provisions of item 807.00.

The duty saved on imports of jewelry findings is substantial; in 1969 it was equal to 19 percent of the total value of such imports. The differential in the wages paid assembly workers in the principal supplying countries and in the United States is large. In the principal job classifications involving relevant assembly operations, foreign wage rates averaged 19 percent of the U.S. rate and differences in productivity were insignificant. Data developed during the investigation indicates the duty saving is about equal to the differential between the cost of operations under item 807.00 and the cost of producing the same article in the United States.

Hearing aids

Seven firms who responded to the Commission's questionnaire accounted for virtually all of the imports of hearing aids under item 807.00. All of the importing concerns are jobbers who obtain parts from independent domestic and foreign suppliers and contract for assembly operations in the various Equopean countries. One importer is known to be a subsidiary of a foreign manufacturer. None of the others reported any financial or managerial interest in the foreign establishments.

U.S.-produced microphones and receivers are assembled, together with substantial quantities of foreign-made components, into hearing aids. The complete units enter the United States in bulk. The importers add accessories, inspect and adjust each unit, and package it for the market.

In general, U.S. components are used in foreign-produced hearing aids in order to assure either high quality in certain complex components or minimum delivery times (or both), and so that repair parts and components will be readily obtainable by the U.S. dealers offering warranty service to individual customers. In some instances these considerations might outweigh the fairly small cost saving made through the use of 807.00.

The Nature and Significance of 806.30 Operations to the Major Participating Firms, and the Motivation for Using Foreign Processing Facilities and U.S. Metal Articles

As is the case under item 807.00, three general classes of users are involved in the trade under the provisions of item 806.30. One class is comprised of U.S. manufacturers of metal products who utilize foreign plants (owned, operated, or on a contract basis) to process U.S. metal articles for return and further processing in the United States. The second general class of users of item 806.30 consists of U.S. entrepreneurs, who have no processing facilities either in the United States or abroad.

The third general class of users of item 806.30 is made up of foreign manufacturers some of whom have an ownership interest in metal producing or processing plants in the United States. Some of the exported metal articles originate in these plants; others are purchased. Most of the foreign processors have importer/selling agents in the United States.

U.S. firms that reported on their 806.30 operations in the Commission's detailed follow-up questionnaire indicated that in 1969 total shipments (including exports) from their U.S. establishments engaged in operations relating to items 806.30, 1/ in the aggregate, were valued at about $4.7 billion. Exports of all products from these same establishments in 1969 were valued at about $650 million.

1/ Only those establishments that were engaged in at least one (but not limited to one) of the following activities: (1) Production of metal articles for processing abroad, (2) production of products identical to those imported under item 806.30 and/or (3) further processing of metal articles imported under item 806.30.

Parts of aircraft and spacecraft

One U.S. manufacturer of aircraft accounted for the great bulk of the U.S. imports of aircraft and spacecraft parts under item 806.30 in 1969; three other firms accounted for the remainder. Most of the U.S. imports under the provision consisted of wing and tail assemblies, fuselage and floor panels, and wing barrels for use in the assembly, in the United States, of commercial jet transports. One of the two foreign plants where these articles are processed is owned by a foreign subsidiary of the U.S. importer; the other is owned by a foreign company which performs contract work for the U.S. importer.

The great bulk of the metal articles which are exported for processing are all purchased from U.S. suppliers by the foreign companies involved in 806.30 activities; none are manufactured by the U.S. importer. These articles consist mainly of aluminum sheets, extrusions, forgings, tubing and fasteners. The foreign processing consists primarily of machining and fastening operations, sometimes amounting to hundreds of operations for a single processed metal article. After shipping the metal subassemblies back to the United States, further machining, fastening, checking and testing is performed prior to assembly of the articles into a complete airplane in the importers' U.S. plant.

The bulk of the output of the foreign plant owned by the importer's subsidiary consists of metal articles imported into the United States under item 806.30. Shipments by the unrelated foreign company which processes articles for the U.S. importer also includes significant shipments to other customers. Exports of airplanes containing the imported processed articles in 1969 accounted for the great bulk of total exports by the U.S. importer, and a substantial share of the firm's total shipments to all markets, domestic and foreign.

The foreign subsidiary was acquired by the principal U.S. importer because of the former's inability to meet the accelerated production schedules for parts for a certain aircraft as a subcontractor; the U.S. firm considered it uneconomical to obtain another subcontractor. The U.S. firm entered into contractual arrangements with the independent foreign firm largely to counter competition from a foreign aircraft producer in the same market where the contractor is located.

On imports from both sources the duty saving under item 806.30 is a significant factor in the pricing of aircraft in a highly competitive domestic and world market.

Semiconductors and parts

U.S. imports of semiconductors and parts under item 806.30 are primarily accounted for by the five largest U.S. producers of such articles. Most of these producers began their 806.30 operation in 1968 and most also utilize the provisions of item 807.00. The bulk of the foreign processing takes place in establishments owned or operated by the U.S. firms involved.

The metal articles exported for foreign processing under item 806.30--more than 90 percent of which are produced by the U.S. importers--include such articles as unscribed silicon wafers and uncut wire (the latter being ineligible for entry under item 807.00). The foreign processing, much of which is accomplished by hand under strong magnification, consists of processing the wafers and assembling and processing of various parts of semiconductors similar to some of the processing performed under item 807.00. These articles are all further processed, checked, tested, and packaged in the U.S. plants of the importing firms.

Total shipments of all products by the firms which responded to the Commission's questionnaire amounted to $513 million in 1969, of which imports of processed metal articles under item 806.30 accounted for 4 percent. Exports of metal articles, including those exported for further processing and return under item 806.30, accounted for 3 percent of the value of total shipments by these firms, and 15 percent of the value of their total exports; more than 40 percent of these exports were shipped to the foreign 806.30 facilities.

More than half of the value of shipments of all products by the foreign 806.30 facilities was exported to the United States under the provisions of item 806.30. Much of the remainder of these shipments is exported to the United States under item 807.00.

U.S. firms utilizing item 806.30 in the processing of semiconductors state that the major reason for foreign assembly is the advantage of using lower-wage foreign labor. They state that intense competition with foreign producers of semiconductors requires that U.S. firms seek the same wage costs available to foreign firms.

The use of manual processing in semiconductor production is important to producers who supply a rapidly changing market characterized by new technology, product innovation, and swift obsolescence of products. Manufacturers state that such rapid changes in the market discourage economical automation of product lines; automation would tend (1) to prevent product innovation because of the investment required, and (2) slow the advance of technology vital to maintaining their competitive position with regard to imports.

A significant portion of U.S. metal articles exported for use in the foreign processing operations under item 806.30 are not dutiable on return but would be dutiable if returned under item 807.00. The difference in customs treatment is the principal factor causing the shift of imports from item 807.00 to item 806.30.

The duty saved on imports of semiconductors ranges from about 2 to 6 percent of the total value of imports of these products. Such saving is significant in a market where sales frequently depend on price differentials of a fraction of a cent.

Copper mill products

Two U.S. firms importing copper mill products under item 806.30 responded to the Commission's follow-up questionnaire; one is a U.S. manufacturing subsidiary--established to take advantage of the provisions of item 806.30--of a foreign company, and the other is a U.S. firm which utilizes a wholly-owned foreign subsidiary to process metal articles for it under item 806.30. Other firms importing copper mill products under item 806.30 are primarily jobbers or contractors with little or no production capability in the United States.

Copper mill products imported under item 806.30 consist primarily of seamless copper tubes, copper and brass strips, and copper and brass wire. They are processed abroad from such metal articles as billets, bars, and shapes of copper. The foreign processing of these articles consists primarily of rolling, drawing, extruding, casting and piercing.

Imports under item 806.30 by the responding firms accounted for 2 percent of the firms' total shipments of all products in 1969 and exports of metal articles produced in their plants which were to be reimported under the provision accounted for about one percent of such shipments. Exports of such metal articles accounted for 32 percent of the total exports of all products by the two firms. Exports of metal articles purchased for use in 806.30 operations in 1969 were almost double the value of those produced in the respondents' plants. Less than 10 percent of the output of the foreign plants of the respondents was returned to the United States under the provisions of item 806.30 in 1969.

The motivation for the use of foreign facilities and the use of item 806.30 in the processing of copper mill products varies. A foreign firm which established a subsidiary in the United States exclusively to implement 806.30 operations achieves a saving in duty which permits competitive pricing in the U.S. market. Jobbers and contractors sending copper to foreign firms for conversion find that somewhat lower wage rates and lower profit margins abroad result in lower overall costs. One U.S. firm uses its foreign subsidiary to supplement domestic output and as a source of special technological capability.

Steam turbine parts

Two U.S. firms which manufacture steam turbines account for all of the U.S. imports of steam turbine parts under the provisions of item 806.30. One of these firms imports turbine parts only from a foreign subsidiary; the other imports parts both from a foreign subsidiary and from unrelated foreign companies.

The U.S. metal articles imported under the provisions of item 806.30 include casings, nozzles, and rotors. The U.S. metal articles exported include steel forgings, castings and bar stock, about 30 percent of the value of which is produced or processed in the plants of the importers. The 806.30 activities performed in the foreign establishments are primarily machining operations. After return to the United States these articles are further machined, tested, and assembled into complete steam turbines in the plants of the importer.

The ratio of the value of imports of turbine parts under item 806.30 to the total value of shipments of all products by the two U.S. firms importing such articles amounted to less than 5 percent in 1969. Exports of metal articles produced by these firms to be returned under the provision accounted for about 4 percent of total exports of all products produced by the firms and to less than a tenth of 1 percent of the firms' total shipments in the same year.

Exports of processed metal articles to the United States under item 806.30 accounted for a very small share of the total shipments of such articles by the foreign subsidiaries of the two U.S. importers and for a small fraction of total shipments of all products by those establishments in 1969.

U.S. producers of steam turbines have placed orders in recent years with offshore sources for machining turbine parts because their own machining facilities were operating at full capacity. Most independent machining sources in the United States do not have the specialized machine tools and testing facilities that are required to produce these parts competitively. Furthermore, domestic sources are often unwilling to accept short-term contracts for components made to someone else's design and quality specifications since this would result in an uneconomic product mix for them. Certain foreign manufacturers, particularly firms that are steam turbine producers, provide this specialized processing on a contract basis. In most instances materials meeting the U.S. turbine producer's specifications are not available from foreign sources and therefore must be supplied from the United States.

The movement of steam turbine parts between U.S. firms and their foreign subsidiaries results primarily from rationalization of production between the firms' overall production facilities. The amount of duty saved under item 806.30 relative to the total value of imports in 1969 ranged from 6 to 7 percent; such saving, however, was largely offset by other costs, such as freight, resulting in little or no cost advantage in using foreign facilities.

Parts of gas turbine engines

Imports of gas turbine engine parts under item 806.30 are entered primarily by one U.S. manufacturer of jet engines from a partly-owned foreign subsidiary. One other U.S. manufacturer of such engines imported processed parts from a wholly-owned foreign subsidiary, and a third U.S. company purchased processed U.S. metal articles from an independent foreign contractor.

The principal U.S. metal articles exported for further processing are steel forgings, virtually all of which are purchased from independent suppliers in the United States. The 806.30 operations performed abroad consist almost entirely of machining; the processed metal articles are further machined in the U.S. plants of the importers prior to being sold as spare parts or being assembled into engines.

Imports under item 806.30 accounted for 0.2 percent of the total shipments of all products by the responding firms, and exports of metal articles produced in the U.S. plants of these firms accounted for 0.1 percent of total exports of all products produced by these establishments and for only 0.005 percent of total shipments in 1969.

U.S. firms that import gas turbine parts under item 806.30 have indicated that the primary reason for using foreign processing facilities has been the growth in demand for gas turbine engines and the resultant need to obtain new sources for parts. U.S. firms, beginning in 1966, have utilized their Canadian affiliates for supplying part of their increased requirements because these concerns had idle production capacity and they also had skilled personnel available to perform such specialized work as machining turbine blades and nozzles.

Motor-vehicle parts

Imports of motor vehicle parts under item 806.30, consisting almost entirely of rims and centers for sport-type automobile wheels, are entered primarily by three U.S. firms which utilize foreign subsidiaries to perform their 806.30 operations.

The metal articles which are exported consist primarily of steel stampings or forgings, virtually all of which are purchased from other domestic concerns. The processing in the foreign plants consists of buffing and polishing. Upon return to the United States, the wheel parts are chrome-plated and assembled into complete wheels in the plants of the U.S. importers.

With respect to the major user, imports under item 806.30 accounted for a significant share of total shipments of all products; they accounted for the entire output of the firm's foreign subsidiary.

An importer of processed sports-type wheel parts indicated that without the utilization of its foreign facilities--with or without the use of item 806.30--the company would not be able to compete with lower-priced imports of sport-type wheels manufactured wholly in Japan. U.S. imports for consumption of complete wheels from Japan increased from $600,000 in 1967 to $4.3 million in 1969.

Aluminum mill products

Two foreign manufacturing companies and a U.S. jobber, all partly-owned affiliates of a third foreign company, supplied the great bulk of U.S. imports of aluminum mill products under the provisions of item

806.30 in 1969. Two U.S. firms with foreign branch plants accounted for most of the remainder.

The bulk of the U.S. imports of aluminum mill products under item 806.30 consists of aluminum plates, sheets, strips and rod. The exported U.S. metal articles--consisting principally of aluminum ingots and rolling slabs--are processed abroad by such operations as rolling, drawing and extruding. They are further processed by bending, stamping, machining, punching and other such operations after importation into the United States under item 806.30.

The 806.30 operations of the two U.S. producers of aluminum mill products were insignificant in relation to their overall U.S. and foreign activities; the significance of such operations in relation to the overall operations of the largest user of the provision is not known.

The saving in duty has been an important incentive for the use of U.S. materials in the foreign processing of aluminum mill products.

Aluminum foil

Virtually all of the aluminum foil entered under item 806.30 in 1969 was accounted for by U.S. jobbers who have no financial or managerial interest in the foreign firms that produced the imported foil.

The U.S. produced metal article exported to the foreign aluminum-foil producers is aluminum ingot. The foreign processing to which the ingot is subjected is generally melting, casting, rolling and (sometimes) annealing. The imported foil is sold by the importers to other U.S. concerns for further processing.

The duty saving has been an important consideration in the importation of aluminum foil by U.S. jobber/importers under the provisions of item 806.30. This is especially true on certain types of foil for which the duty savings in 1969 averaged 23 percent of the value of the U.S. component. The large spread between the U.S. prices for ingot and for foil, combined with lower foreign unit fabricating costs, is another factor.

Titanium mill products

The bulk of all imports of titanium mill products under item 806.30 are entered by one U.S. producer of such articles that contracts out certain processing operations with an independent foreign firm.

The principal imports of titanium mill products under item 806.30 consist of round and flat bars, but also include plates, sheets, and coils. These products are primarily used for structural purposes in aircraft. The exported U.S. metal articles consist almost entirely of titanium billets, virtually all of which are produced in the U.S. firm's domestic plant and are cogged and rolled by the foreign firm; when imported, the U.S. firm performs a number of additional operations, including cutting, grinding and packaging the articles for shipment to its customers.

The processing is done, on a contract basis, in the foreign country because the U.S. company did not have the required facilities and because the processing performed abroad, using item 806.30, could be done at a lower cost than in the United States. However, as a result of the recent installation of processing equipment by the U.S. company, it will be able to do most of the work presently performed abroad.

<u>Iron or steel wire and wire rope</u>

The principal kinds of iron and steel wire and wire rope imported under item 806.30 consist of steel cord used as reinforcing materials in tires and conveyor belts, cut wire used in the production of aircraft and construction tires, and hose reinforcement wire for rubber hoses. Most of the imports are by one concern which is a subsidiary of the second largest producer of steel tire cord in Europe. This firm purchases U.S. wire rod, generally on the basis of customers' specifications, which is cold drawn into fine filament wire in the European plant. Upon return to the United States, tire cord or conveyor belt cord is coated with a rubber compound, which is bonded to the cord by temperature and pressure. Hose reinforcement wire is woven in the United States and then covered with rubber to form the desired hosing. The cut wire, after being returned to this country, is further processed by combining it with a rubber compound in a mixing mill, after which the product is vulcanized.

The company has recently opened a new plant in the United States and intends in the future to perform domestically much of the work that formerly was done in the plant abroad.

Parts of steam boilers and auxiliary equipment

Virtually all of the 806.30 imports of parts of steam boilers and related equipment are from the Canadian subsidiaries of the three largest domestic manufacturers of steam boilers. The metal articles exported for processing consist primarily of steel plates, tubes, and castings which may be shipped directly from U.S. steel mills or foundries to the foreign plants or may be partially fabricated by U.S. boiler manufacturers before being exported. In Canada the metal articles are processed by such operations as forming, machining, assembling to form parts or subassemblies, which are then imported into the United States for further processing by the boiler manufacturer or the customer.

U.S. producers' shipments have increased rapidly in recent years, and the firms involved in this trade generally have operated near capacity. Usually, the Canadian facilities were used to reduce the lead time required in supplying domestic customers with complete boilers and to provide efficient utilization of the U.S. and Canadian plants. By utilizing item 806.30, the U.S. manufacturers realize a duty saving amounting to 8 percent of the total value of the article imported under the provision in 1969.

Railway rolling stock

The principal metal articles exported to the foreign 806.30 operations are containers and running gear components; the further processing in the foreign establishments consists primarily of cutting these articles to size and welding and assembling them into component units.

After importation into the United States under item 806.30, they are further processed and incorporated in complete railroad tank cars for the shipment of liquid and dry chemical products in bulk.

Rationalization of production between the U.S. and foreign plants is the prime motivation for the use of the foreign plants in the processing of parts of railroad tank cars. By utilizing item 806.30, a duty saving was realized amounting to 12.5 percent of the total value of articles imported under the provisions in 1969.

Refractory metal powders and compounds

The principal refractory metal powders and compounds imported under item 806.30 have been tungsten and tantalum powder, carbides, and oxides which have been recovered in Europe from metal scrap exported from the United States.

So far as is known, all of the imports have been supplied by a concern with production facilities in several countries. Its requirements for scrap are met by its U.S. subsidiary which purchases scrap in the open market. Generally, the amount of trade in the powders produced through this operation has been small in relation to the total volume of business of the European firm but it accounts for a major part of the business by the U.S. subsidiary.

By utilizing provisions of item 806.30, the importing concern realized a duty saving that in 1969 was equal to 15 percent of the total value of imports of tungsten articles and 6 percent for tantalum articles. The duty saving on tungsten articles gave the importer a significant advantage in the U.S. market.

Incentives Employed by Foreign Governments

Many foreign countries, as does the United States, offer industrial development incentives to promote economic growth and development. In most of the industrialized countries, such encouragement is designed chiefly to promote the growth of economically depressed sectors by attracting investment capital and new industries from within national boundaries.

With respect to many of the countries in a lesser-developed stage of industrialization, dense and rapidly increasing population coupled with the lack of emigration opportunities, has increased pressures on domestic governments to create job opportunities through industrial development. For the most part, both capital and other economic resources from internal sources are limited. Most such countries, therefore, have initiated development programs geared specifically to attract capital investments in production facilities from foreign sources. Since demand for the articles in question within the home market usually is not large, and the need for foreign exchange critical, the facilities in question generally tend to be export-oriented.

The following section of this report provides a brief discussion of the nature of the incentives provided by those lesser-developed countries or areas that have been important suppliers of U.S. imports under these two tariff provisions and for which such information is available. Of necessity, the discussion is general. Specific details of individual programs are complex; since the incentives offered are subject to change from time to time, current details are difficult to obtain.

The inducements offered by most of the lesser-developed countries engaged in assembly or processing items for U.S. producers consist mainly of tax holidays and other tax allowances, financial and other assistance in obtaining plant sites, remission of import duties, and tariff protection. In most of the areas, some export incentives are offered. Two may be almost taken for granted; nearly all countries offer an export incentive in the form of a drawback provision which provides for a duty exemption on imported materials incorporated in local goods that later are exported, and rebates of applicable export taxes.

Usually, if the assembled or processed articles are sold in the home market, they are treated as imported products for customs purposes and are subject to full duty and other import restrictions, if any.

Mexican Border Industries

For several years Mexico has, through PRONAF (the acronym for *Programa Nacional Fronterizo*, or the National Border Program), endeavored to improve economic conditions along the Mexican side of the U.S. border by providing a suitable infrastructure for industrial development. With the cessation (some four years ago) of the U.S. braceros program (under which Mexicans were legally brought into the United States for farm labor work), and the resultant loss of employment among certain Mexican farm workers who lived near the U.S. border, the Mexican government began to intensify its efforts to promote the economy of the area. In 1965 it announced the so-called Border Industrialization Program (Programa de Industrializacion de la Frontera Norte de Mexico), which was designed specifically to attract foreign manufacturing facilities--particularly those involving assembly operations. Although open to nationals of all countries, most of the foreign firms involved appear to be U.S. concerns.

Under the Border Industrialization Program, the Mexican Government permits foreign firms to establish plants within 20 kilometers (about 12.5 miles) of the U.S. border, from the Gulf of Mexico to the Pacific--some 2,000 miles. 1/ After obtaining approval from the appropriate Government ministries, the foreign firm may ship to its Mexican plant machinery and other raw materials needed for production; such materials are entered free of duties and other import restrictions that may prevail elsewhere in Mexico.

All materials shipped to the area for assembly or processing are entered in bond; a working period of six months is authorized for imports of raw materials and components. To obtain the duty-free privilege, the entire output of the facility must be exported. Export taxes normally applicable to the products of Mexican origin are remitted. If the articles are subsequently re-imported into Mexico, they are subject to normal customs treatment, including licenses, if

1/ Some of the cities along the border had been "free ports" prior to the institution of the Border Industrialization Program.

any, and the full amount of duty, including that on the value added in Mexico by the assembly or processing operation, must be paid.

No special provision is made by the Mexican Federal Government for financial assistance or for plant sites. The states and local communities, however, may offer various incentives (such as plant sites and technical training of personnel in the school system). Profits are taxed at the same rate as other Mexican industries, and the usual Federal, States, and municipal taxes must be paid; these, however, are relatively low.

In contrast to other areas in Mexico, 100 percent foreign ownership of the facility is permitted in the border zone. The Mexican Constitution forbids foreign nationals to own land within 100 kilometers of the frontier. Plants, therefore, generally are leased on ten-year renewable terms, or if owned, are on leased land. The Mexican Government offers guarantees against expropriation or nationalization.

The firm must hire Mexican labor at rates no lower than the prevailing minimum wage established by the National Minimum Wage Commission of Mexico, which also fixes such rates for 111 different economic zones within the country. Wages in the border area have consistently been fixed at higher levels than in the interior, and along with the creation of new job opportunities offered by the Border Program, have tended to attract labor from other areas of Mexico.

Recent promotional efforts to attract new industry into the border area, as in the case of other countries as well, have emphasized the duty-free advantages provided by tariff items 807.00 and 806.30. In addition, emphasis--particularly by Chambers of Commerce and other private promotional groups--has been placed upon the so-called "twin plant" concept whereby facilities in Mexico are established to perform labor intensive assembly or processing operations while the materials to be so processed are produced in the more capital-intensive facilities of the same concern in the United States.

Officials of the Mexican Government have stated that it is official policy not to encourage U.S. concerns to shift their entire production process to the Mexican border area, and that screening procedures have been established to assure that the program does not encourage the establishment in Mexico of so-called "run-away" plants resulting from the cessation of all production operations in the United States. Rather, it is contended, the program tends to enhance the establishment of complementary production operations on both sides of the border and to have encouraged the location in nearby Mexico of processing facilities that would otherwise have been shifted to lower-wage countries of the Far East because of increased import competition from the latter area.

According to the Mexican Government, about 165 firms had been authorized to operate in the border zone as of January 1, 1970. Of the total number authorized, about 120 firms, employing about 19,000 workers, are reported to have commenced operations.

Caribbean area

Legislation to promote industrial development has been enacted in most of the countries in the Caribbean area and in many countries bordering it. The most prominent feature of such legislation is the tax holiday, which usually consists of an exemption from income taxes for approved new enterprises for a 5-year period.

In Honduras, the tax holiday accorded depends on whether an industry is classified as "basic", "necessary", or "convenient". The 5-year tax holiday applies only to "basic" industries, with a lesser period of tax exemption for other approved enterprises. In El Salvador all new "necessary" industries enjoy a full exemption for 5 years and a 50 percent exemption during the next 5 years. Jamaica's tax holiday is for 5 or 10 years depending on whether the plant is located in an area in special need of development, as designated by the government; and it may be extended 5 more years if circumstances warrant. Haiti provides a full tax exemption for the first 5 years and partial exemptions for the following 5 years but limits this benefit to the first concern to undertake the manufacture of any given product, thus providing a new monopoly for it.

El Salvador, Jamaica, and Trinidad offer additional tax incentives such as accelerated depreciation. Haiti, Jamaica, and Trinidad provide plant sites--land or buildings, or both--on favorable terms. Agencies exist in most of the Caribbean countries to provide loans and other financial assistance to approved enterprises with export potential. All promise to permit repatriation of profits and capital, and all permit the duty-free importation of machinery, equipment, building materials and of raw materials used for manufacture. El Salvador generally forbids nationalization of private property except for reasons of public welfare; under a specific risk investment guarantee, U.S. investors may obtain, from AID, insurance against nationalization and inconvertibility of currency. Haiti, Honduras, and Jamaica guarantee against nationalization.

Virtually all of the Caribbean countries have a policy of tariff protection for new industries. Among the members of the Central American Common Market, such protection is provided by means of a common external tariff to industries established to serve two or more of the member countries under special "integration" arrangements. Under these arrangements, only the first industry so established receives the benefit of protection; the result is a government-protected near-monopoly--similar in effect to Haiti's tax holiday which applies only to the first firm in each product field.

Far East

Among the lesser-developed areas of the Far East, incentives to attract new industries are similar to those employed in the Caribbean area.

Both Hong Kong and Singapore are free ports. With few exceptions, they impose no import duties and offer plant sites to new firms. Singapore, in addition, offers financial assistance, export incentives, a tax holiday and other tax incentives to "pioneer" industries manufacturing new products or producing solely for export. U.S. private investment in Singapore is protected against risk resulting from currency inconvertibility, expropriation, war, revolution, and insurrection.

Korea and Taiwan offer tax holidays and the Philippine Republic offers deductions of start-up costs, accelerated depreciation, and tax deductions from reported income. For Korea and Taiwan, the tax holiday applicable to income taxes is for 5 years. Korea, however, extends the "holiday" 3 more years at 50 percent of normal income tax rates. Taiwan's maximum tax rate after expiration of the holiday is 18 percent of net taxable income.

Korea, the Philippines, Taiwan, and Singapore permit repatriation of profits and capital. Plant sites are provided on favorable terms by Taiwan.

The Philippines and Taiwan offer tariff protection for infant industries, as does Singapore in exceptional cases. Export incentives, in addition to the drawback or equivalent provision for remission of duties on foreign components exported, consist of special tax allowances applicable to the portion of a firm's output that is exported.

Korea and the Philippines permit the duty-free importation of machinery and equipment to be installed in the newly established industry; Taiwan does so if the investment totals U.S. $2.25 million or more, while firms investing less than this sum may pay the duties installments.

Korea, the Philippines, and Taiwan guarantee against expropriation or nationalization.

U.S. Investment in Foreign Facilities Processing and Assembling U.S. Materials

In the Commission's preliminary survey, respondents were requested to indicate the total of their direct investment of U.S. funds, in the foreign facilities in which they assemble or process U.S. materials for shipment to the United States under the provisions of tariff items 807.00 and 806.30. They were also requested to supply data on the net book value of such investments as of December 31, 1969. In contrast to the figures reported for total investment, which reflected only the amounts of investment in U.S. funds, the data on net book value reflected the net value of the foreign asset as of the end of 1969 and takes account of the result of depreciation, foreign borrowings and liquidation of assets.

U.S. investments in all plants supplying 807.00 and 806.30 imports

Total reported investment of U.S. funds in all foreign facilities that supplied imports in 1969 under item 807.00 amounted to $1.5 billion. The corresponding figure for facilities supplying metal articles under item 806.30 was $0.5 billion. The book (depreciated) value of these facilities as of December 1969 was $1 billion and $0.4 billion, respectively. The data were for 106 concerns operating 132 foreign establishments in 1969. On the basis of the response to questionnaires, about 40 percent of the total value of imports under item 807.00 and about 52 percent of the total duty-free value of the imports in 1969 was by U.S. firms with investments in the foreign facilities in question. 1/ With respect to item 806.30, the investments were by 30 U.S. firms operating 36 foreign establishments; such concerns accounted for 58 percent of the total imports under that item in 1969 and for 40 percent of the duty-free value.

The greatest number of foreign 807.00 establishments in which the U.S. firms have a financial interest are in Mexico (36), Canada (22), Hong Kong (11), and Taiwan (10); the 806.30 establishments are concentrated in Canada (13) and Mexico (8).

Facilities located in Canada and Western Europe accounted for about 90 percent of the total investment in 807.00 operations and about 92 percent of that for the 806.30 facilities. Combined, the total investment in Mexico amounted to about $33 million ($41 million at book value) whereas that in the Far Eastern countries amounted to some $104 million ($62 million at book value). The investment in Central American countries, the Caribbean area, and in other lesser developed areas was small. The tabulation below shows the total

1/ The balance of the trade was accounted for chiefly by foreign concerns which procure U.S. materials on their own account and by U.S. concerns which purchase or produce U.S. materials and have the foreign assembly or processing performed on a contract basis.

investment of U.S. funds and the book value of the plants, by geographic area (in millions of dollars):

Country	Total investment of U.S. funds: All 807.00 establishments	Total investment of U.S. funds: All 806.30 establishments	Net book value of establishments (December 1969): All 807.00 establishments	Net book value of establishments (December 1969): All 806.30 establishments
Total, all countries	1,476.6	462.2	1,010.0	374.9
Canada	834.5	420.2	426.2	295.6
Western Europe, United Kingdom, and Ireland	499.7	25.7	480.5	64.3
Mexico	26.9	6.2	37.9	3.0
Central America	1.3	1/ 10.1	1.4	1/ 12.0
Caribbean area	3.3		1.8	
Near East and SE Asia	8.7		6.5	
Far East:				
Taiwan	67.9		35.6	
Japan, Hong Kong, and Korea	30.1		18.2	
Other	4.2		1.9	

1/ Data are combined to avoid revealing information received in confidence.

In addition to the direct investment reported above, annual contractual payments reported by U.S. firms totaled about $31 million in 1969 for leased or consigned plant or equipment for use in 807.00 and 806.30 operations. Over 80 percent of the total value of these payments were in connection with operations in Mexico, primarily for leasing plants. Mexican laws, which prohibit the foreign ownership of land along the U.S. border, tend to encourage the use of lease-type arrangements.

Investments in foreign facilities exclusively or chiefly engaged in 807.00 and 806.30 operations

Save for a few exceptions, the facilities in Canada and Western Europe for which investment data were reported are large industrial plants in which the assembly or processing operations conducted under these tariff items account for only a small part of the total activity of the plants, and of their employment. Generally, the plants involved--such as those of U.S. concerns in Europe and Canada producing automobiles or machinery--are essentially engaged in relatively complete manufacturing operations rather than in the mere assembly or further processing of metal articles. The amount of capital required to establish such manufacturing facilities is large in relation to that which would be required for a facility engaged only in an assembly operation. With respect to the latter, the amount of investment capital required to bring the facility on stream is generally relatively small, and the equipment involved frequently consists of used machinery exported from the United States.

An analysis of the data supplied indicates that of the total investment ($1.5 billion) reported by firms using the provisions of item 807.00, about $151 million was in foreign facilities exclusively or principally engaged in the assembly of U.S. fabricated components for return to the United States under that tariff provision. The bulk of this investment occurred during the years 1966-69. At book (depreciated) value, the investment amounted to $74 million. Of the total investment reported for item 806.30 ($462 million), only about

$16 million ($29 million at book value) was in such plants. Most of this investment of U.S. funds occurred during 1967-69.

The amounts are shown below by the geographic area in which the facilities are located (in millions of dollars):

Country	Total investment of U.S. funds in establishments that are chiefly--		Net book value (December 1969) of establishments that are chiefly--	
	807.00 operations	806.30 operations	807.00 operations	806.30 operations
Total, all countries-----	150.9	16.0	74.2	28.6
Canada----------	38.9	8.1	21.4	17.8
Western Europe, United Kingdom, and Ireland-------	30.2	-	9.0	-
Mexico----------	17.4	1.3	10.0	.6
Central America-------	1.3	1/ 6.6	1.4	1/ 10.2
Caribbean area--	2.7		1.6	
Near East and SE Asia-------	3.5		3.0	
Far East:				
Taiwan--------	36.4		13.6	
Japan, Hong Kong, and Korea--------	16.3		12.3	
Other-----------	4.2		1.9	

1/ Data are combined to avoid disclosing data received in confidence.

Plants engaged chiefly in 807.00 operations

With respect to investment in those plants whose principal activity was related to assembly operations connected with item 807.00, about $72 million ($34 million at book value) of the total ($151 million) was in establishments located in developed countries.

Most of this was in Canada and Europe; only a modest amount was reported in Japan. Imports under item 807.00 from these establishments consisted chiefly of navigational equipment, office furniture, scientific instruments, office machines, and electronic components. In the aggregate, the establishments in those countries accounted for $100 million, or 6 percent of the total entries under item 807.00 in 1969, and for $27 million, or 8 percent, of the total duty-free value of such imports.

Total investment in the developing countries, most of which was committed during 1965-69, amounted to $79 million ($41 million at book value). The imports from the plants concerned ($276 million) accounted for about 17 percent of the total imports under item 807.00 in 1969. The duty-free value of the imports from these plants amounted to $148 million in 1969, or the equivalent of 44 percent of the total duty-free value of the imports from all sources in that year.

Most of the investment in Mexico was in plants producing wearing apparel, consumer and other electronic products, toys and dolls, luggage, and machinery, in that order.

The reported investment in Central America (chiefly in the Honduras and Costa Rica) was all in facilities for assembling wearing apparel, whereas that in the Caribbean (mainly in the Netherlands Antilles, Jamaica, Barbados, and Trinidad, in that order), was largely in plants assembling wearing apparel, gloves, baseballs, and assemblin or processing consumer electronic products. An investment of less than $100,000 was reported in Haiti.

In the Near East and South East Asia, the bulk of the investment was in establishments for producing electronic products in Singapore. The investment reported for the Far East was principally in establishments engaged in assembling electronic products in Taiwan and the Republic of Korea.

Plants engaged chiefly in 806.30 operations

About 90 percent ($420 million) of the total investment in all 806.30 establishments was in facilities in Canada. With the exception of two establishments used for the production of aircraft parts and internal combustion engine parts--for which the total investment was $8 million (book value of $21 million) at the end of 1969--the investment in Canada was in industrial plants in which the 806.30 operations were of minor consequence. In the aggregate, the Canadian plants in which U.S. firms had a financial interest supplied about 42 percent of the total value of imports under item 806.30 in 1969.

Most of the remaining small investment--in plants set up primarily for the purpose of processing metal articles for shipment to the United States under item 806.30--was in Mexico, Singapore, Taiwan, the Netherlands Antilles, and Korea, in that order. The articles processed in the Mexican plants consisted primarily of parts of sports-type automobile wheels, metal fasteners for industrial use, and electronic components. The great bulk of the output of the plants in the other developing countries consisted of semiconductors. In the aggregate, about 14 percent of the total value of 806.30 imports in 1969 was from plants in developing countries in which U.S. firms had a financial interest.

Employment

In the Commission's preliminary survey, information was requested of those U.S. manufacturing concerns engaged in 807.00 or 806.30 operations respecting total employment in their domestic establishments producing materials for exportation and assembly abroad. In addition, such firms were requested to supply information on total employment in the foreign establishments in which the U.S. materials are assembled or processed. In followup questionnaires, the principal U.S. manufacturers importing articles in each of the major product categories in which the imports occur were asked to report the amount of domestic employment directly attributable to trade under these tariff items, including the number of U.S. workers, if any, employed in further processing the articles imported under these tariff provisions. Information was also requested regarding employment in the foreign establishments in which operations are performed.

The aggregate number of workers engaged in the production of U.S. materials for exportation and processing or assembly in the foreign facilities in question can only be estimated. Similarly, data on the number of foreign workers engaged in processing or assembling U.S. materials must be based on estimates. Many of the major U.S. users of the provisions purchase large quantities of materials from numerous independent suppliers. It would hardly be feasible to endeavor to quantify, by questionnaire, the amount of labor involved in such purchases. 1/ Again, the employment involved in the production of the numerous U.S. components that are purchased by foreign concerns for incorporation in products they make for shipment to the U.S. market under the provisions of these tariff items can only be estimated. Finally, a large part of the trade generated by U.S. concerns, and by their foreign facilities as well, is in multiproduct plants for which only a small part of the total employment is directly attributable to operations in connection with items 806.30 and 807.00; determination of the relevant number of jobs involves complex allocations by product which can only reflect approximations.

Foreign employment

Reported employment in those foreign facilities in which U.S. producers have a financial interest and in which the workers involved are engaged principally in operations relating to the assembly of U.S. components under the provisions of tariff item 807.00, amounted to 31,000 workers in 1968 and to 46,000 workers in 1969, or an increase of some 48 percent. The respondents reporting such employment accounted for 51 percent of the total value of the imports of duty-free components on which the assembly operations were performed in 1969. Assuming that the relationship between foreign employment and the

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1/ One large toy producer, for example, indicates that the great bulk of the materials it exports to its foreign assembly facilities are purchased from independent suppliers. An aerospace equipment manufacturer stated its requirements for materials are sourced with some 125 different domestic suppliers. Based on the questionnaire response, it appears that about half of the total value of U.S. components exported for assembly in connection with operations conducted under item 807.00 were purchased by the users from independent U.S. concerns.

duty-free value of the U.S materials contained in the remaining 49 percent of the trade had been the same as that reported, the total job equivalent of the assembly operations performed abroad in 1969 would have been about 90,000 workers. 1/

With respect to those firms reporting employment in foreign plants engaged chiefly or exclusively in processing metal articles for return to the United States under item 806.30, reported employment amounted to about 5,000 workers in 1968 and to about 9,000 workers in 1969. These firms accounted for only 28 percent of the duty-free value of the imports under that tariff item in 1969. Had the foreign labor coefficient for the remaining 72 percent of the trade (based on duty-free value) been the same, the total foreign job equivalent of the imports under item 806.30 would have been about 32,000 workers. The foregoing method of computation would indicate that total foreign employment involved in both tariff items in 1969 would be in the neighborhood of 132,000 workers.

The amount of labor estimated above for the 806.30 operations is significantly overstated. A substantial part of the total number of workers reported by questionnaire for some plants in the developed countries, for example, apparently were not fully employed on 806.30 operations. Also, of the total reported employment and trade, the

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1/ The aggregate foreign employment reported by questionnaire amounted to 266,000 workers in 1969; the bulk was in large manufacturing establishments--rather than assembly facilities--in which the operations relating to this tariff item were of minor consequence, in relation both to the value of the U.S. component involved and the total operations of the plants.

number of workers in developing countries accounted for about two-fifths and the related firms for about three-tenths of the U.S. value, whereas the duty-free value of total imports from developing countries in 1969 was only 9 percent. Moreover, as noted, much of the trade in some of the commodity groups under both tariff items is accounted for by jobbers or foreign firms from whom it was not possible to obtain employment data. Primarily to account for workers who could not be covered by questionnaires, and to take account of other inadequacies of the information collected, separate estimates of the total foreign employment required to produce the imports under each of these tariff classifications were prepared by computing, from the total value of imports, the foreign job equivalent of the trade.

The estimate so derived indicates that in 1969 approximately 121,000 foreign workers would have been required to assemble and process the combined imports under these two tariff provisions. 1/ Of that number, about 110,000 workers were involved in the trade under item 807.00. Assuming that foreign employment has increased proportionately with the volume of trade since 1966, the aggregate number of jobs in the foreign facilities has since nearly doubled, to 1969,

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1/ In making the computations, hourly earnings of workers, including supplementary benefits, for each of the major product categories, obtained from questionnaires and other sources, were used. It was assumed that the average annual number of man-hours worked per employee amounted to 2,200 in each foreign country.

rising from about 63,000 workers to about 121,000 over the entire period. Details are shown below, by tariff item:

Estimated total number of foreign workers assembling or processing U.S. materials

Tariff item	Number of workers 1966	Number of workers 1969
807.00	59,000	110,000
806.30	4,000	11,000
Total	63,000	121,000

Domestic employment

To take account of the total amount of U.S. employment involved in the trade under these two tariff items, including U.S. materials purchased by the exporter, it was necessary to quantify the amount of labor required to produce the U.S.-fabricated components or processed metal articles exported, as well as the amount of labor, if any, to further process or manufacture the products upon their re-entry into the United States. 1/

To quantify the number of production and related workers engaged in the production of U.S. articles for exportation and assembly or processing abroad, it was assumed that the relationship between the relevant employment factors (e.g., total wages, annual man-hours per

1/ Such estimates, of course, take account only of labor directly involved and do not generally reflect the amounts required to bring the raw materials to that stage of production at which they are converted by U.S. workers to a "fabricated component" or to a "metal article" to be exported. Similarly, such estimates do not take full account of the workers needed to perform the final, generally minor, preparations required to ready for marketing the products imported in an essentially finished condition.

worker and hourly wages) and the duty-free value reported in the imports (i.e., the value of the exports) was the same as that for the total value of domestic shipments for like products in the United States. As noted, these estimates quantified the employment in the final stages of production prior to export, so that total related U.S. employment is understated. For the 806.30 trade, the understatement is comparatively moderate, because much of the exports consisted of articles at a primary stage (e.g., primary aluminum and primary copper). For the 807.00 trade, the understatement is larger, because the exports consist of fabricated components produced in later stages of production--essentially ready for assembly.

The estimates of U.S. employment involved in further processing imports were based on data supplied in the follow-up questionnaires, in which the respondents were requested to indicate the number of workers so engaged. With respect to those articles subjected to further manufacturing processes upon return to the United States (e.g. semiconductors and aluminum foil) the estimates were derived by assuming the same relationship for the total imports as that indicated by the sample. The resulting estimate excludes some minor amounts of employment involved in the additional processing required to prepare products entered in a finished condition for sale.

U.S. employment in the production of products for export.--In 1969, approximately 12,000 workers, at the full-time equivalent, were required to convert materials into the fabricated components for assembly abroad. About another 2,000 were required to produce the metal articles exported. The estimates assume an average of about 2,000 hours per man-year. If the number of employees so engaged had increased proportionately with exports, the employment in 1966 would have been approximately 4,000 workers. 1/ Details are shown below by tariff item:

Estimated number of workers fabricating components and metal articles for exportation and foreign assembly or processing

Tariff item	Number of workers 1966	Number of workers 1969
807.00	3,400	10,300
806.30	500	1,600
Total	3,900	11,900

1/ The larger increase in the number of workers producing for export from 1966 to 1969 (which nearly tripled) than in foreign employment (which about doubled) is largely a function of the larger increase (about 185 percent) in the exports of the U.S. materials shipped abroad than in the value of foreign processing and assembly (which increased about 75 percent).

Workers further processing imports.--In 1969, the estimated number of workers engaged in further manufacturing operations in connection with the imports of articles entered under item 807.00 amounted to about 19,000 workers, and under item 806.30, to 6,000 workers. 1/ Had the employment in the United States, in processing the imports, grown at the same rate as the combined imports under these two provisions from 1966 to 1969, the U.S. job equivalent would have nearly doubled during these years. The estimates of the number of workers involved in further processing the imports in 1969 are shown below, by tariff item:

Tariff item	Estimated number of workers further processing imports
807.00---------------	19,000
806.30---------------	6,000
Total------------	25,000

Total employment, U.S. and foreign

In summary, total U.S. employment related to the trade under these two tariff provisions is estimated at 37,000. Related foreign

1/ As noted, the estimates were derived by computing the relationship between the value of the imports of unfinished articles and the additional employment required thereon--as indicated by questionnaires--and applying the same relationship to the estimated total value of imports in 1969 ($360 million) of articles which, by their nature, require substantial amounts of additional manufacturing.

On the other hand, if one assumed that the relationship between employment and the additional processing required would have been at the rate of either (a) $20,700 per worker (the average cost of materials per worker in selected U.S. industries in 1968) or (b) $21,400 per worker (the average value added by manufacturing per worker in the same industries in 1968), the estimated employment for all the additional processing required under the two provisions would have been about 26,700 or 25,800, respectively.

employment amounted to about 121,000, or about three times that in the United States. Details, by tariff item, are shown below:

Tariff provision	U.S. employment in--			Foreign employment	Ratio: foreign employment to U.S. employment
	Producing materials for export	Further processing imports	Total		
	Number of workers				
TSUS item 807.00------	10,300	19,000	29,300	110,000	3.8
TSUS item 806.30------	1,600	6,000	7,600	11,000	1.4
Total-------	11,900	25,000	36,900	121,000	3.3

About eight-tenths of the total U.S. employment and nine-tenths of the foreign employment was related to the trade under the provisions of item 807.00. For the two items combined, about two-thirds of the aggregate U.S. employment was attributed to further processing of the articles imported under both provisions. 1/

In 1969, total U.S. employment of production and related workers in all manufacturing was about 14.7 million. About 7 million workers were employed in the industries producing the articles similar to those exported and imported under these tariff provisions. Thus the estimated foreign employment was equivalent to about 2 percent of total U.S.

1/ Generally, the articles exported were less labor intensive than were the products made by further processing the imported articles in the United States. This was especially true for such articles as parts of semiconductors, capacitors, and resistors, which were exported, and the electronic products made in the United States from the imported electronic components; and for unwrought metals, exported as compared with the fabricated products made in the United States from the imported wrought products.

employment in the relevant industries, and the U.S. employment to less than 1 percent.

Distribution of employment

Foreign employment.--In 1969 the imports from the developing countries accounted for about one-fifth of the total value of imports under these two tariff items combined, but for about one-half of the total value of the U.S. materials entered with duty allowance. Generally the operations performed in those countries are more labor-intensive than those in the developed countries; accordingly the developing countries account for a relatively higher proportion of the total number of foreign workers. Data collected by questionnaire indicate that in 1969 about 55 percent (66,000 workers) of the total foreign employment was in the lesser developed countries--chiefly in the Far East (except Japan), Mexico, and the Caribbean area, in that order.

U.S. employment, by States.--Employment data supplied for 358 domestic establishments engaged in activities relating to trade under these tariff provisions, together with other information, provide a rough measure of the distribution of domestic employment by State and by kind of product. The available data do not include employment in establishments in which purchased components and metal articles are produced for export.

In 1969, about 10 percent of the reported aggregate employment was in Connecticut and Massachusetts. A large part of the total employment in Connecticut was represented by producers of office machines and by a manufacturer of aircraft engines; employment in

Massachusetts was largely by firms that manufacture consumer electronic products, office machines, and electronic components.

About 15 percent of the employment reported in 1969 was in New York, New Jersey, and Pennsylvania. Workers in these States were primarily employed in establishments in which office machines, consumer electronic products, steam turbines, compressors, scientific instruments, photographic equipment, wearing apparel (including gloves), and basic metal mill products were produced.

About 35 percent of the domestic employment was in establishments in Ohio, Michigan, Illinois, and Indiana. Workers in establishments in these States were primarily engaged in producing consumer electronic products, basic metal mill products, tractors, compressors, earthmoving and materials-handling equipment, and other machinery, and components used in imported autos and parts of transporation equipment.

About 30 percent of the domestic employment was reported in establishments in California, Arizona, and Texas; such employment was concentrated chiefly in California. Workers in the establishments located in the foregoing States were primarily engaged in the manufacture of aircraft and aerospace equipment, office machines, electronic products and components, toys, wearing apparel, scientific instruments, automobile wheels, metal fasteners, recording equipment, and leather articles.

The remaining 10 percent of the aggregate employment was widely dispersed in establishments situated in 18 additional States and Puerto Rico.

Comparison of U.S. and Foreign Hourly Earnings and Labor Productivity

In most instances, hourly earnings (hourly wages plus supplementary compensation) of U.S. workers in 1969 were many times higher than the hourly earnings of foreign workers engaged in comparable assembling or processing operations (table 24). 1/ The differential between earnings was the smallest respecting Canada; it was the largest respecting Taiwan. Within certain product groups, the earnings' differentials varied widely depending both on the country in which the relevant assembling or processing operation was performed and on the variations in the processing or assembling operations on individual products of the same general type. As is subsequently noted, the comparatively lower labor cost of foreign assembly is not fully translated into lower delivered duty-paid costs of the imported articles owing to other costs incurred in such trade.

Overall, the lowest hourly earnings prevailed in Far Eastern countries other than Japan and in the Caribbean area. Intermediate-level earnings prevailed in Mexico, Ireland, Italy, and Japan. Higher earnings--approaching those in the United States--were paid in the United Kingdom and West Germany (in ascending order). Earnings in Canada most nearly approximated earnings in the United States for comparable job classifications, though they are generally somewhat lower.

1/ In 159 instances--reported in questionnaires--covering 14 product groups and 24 countries, respondents reported typical hourly wages and supplemental compensation paid for assembling or processing articles abroad under items 807.00 and 806.30; the respondents also reported the hourly wages and benefits paid for similar work in the United States at their plant locations.

Comparison of earnings by product groups

Consumer electronic products.--For these products, imports of which under item 807.00 totaled over $160 million in 1969, the ratio of U.S. hourly earnings to foreign earnings ranged from 1.1 (Canada) to 18.2 (Taiwan). Depending on the product, the job classification, and the location of the U.S. establishment, average earnings ranged from $1.60 an hour to $3.85 an hour. Abroad, the hourly earnings ranged from 14 cents (Taiwan) to $3.50 (Canada).

Office machines and electronic memories.--For these articles, imports of which under 807.00 amounted to about $150 million in 1969, the ratio of U.S. hourly earnings to foreign earnings ranged from 2.1 (West Germany) to 11.6 (Singapore). Depending on the product, the job classification, and the location of the U.S. establishment, average hourly earnings ranged from $2.75 an hour to $4.77 an hour. For comparable foreign job classifications, such earnings ranged from 28 cents (Korea) to $2.23 (West Germany). Earnings in countries not located in Western Europe varied within a narrow range from 28 cents (Korea) to 48 cents (Mexico). Earnings in Brazil were the same as in Taiwan; those in Hong Kong, Korea, and Singapore (electronic memories) differed by only 1 to 2 cents per hour.

Semiconductors.--For semiconductors, imports of which under items 806.30 and 807.00 totaled over $106 million in 1969, the ratio of U.S. hourly earnings to foreign earnings ranged from 1.6 (Canada) to 11.1 (Singapore). Earnings in U.S. establishments ranged from $2.23 to $3.33. For comparable foreign job classifications, earnings averaged from 28 cents (Hong Kong) to $2.11 (Canada). Average earnings in Japan in the assembly of semiconductors were considerably higher ($1.30) than in the assembly of other products (58 cents to $1.17). In the two areas from which the bulk of these imports originate--Mexico, Jamaica, and the Netherlands Antilles on the one hand and Hong Kong, Singapore, and Korea on the other--hourly earnings ranged from 30 cents to 72 cents and from 28 cents to 33 cents, respectively.

Wearing apparel.--For wearing apparel, imports of which under item 807.00 totaled about $35 million in 1969, the ratio of U.S. hourly earnings to foreign earnings varied within a relatively narrow range from 4.3 (Mexico) to 7.5 (British Honduras). Earnings in U.S. establishments for sewing operations comparable to those performed abroad varied within a narrow range from $2.11 to $2.49. Earnings for sewing operations in foreign establishments, located in Mexico and the Caribbean area, ranged from 28 cents (British Honduras) to 53 cents (Mexico) per hour. Earnings in Costa Rica were virtually the same as in Jamaica; earnings in Honduras exceeded those in Trinidad by 5 cents per hour.

Toys, dolls, and models.--Imports of these products under item 807.00 totaled about $22 million in 1969. The ratio of hourly earnings for U.S. workers to those of foreign workers ranged from 4.0 (Mexico) to 21.6 (Taiwan). Earnings in U.S. establishments for operations comparable to those performed abroad averaged about $2.59 an hour. Earnings in foreign countries ranged from 12 cents (Taiwan) to 65 cents (Mexico); the difference between earnings in Mexico and Japan was small, as was that between Taiwan and Hong Kong.

Scientific instruments.--For such instruments, imports of which under item 807.00 amounted to about $13 million in 1969, the ratio of U.S. hourly earings to foreign earnings ranged from 1.2 (Canada) to 3.6 (Mexico). Earnings in U.S. establishments for operations comparable to those performed abroad ranged from $2.96 to $4.22. Earnings in foreign establishments ranged from 85 cents (Mexico) to $3.40 (Canada); the earnings in Mexico were the highest reported for that country. The difference between the earnings reported for Japan ($1.17) and for Italy ($1.25) was small, while the earnings reported in corresponding U.S. establishments were $3.84 and $2.96, respectively.

Other articles.--Data on earnings obtained on articles other than those separately discussed above included a wide range of products, such as footwear, luggage, baseballs and softballs, jewelry, magnetic recording media, photographic equipment and railroad tank cars. Because of the wide variety of products involved, it is not feasible to list the comparable figures individually. The data for these diverse products have been grouped in the "other" category shown in table 24.

Comparison of earnings by principal countries or areas

By country, hourly earnings in the processing or assembling of products imported under either item 807.00 or 806.30 are shown below:

Comparison of average hourly earnings (including supplementary compensation) for workers processing or assembling U.S. materials in foreign establishments, and estimated earnings (including supplementary compensation) for comparable job classifications in the United States, by country or area, 1969

Foreign country and product	Average hourly earnings: Foreign	Average hourly earnings: United States	Ratio of U.S. earnings to foreign earnings
	Dollars	Dollars	
Canada:			
Consumer electronic products	3.50	3.85	1.1
Semiconductors	2.11	3.33	1.6
Scientific instruments	3.40	4.22	1.2
Other	(3.00	4.55	1.5
	(3.18	4.27	1.3
Mexico:			
Consumer electronic products	.53	2.31	4.4
Office machine parts	.48	2.97	6.2
Semiconductors	.61	2.56	4.2
Wearing apparel	.53	2.29	4.3
Toys, dolls, and models	.65	2.59	4.0
Scientific instruments	.85	3.01	3.6
Other	(.50	1.65	3.3
	(.80	2.25	2.8
	(.66	3.66	5.5
	(.66	3.00	4.6
Caribbean:			
Wearing apparel:			
British Honduras	.28	2.11	7.5
Costa Rica	.34	2.28	6.7
Honduras	.45	2.27	5.0
Jamaica	.35	2.26	5.0
Trinidad	.40	2.49	6.3
Semiconductors:			
Jamaica	.30	2.23	7.4
Netherlands Antilles	.72	3.33	4.6
Other:			
Haiti	.16	1.93	12.1
Jamaica	.14	1.93	13.8
Barbados, B.W.I.	.39	2.10	5.4
Japan:			
Consumer electronic products	.58	1.60	2.8
Semiconductors	1.30	2.96	2.3
Toys, dolls, and models	.61	2.59	4.2
Scientific instruments	1.17	3.84	3.3
Other	1.04	2.39	2.3
Far East (other than Japan):			
Consumer electronic products:			
Hong Kong	.27	3.13	11.8
Taiwan	.14	2.56	18.2
Office machine parts (including electronic memories):			
Singapore	.29	3.36	11.6
Korea	.28	2.78	10.1
Hong Kong	.30	2.92	9.7
Taiwan	.38	3.67	9.8
Semiconductors:			
Singapore	.29	3.22	11.1
Korea	.33	3.32	10.2
Hong Kong	.28	2.84	10.3
Other:			
Hong Kong	(.16	2.59	16.2
	(.29	3.66	12.8
Taiwan	.12	2.59	21.6
Europe:			
Office machines:			
United Kingdom	2.11	4.77	2.3
West Germany	2.23	4.77	2.1
Scientific instruments:			
Italy	1.25	2.96	2.4
Other:			
West Germany	1.50	3.17	2.1
Portugal	1.30	6.00	4.6
Ireland	.70	2.97	4.2

Source: Compiled from data submitted by U.S. firms to the U.S. Tariff Commission.

Comparison of foreign and U.S. labor productivity and unit labor costs

Productivity of workers in foreign establishments assembling or processing products of U.S. origin generally approximates that of workers in the same job classifications in the United States. However, even for those few instances in which foreign labor productivity was significantly less than that of United States workers, the hourly earnings abroad were such that, save for Canada, labor costs per unit of output were substantially lower in the foreign than in the domestic establishment. Data obtained from the questionnaires indicated that the cost of labor generally was a variable part of the total laid-down, duty-paid cost of the assembled or processed articles delivered to the United States. Although the proportion varied greatly by type of product, it tended to be very small for the articles in which most of the trade occurs--e.g., transportation equipment, consumer electronic products, and most other articles classifiable for duty purposes in schedules 6 and 7 of the TSUS. The imports under these schedules contain large amounts of foreign materials which, along with transportation, insurance, and other charges, reduce the importance of the lower labor cost involved in assembly relative to the total value of the imported articles. For imports of wearing apparel (valued at $34 million in 1969), virtually all of the materials used are of U.S. origin, and large amounts of labor are involved in the assembly of the U.S. components. Other charges, however, such as overhead, transportation, the amount of duty paid, coupled with the relatively low wages of the foreign workers, reduce significantly the proportion of the total foreign value added that is attributable to workers' earnings.

Wearing apparel.--In the examples reported by questionnaire, Mexican and Caribbean workers in many cases produced as many comparable garments per man-hour as did U.S. workers. The examples weighted by the value of reported imports indicate, however, that on the average, workers in Mexico required 58 percent more man-hours than U.S. workers to produce typical articles such as undergarments, slacks, dresses and nurses' uniforms, while workers in the Caribbean area required 36 percent more man-hours than U.S. workers to produce similar garments.

On the average the wages and fringe benefits paid in Mexico for this work were 22 percent, and those paid in the Caribbean countries were 16 percent, of those paid in the United States for similar work. Taking into account labor productivity, the unit labor cost in Mexico averaged 32 percent, and that in the Caribbean countries, 24 percent, of that in the United States.

Products enumerated in Schedule 6 of the TSUS.--On the average 1/ (weighted by the value of reported imports) foreign labor required 8 percent more man-hours than the man-hours required by U.S. workers to assemble such articles as radios, phonographs, television receivers and subassemblies, and semiconductors. The foreign wage rates were such, however, that the average foreign unit labor cost (again weighted by the value of reported imports) in assembling articles

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1/ Based on 30 reported instances in 9 foreign countries.

was 14 percent of the U.S. unit labor cost in the assembly of similar articles. For the Far Eastern countries (except Japan) the unit labor cost ranged from 3 to 11.5 percent (averaged 8 percent) of the U.S. unit labor cost; for Mexico it ranged from 15 to 21 percent and averaged 20 percent.

Products enumerated in Schedule 7 of the TSUS.--On the average 1/ foreign labor required 3 percent less man-hours than was required by U.S. workers to assemble such diverse articles as luggage, baseballs, toys, footwear, gloves, photographic equipment, and scientific instruments. For Mexico there was a great variation in the reported efficiency of the foreign workers relative to that of U.S. workers by product lines, reflecting differences in hand skills, work organization, and use of mechanical equipment. In most instances, however, the efficiency of Mexican workers was reported to be at least equal to that of U.S. workers.

Hourly earnings of foreign workers were so much lower than those of U.S. workers that the ratio of the foreign to the U.S. unit labor cost averaged 2/ 27 percent and ranged from 7 percent (baseballs) to 46 percent (scientific instruments).

1/ Based on 12 reported instances in 6 foreign countries.
2/ Weighted by the value of reported imports.

U.S. Balance of Payments

This section discusses briefly the changes in the major elements in the U.S. balance of payments over the 1966-69 period. In turn, the review is followed by a discussion of the possible effect on the balance of payments of the repeal of tariff items 807.00 and 806.30. Except as noted, all of the text tabulations relating to the U.S. balance of payments during the years 1966-69, are based on table 25.

The major elements in the balance of payments are the trade account, the services account and the capital account.

In terms of the aggregate value of the payments involved, the trade account, which represents payments for U.S. imports and exports of merchandise, is the predominate element in the U.S. balance of payments. For balance-of-payment purposes, the data on U.S. exports reflect, after relatively minor adjustments, the total value of exports of products of U.S. manufacture plus re-exports of imported merchandise. On the import, or debit side of the ledger, the data represent the value of imports of foreign merchandise (whether or not the articles in question have been released for entry into domestic consumption) plus re-imports of domestic products.

The service account is second in aggregate value to the merchandise account. It includes such elements as payments and receipts for transportation, earnings and payments on investments, and the value of military aid rendered and received.

Changes in the capital account reflect the movement of funds not directly related to the exchange of goods or services. Long-term investments are chiefly for the ownership of stock (portfolio investment);they also include capital funds expended for direct private investment, which are usually for the acquisition of production facilities. Both portfolio investments and direct private investments are a commitment of funds with a view toward future earnings and income. Short-term investments reflect shifts of capital not involving the acquisition of tangible assets; they may be greatly influenced by such factors as relative interest rates, expectations respecting changes in foreign exchange values, governmental fiscal policies, and political considerations. Government "grants and capital" generally are directly related to foreign policy and, in the case of the United States, have been connected chiefly with its foreign aid program.

Trade account

During 1966-69, annual U.S. exports of merchandise increased from $29 billion to $36 billion, or by an average compound rate of over 7 percent per annum. Over the same period, imports grew at a substantially faster pace, rising from $25 billion to $36 billion, or about 12 percent annually.

The U.S. net (positive) balance on the trade account averaged about $4 billion annually during 1966-67, then declined to $0.6 billion in 1968 and 1969. Details of the trade account (adjusted for balance-of-payments purposes) are shown below, in millions of dollars:

Year	Exports	Imports	Trade Balance
1966	29,389	25,463	3,926
1967	30,681	26,821	3,860
1968	33,588	32,964	624
1969	36,473	35,835	638

Services

Total annual income received on the service account (e.g., from transportation, and returns on investments) rose from $14.0 billion to $19.0 billion over the 1966-69 period, or nearly 11 percent annually.

The annual payments for services rendered (including remittances for income earned from foreign investments in the United States, U.S. expenditures for military aid, and transportation payments) increased as much as receipts. Hence, the net positive balance on the service account was about the same in 1969 as in 1966. Details are shown below (in millions of dollars):

U.S. annual payments and receipts on the service account, 1966-69

	1966	1967	1968	1969
Receipts:				
Military sales-------------	829	1,240	1,395	1,515
Investment income----------	6,252	6,872	7,687	8,838
Other services-------------	6,891	7,409	7,952	8,687
Total------------------	13,972	15,521	17,034	19,040
Payments:				
Military expenditures------	3,764	4,378	4,535	4,850
Income on foreign investments in the United States------------	2,142	2,362	2,933	4,463
Other services-------------	6,691	7,429	7,697	8,417
Total------------------	12,597	14,169	15,165	17,730
Net (positive) balance---------	1,375	1,352	1,869	1,310

Over the 5-year period, annual returns on U.S. investment abroad rose steadily from $6.3 billion to about $8.8 billion. In each of those years they were from 2 to 3 times total annual payments on investments in the United States held by foreign nationals (which rose from $2.1 billion to $4.5 billion). On the average, returns on U.S. investment abroad accounted for about 45 percent of the aggregate annual receipts on the service account over the same period. Military payments rose without interruption from $3.8 billion to $4.9 billion during 1966-69.

Capital movements

U.S. direct private investment in production facilities abroad ranged between $3.1 billion and $3.7 billion annually during 1966-69; it generally was only half as large as investment income, which, as noted above, rose from $6.3 billion to $8.8 billion annually over the same period. Long and short-term investment for purposes other than the acquisition of production facilities has averaged about $2.3 billion annually since 1967. U.S. government grants and capital ranged between $3.4 billion and $4.2 billion annually. Details are shown below, in millions of dollars.

U.S. foreign investment and foreign investment in the United States

	1966	1967	1968	1969
U.S. investment abroad:				
Private investment, net total-------------------	(4,332)	(5,638)	(5,412)	(5,374)
Direct investment-------	(3,661)	(3,137)	(3,209)	(3,070)
Other (Long plus short term)-----------------	(671)	(2,501)	(2,203)	(2,304)
U.S. government grants and capital-----------------	(3,444)	(4,233)	(3,976)	(3,826)
Total U.S. investment abroad----------------	(7,776)	(9,871)	(9,388)	(9,200)
Foreign capital invested in the United States, net--------	2,531	3,360	8,701	4,146
Net investment position-------	(5,245)	(6,511)	(687)	(5,054)

From 1967 to 1969 the total U.S. foreign investment (including the Government account) ranged between $9.2 billion and $9.9 billion. Except for 1968, when the total foreign investment in the United States was nearly as large as the U.S. investment abroad, U.S. annual investments in foreign countries have been substantially larger than foreign investments in this country.

Net balance of payments

As indicated by the foregoing, the decline in the net U.S. balance of trade, large U.S. military and other Governmental expenditures and sizeable private investments abroad by U.S. nationals have all been substantial factors in the balance-of-payments pressures confronting the United States during the past several years.

The two measures commonly used by the U.S. Government to indicate the net balance-of-payments position of the United States are the liquidity balance and the official reserve-transaction balance.

As measured on a liquidity basis, which endeavors to indicate potential pressures on the dollar by showing changes in official U.S. reserve assets and other changes in liquid liabilities to foreigners, the United States reported a surplus of $0.2 billion in 1968, but a deficit of $7.2 billion in 1969.[1] On the official-reserve-transactions basis, which takes account of changes in official reserve assets and of liquid and certain non-liquid liabilities of the United States to foreign governments and banking institutions, and which is used as an

1/ For a more detailed description of these measures see Dictionary of Economic and Statistical Terms, U.S. Department of Commerce, August 1969, and the President's Economic Report, February 1970.

indicator of current pressures on the dollar, a deficit of $3.4 billion was recorded in 1967, but in 1968 and 1969 the balance was in surplus by $1.6 billion and $2.7 billion, respectively. Details of the balance of payments, by type of indicator, are shown below, in billions of dollars for the years 1966-69:

Type of indicator	1966	1967	1968	1969
Balance on liquidity basis------	-1.4	-3.5	0.2	-7.2
Balance on official-reserve-transactions basis------------	0.3	-3.4	1.6	2.7

Relationship between items 807.00 and 806.30 and the balance of payments

The U.S. materials shipped from the United States for assembly or processing abroad are included, as an export, or credit item, in the U.S. balance of payments account. Added to such exports are machinery and equipment to be used in the foreign facility; though small, such exports are also a credit item for balance-of-payments purposes. To the extent that the economies realized by the use of these tariff items generate exports from the United States which would not otherwise have prevailed, there is of course a gain in the net merchandise account for balance-of-payment purposes.

Upon return of the assembled or processed articles, only the dutiable value of the imports (representing the value of the labor and foreign materials added, and charges for overhead, depreciation, profits, and transportation and related services) is a negative factor for balance-of-payments purposes. The value of the U.S. materials returned with duty allowance is a debit item which offsets the value of the exports of the same U.S. materials previously reported in the merchandise account as a credit item.

When made, direct investments by the U.S. companies to establish assembly or processing facilities for the purpose of utilizing these two tariff items represent debit (or outflow) on the national account.[1/] But the earnings realized from such operations, when repatriated, represent a dollar inflow, or balance-of-payments credit. Further, some inflow of funds is realized from the earnings of foreign nationals engaged in processing or assembly operations in connection with these tariff provisions. Some of the earnings may be spent directly in the United States, either in the short or long run.[2/] Some may be spent in other countries, which in turn spend (either for goods, services or investment) a part of those funds in the United States.

Trade effect.--In 1969, the total dutiable value of imports under these two tariff items combined amounted to \$1.4 billion and the duty-free value to \$0.4 billion. Details are shown below, by tariff item, in millions of dollars:

1/ If, of course, the investment is financed abroad by borrowing, or by drawing on foreign assets, the effect is the same for balance-of-payment purposes. The borrowing would represent an increase in liabilities to foreigners, while the use of the assets would reduce the amount of U.S. claims on such holdings.

2/ Along the Mexican border, a sizeable portion of the earnings of Mexican workers (estimated at from 50 percent to 70 percent of the total) is spent directly in nearby communities in the United States. The greater part of the foreign value added with respect to the imports from that country is represented by wages and salaries of Mexican workers, and a part, from the standpoint of the balance of payments, is thus offset, in the short run, by the expenditures of the foreign workers in the United States.

Imports under tariff items 807.00 and 806.30 in 1969

	Dutiable value	Duty-free value	Total value
Item 807.00---------------	1,309.8	339.4	1,649.2
Item 806.30---------------	89.4	103.2	192.6
Total---------------	1,399.2	442.6	1,841.8

As has been noted, the major effect of elimination would be an increase in the foreign value of the imports either as a result of substitution of the U.S. component with its foreign equivalent, or the replacement of the article containing duty-free U.S. components with foreign merchandise produced wholly of foreign materials and labor and exported to the United States without the benefit of these tariff provisions.

On the basis of the 1969 imports, it is estimated that the dutiable value of the aggregate entries under these two items would have been from $150 million to $200 million larger in the absence of the duty allowance on the U.S. materials that qualified for entry under the provisions of items 807.00 and 806.30.1/

1/ The foregoing takes no account of the exports generated through economies realized from the international allocation of resources and of large-scale production runs at home and abroad. Data supplied by questionnaire indicate that somewhat more than $500 million of components like those assembled abroad under item 807.00 were exported by respondents to all countries in 1969; more than $400 million were shipped to countries in which the assembly facilities are located. Moreover, with respect to some products, it appears that a significant proportion may not have been returned to the United States after processing abroad. If, as a result of cost increases due to the elimination of the duty saving, U.S. exports are reduced, the net effect on the balance of trade might be significantly greater than the $150-$200 million estimated above.

Effects on investment.--In 1969, the net book (depreciated) value of all foreign facilities in which U.S. concerns have a financial interest and in which the operations relating to these two tariff items are performed amounted to about $1.4 billion. Most was in large manufacturing facilities in which the assembly or processing activities related to these tariff provisions were of minor consequence. The book value of those foreign establishments in which the primary activity was the utilization of items 807.00 and 806.30 amounted to about $103 million as of December 1969.

Whether measured by the aggregate book value of all of the establishments ($1.4 billion) or only of those whose principal activity relates to these tariff provisions ($103 million), the amount is small relative to the aggregate book value of all U.S. concerns having direct investments overseas ($65 billion).1/

Investment income.--According to the Department of Commerce, earnings and income on investments in foreign manufacturing operations have ranged between 12 and 18 percent annually in recent years. Comparable data respecting the earnings of U.S. concerns investing in

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1/ As noted, most of the U.S. funds committed to establish foreign facilities for assembly or processing operations ($167 million) were made during 1966-69. The amount, though increasing, is likely to remain small in relation to that of all U.S. concerns investing in foreign manufacturing facilities, which has averaged about $3 billion annually since 1966. The capital requirements for an 807.00 assembly facility in which to perform labor-intensive operations tend to be small relative to the amount required to establish a manufacturing plant. With respect to investments in plants geared chiefly to process metal articles under 806.30, the amount of capital required is likewise small; most of it has been for plants in lesser developed countries in which electronic components are subjected to essentially labor-intensive operations requiring only modest amounts of nachinery or other equipment.

foreign facilities primarily for the purpose of assembling or processing U.S. materials in connection with these tariff provisions are not available. Had the same rate of return prevailed for these latter concerns as for those of all firms with direct foreign investments, the yield, in the form of earnings and income, from the 807.00-806.30 plants would have been small relative to the total earnings ($3.8 billion) reported in 1968 by all U.S. concerns with investments in offshore manufacturing facilities.

Conditions of Competition

The rationale for the use of tariff items 807.00 and 806.30 varies greatly according to the kind of product or industry concerned, and by the nature of the operations conducted. Similarly, there is considerable variance in the conditions of competition between the imports and like U.S. products in the domestic market.

Item 807.00

Transportation equipment.--More than half ($0.9 billion) of the total imports under item 807.00 in 1969 consisted of transportation equipment, such as automobiles and aircraft, in which small amounts of purchased U.S. components were installed because of the cost saving, safety considerations, and/or ease of maintenance and repair. For such products, the duty saving is small relative to the total value of the imports and is seldom the motivating factor for imports. Most of the imports (such as Volkswagens, Volvos, and short and intermediate-range jet aircraft) have gained entry into the U.S. market on the basis of their special characteristics and appeal to users. The extent, if any, to which domestic automotive and aircraft producers and workers are disadvantaged by trade under item 807.00 cannot be related in any material degree to the tariff preference on the U.S. components contained in the imported products.

Machinery.--About $300 million of the imports, or nearly a fifth of the total, was made up of a wide variety of machinery and related products--such as conveyors, hoists, earth-moving and mining equipment, nonagricultural tractors, office machines, scientific instruments, pulp and paper-making equipment--supplied largely by firms in Canada and Western Europe. The larger part of the imports, and of the duty saving, was accounted for by U.S. concerns which have investments in the foreign facilities involved. Generally, these facilities were established by U.S. corporations as a part of long term programs for the development of large-scale production, marketing, and distribution systems on an international rather than national basis. Frequently, the motivation for the establishment of production facilities in the foreign country was the need to avoid the foreign tariff and other trade barriers. 1/ For most such facilities, the principal operation is manufacturing rather than assembly or processing, and the duty saving has not been the dominant factor behind the imports. As the U.S. producers involved also represent the great bulk of the domestic industry, the disadvantage to firms producing like products in the United States without the benefit of the duty-savings is probably small.

Electronic components.--Still another important category of trade consists of electronic components--chiefly for use in sophisticated products such as data processing equipment, control devices, navigational equipment, etc. The imports of such articles--valued at

1/ Several producers, for example, have indicated that their ability to market their products in some countries is attributable in significant measure to the use of productive facilities in the country in question.

about $200 million in 1969--accounted for about 12 percent of the total imports under item 807.00 in 1969. Most of the major domestic producers of electronic products participate in the trade. Although the larger part of the exported articles are returned to the United States for further processing, a significant part is also utilized offshore in the production of articles for worldwide distribution.

As in the case of producers of machinery noted above, the producers of these electronic components have generally established offshore facilities as a part of programs to expand production and marketing on an international scale. For them, the economies realized through this technique, and the demand for their products, are tangibly interrelated. The saving realized through large-scale production runs and through the use of foreign workers in labor-intensive operations, and the duty saving under item 807.00, have the effect (among others) of reducing product costs and prices, thereby increasing consumption both in the United States and abroad. The cost reductions have a significant bearing upon the competitiveness of these concerns in world markets.

Other products.--Most of the remaining imports under item 807.00 (about $250 million in 1969) consisted of a wide range of consumer products--notably, wearing apparel, consumer electronic products or subassemblies thereof (e.g., radios, television sets, phonographs, tape-recording sets, and their parts), toys, baseballs and other sporting equipment, costume jewelry, and photographic equipment. Generally, the total imports of such products from foreign suppliers not using item 807.00 are substantial relative to U.S. production and consumption. In contrast to machinery and the electronic products discussed above, nearly all of these articles assembled abroad by U.S. producers are marketed in the United States. Exports generally are negligible.

Although the motivation for using offshore assembly facilities varies according to the product and producer concerned, the overwhelming determinant with respect to these products has been the increase in import competition in the U.S. market. As the import competition grew, many U.S. producers countered by utilizing offshore facilities for the labor-intensive processes. For the most part, duty allowance under these two tariff provisions was not the major factor in the decisions to undertake such operations. For example, for producers of consumer electronic products the retention of a significant share of the U.S. market depends largely on the cost reductions realized through the use of foreign labor; it is this saving in costs, coupled with duty saving achieved under item 807.00, upon which the continued use of U.S. components probably depends.

For those producers that go abroad, their competitive position vis-a-vis those foreign counterparts supplying imports without the benefit of item 807.00 is clearly improved by item 807.00. For the producers remaining at home, the competitive situation tends to worsen, and they too are confronted with a decision either to conduct some production processes abroad, to become importers, or to discontinue the product line altogether. Thus, the process feeds upon itself, but the compelling or dominant factor is the deterioration of the competitive situation between the U.S. producer and his foreign counterpart, not the provisions of these tariff items. The effect of the latter is to allow the production of the U.S. components to continue, rather than to encourage a flight abroad of the total production process. As noted in the subsequent section of this report, it is unlikely that there would be a significant gain in domestic production or employment in this product group if the provisions of item 807.00 were eliminated unless there was a concomitant increase in import restraints.

As the trade under these provisions grows, it is reasonable to expect that certain domestic manufacturers not involved in 807.00 operations, in addition to the trade unions, might become increasingly concerned at the incremental volume of trade resulting from foreign assembly operations by some U.S. producers.

Item 806.30

About two-thirds of the total value of the imports under item 806.30 in 1969 was made up of such products as aircraft parts, machinery parts, and semiconductors. Most of these imports are from foreign facilities in which U.S. firms have investments. The provisions of item 806.30 were probably not factors on which most such investments depended. The principal importer of aircraft parts indicated its investments were the result largely of the availability of a foreign plant having the facilities and skilled work-force it required at the time of acquisition. This firm further indicated that utilization of foreign processing facilities has had a significant bearing on its sales of finished products in the countries in which the plants are located. The considerations affecting the trade in machinery and semiconductors have already been discussed in connection with tariff item 807.00; those considerations apply to trade under the provisions of item 806.30 as well.

The remaining third of the 806.30 imports consisted primarily of non-ferrous metal products entered chiefly from Canada and Western Europe. The duty savings applicable to these imports were a major consideration in the decision to use foreign processing facilities for most of this trade. The Aluminum Association--an organization that represents domestic producer interests--has recommended that aluminum products be exempted from the provisions of item 806.30.

Probable Effects of Repealing Item 807.00 or 806.30, or Both

This section deals with the probable effects of repealing the provisions of either item 806.30 or 807.00, or both. At the outset, it should be observed that for certain transactions approximately equivalent duty exemptions might be obtained under either tariff item, whereas for other transactions the benefits are available under one of the items but not under the other one. Under item 807.00, on the one hand, the duty exemption relates to any U.S. fabricated component made of any material, but, under item 806.30, the exemption relates only to a U.S. base metal article. On the other hand, item 807.00 only permits the exported U.S. component to be assembled into a foreign article, whereas item 806.30 permits the exported metal article to be subjected to unlimited kinds of processing abroad so long as the resulting article is returned to the United States for further processing. Additionally, under item 806.30 the returned article must be imported by or for the account of the U.S. exporter of the U.S. metal article, but no such tie is required for U.S. fabricated components assembled abroad into articles which are admitted under item 807.00.

By virtue of the similarities and differences between the two tariff items, and the possible limited interplay or choice between them in given circumstances, it would be most difficult to treat specifically for each product class with the effect of repealing one tariff item, but not the other. However, certain general observations may be made in this respect. If, for example, item 807.00 were repealed and item 806.30 were continued without change, significant amounts of trade in U.S. fabricated components of base metal now admitted under the former tariff item conceivably could be shifted to the latter item. A number of users of item 807.00--particularly U.S. producers of electronic components made of base metal--have indicated that, in the future, an increasing share of their total imports will be entered under item 806.30, since under it more processing operations may be performed offshore on the exported U.S. base metal articles. Likewise, item 806.30 might be employed to obtain duty exemptions in connection with the imports of various parts and subassemblies made from base metal--e.g., those for internal combustion engines, compressors, air-conditioning machines, earthmoving and mining machinery, office machines, motor vehicles, aircraft, scientific instruments, and other machinery and equipment presently imported under item 807.00. On the other hand, no U.S. fabricated component of textile material, glass, rubber, plastics, or other nonbase metal now entitled to the benefits of item 807.00 could be the subject of a duty exemption under item 806.30.

Conversely, if only item 806.30 were to be repealed, trade in certain categories probably would be shifted from that tariff item to item 807.00. For the most part, however, the shift could not occur without significant changes in the form of the U.S. base metal articles exported. What changes would be commercially feasible cannot be reasonably projected.

In view of the foregoing, it seems desirable--for the purposes of the following analysis and estimations of the probable effects of repeal--to assume that, if action were to be taken, both of the tariff items rather than only one of them would be repealed. The effects for assembled products admitted under item 807.00 and for base metal articles admitted under item 806.30 are discussed separately.

Any attempt to assess the probable effects of repealing these two tariff items must take account of the motivation for the use of foreign assembly or processing facilities, the nature of the operations of the firms involved, the benefits they receive from these provisions, and the options open to them if the provisions were repealed.

As has been noted, the motives for the use of foreign assembly or processing facilities vary widely according to the circumstances respecting both the firms and the products involved. For some domestic concerns, a major factor has been increased competition from wholly foreign-produced imports in the U.S. market. For others, the use of foreign facilities is attributable in large measure to the desire to obtain foreign market outlets, which, because of tariffs or other trade barriers, would not otherwise be available. For still others, the development has been the outgrowth of the establishment, on an international scale, of an integrated production and distribution system. For some, the principal impetus--either because of competition for workers in the domestic marketplace from other industries or because of the price-cost relationship for the products of the industry group concerned--reportedly has been the inability to obtain workers in certain job classifications at prevailing wage rates.

Assuming the repeal of the provisions, a wide range of options is open to the firms involved. With respect to the foreign producer who purchases U.S. components for incorporation into products to be sold in this country, the option may merely involve the replacement of the U.S. component with the foreign equivalent, which, in the absence of the duty savings on the U.S. component, is less costly. If, on the other hand, the use of the U.S. component is still desired because of quality or because of the ease of repair or replacement, the added duty may not affect the producer's mode of operations so long as the added cost, in terms of the total value of the product, does not adversely affect his competitive position in the U.S. market.

With respect to U.S. producers using offshore assembly facilities, additional options are available. On the one hand, if the conditions of competition are such that the added cost 1/ can readily be absorbed and/or passed on to the purchaser, a producer may well continue his assembly operations without change. If, on the other hand, the added duty on the U.S. component results in a significant change in the cost of operations and in the producer's competitive and/or profit position, he may take one of several actions: (1) Terminate the foreign operation and perform the equivalent operation in the United States (using either domestic or imported materials); (2) discontinue the product

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1/ Only part of the added duty, of course, would likely be reflected in company profits since the additional duty paid would constitute an added operational expense for tax purposes.

line altogether, in which case it may be replaced by merchandise produced wholly by domestic or foreign manufacturers; (3) continue the foreign operation using the foreign equivalent of the U.S. material; or (4) perform additional manufacturing operations offshore (at wage rates lower than those that prevail in the United States). With respect to the last two options, of course, the effect is to increase the dutiable value of the imports and to decrease the U.S. contribution involved in such trade. Finally, repeal of the provisions may well result in a shift in the operations from one foreign country to another with lower wage rates. 1/

The discussion which follows respecting the probable effects of repeal is in two parts. In the first part, the discussion is in terms of the effects on the major categories of products in which the trade occurs. In the second part, the probable aggregate effects are given.

With respect to the effects on major products in which the trade occurs, the principal articles are arrayed according to the relationship between the amount of duty saved in 1969--based on the rates of duty in effect in that year--and the total value of the imports in

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1/ In recent years, for example, as wage rates in Puerto Rico have increased relative to those of other nearby countries, some producers with assembly operations in the Commonwealth have shifted to other areas in which lower wages prevail. Some producers operating in Mexico have indicated that the added duty would result in a shift in their assembly operations to the Far East or other areas where wage rates are lower than in that country. The incentive may also be strong where, as in Canada, the differential between the U.S. and foreign wage rate is small--particularly if the duty saved is large in relation to the total value of the imports and the duty-free component.

question, plus the duty paid. Such an array provides an approximate indication of the increase in the total cost of the imports as a result of repeal of the items. 1/ Moreover, because of the very large number of TSUSA items involved, it also provides a convenient method of grouping the principal categories of trade by a common denominator for the purpose of discussing the cost effects of repeal in terms of the value of the U.S. materials now imported free of duty. Additionally, the duty savings for 1972 (based on rates scheduled to become effective in that year) have been projected with respect to the duty-free component of the 1969 imports since the importance of these provisions diminishes as the applicable rates are reduced.

Effects of repeal, by duty savings groups

Articles imported under item 807.00 for which the duty saved in 1969 was equivalent to 1.9 percent or less of the duty-paid value of the imports.--In 1969, about $1 billion of the imports under item 807.00 consisted of products for which the duty saved was equivalent

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1/ For this purpose, the imports are grouped according to those for which the amount of duty saved was equivalent to 1.9 percent or less of the duty-paid value of the imports, from 2.0 to 4.9 percent, from 5.0 to 9.9 percent, from 10.0 to 14.9 percent, and 15.0 percent or more. The cost increase so computed represents the total value of the imported articles (including the duty-free value), excluding the cost of freight and insurance to the U.S. port. Had the cost increase been computed on the c.i.f. value (i.e., cost and insurance and freight to the U.S. port), the percentage increase would have been somewhat smaller, but in most cases probably not signifiaantly so. Adequate data are not available from which to compute the total c.i.f. value.

to less than 2 percent of the total duty-paid value of the articles in question; in that year, the duty-free value amounted to about $59 million--or the equivalent of about 6 percent of the total value. Combined, these products accounted for about six-tenths of the total imports under item 807.00 in 1969 ($1,649 million), and for less than one-fifth of the total duty-free value ($339 million). For most of the articles, the incremental cost of the added duty if item 807.00 were repealed would not materially affect the total volume of imports. For some, however, the duty saved is material in relation to the duty-free value, and the duty saved is probably the factor on which the use of the U.S. components depends.

By far, the leading product groups involved in 1969 were motor vehicles and parts ($774 million); nonmilitary airplanes, principally short- and intermediate-range jets ($98 million); certain machinery, including conveyors, winches, and hoists, machinery for making pulp and paper, and machines for working metals, stone, and other materials ($61 million); certain consumer electronic products and their parts--i.e., phonographs, radio phonographs, tape recorders, and related equipment ($39 million); and household sewing machines and other electrical household appliances ($36 million).

Relatively small amounts of trade were also reported for such articles as tennis racquets, rail locomotives and rolling stock, pleasure boats, miscellaneous hand tools not containing power units, and photographic equipment.

Details for the major categories of trade are shown below:

Item	807.00 imports, 1969			Ratio of the duty saved to--		
	Total value	Duty-free value	Duty saved	Total duty-paid value, 1969	Duty-free value in 1969 based on-- 1969 rates	1972 rates
	Million dollars	Million dollars	Million dollars	Percent	Percent	Percent
Motor vehicles-----	742.4	10.3	0.7	0.1	6.4	4.1
Parts of motor vehicles-----	31.2	7.4	.5	1.6	7.1	4.6
Nonmilitary airplanes----	98.0	18.5	1.5	1.5	8.0	5.0
Certain machinery----	61.0	9.6	.8	1.3	8.6	5.6
Certain consumer electronic products-----	39.1	5.5	.5	1.2	9.6	5.8
Sewing machines-----	22.6	2.4	.2	.8	8.0	5.0
Other household appliances with electrical elements-----	13.3	2.0	.2	1.4	10.0	6.0
Other articles-----	20.9	2.9	.2	6.1	7.8	5.0

Motor vehicles and parts. The imports under item 807.00 of the products herein considered consist chiefly of passenger cars and buses. In 1969, the imports of motor vehicles were valued at $742 million, of which only $10 million consisted of duty-free value. The duty saved in 1969 ($0.7 million) was equivalent to about 6 percent of the duty-free value based on 1969 rates and to about 4 percent based on the rates scheduled to become effective in 1972. Nearly all of these products are from Western Europe.

With respect to passenger cars, the duty savings are realized principally upon such U.S. components as automobile tires, window glass, and headlamps. These articles are purchased chiefly on the basis of the relative price of the domestic component excluding the duty, and the price of the foreign equivalent plus the duty. Most of the remaining savings are realized on seatbelts and automatic-transmission parts, which are frequently installed because products having the prerequisite quality and safety standards may not be readily available abroad at a comparable cost, or because of the ease of subsequent service or replacement in the after market. A significant part of the duty savings are realized on motor buses by a single U.S. firm. This concern has inter-city buses assembled in Europe from purchased U.S. components; similar equipment is produced in the United States by one large domestic manufacturer.

Elimination of the provisions of tariff item 807.00 would probably have little effect, in the short run, on the use of such items as seatbelts or transmissions now incorporated in imported passenger cars. Most importers of such products, however, have indicated that in the long run they would endeavor to find alternate sources of such components abroad. With respect to those U.S. components now used principally on the basis of price--notably tires, window glass, and headlamps--elimination of the duty savings would probably result in the replacement of a substantial part of the U.S. components with their foreign equivalents. The net effect would be an increase in the foreign value of the imports in question.

The ability of the importer of large inter-city motor buses to compete with the sole U.S. producer depends significantly upon both the use of offshore assembly facilities and the duty savings realized under item 807.00. However, adequate data are not available on which to base a judgment of the probable effects of repeal.

In 1969, the imports of motor-vehicle parts, consisting chiefly of internal combustion engines and parts, and parts of such vehicles as trucks and off-the-highway equipment, amounted to $31 million, of which about 24 percent ($7 million) was duty free. The duty saved in 1969 amounted to $0.5 million and was equivalent to about 7 percent of the duty-free value based on 1969 rates; based on the 1972 rates, the corresponding ratio is about 5 percent. The U.S. components incorporated in the parts herein considered are used primarily to meet the engineering specifications of the articles in which they are installed. While subject to added cost, they would probably not be significantly displaced by parts of foreign origin if item 807.00 were repealed.

Nonmilitary airplanes. In 1969, the imports of nonmilitary airplanes under item 807.00 were valued at $98 million; the duty-free components were valued at $18 million. The amount of duty saved, $1.5 million, was equivalent to about 1.5 percent of the total duty-paid value of the imports, but to about 8 percent of the value of U.S. duty-free components. Based on the Kennedy Round rates scheduled to become effective in 1972, the duty saved on the U.S. components, based on 1969 trade, would be 5 percent.

Imports of airplanes--supplied largely by the United Kingdom, Canada, France, and Japan, in that order--consist chiefly of executive jets and medium-range commercial aircraft incorporating such U.S. products as engines, flight-control and communication equipment, valves, brakes, generators, and pressurization systems.

Generally, the U.S. components are utilized because of the availability of parts and service from the domestic vendor or because the incorporation of U.S. components meeting FAA specifications facilitates the certification of the aircraft and increases its marketability. In the short run, elimination of the provisions of item 807.00, though adding significantly to the duty-paid cost of the U.S. components, probably would not materially affect their use. In the long run, as companies seek to reduce the cost of new planes, the elimination may well result in significant displacement of some U.S. components--particularly of jet engines, which constitute a substantial part of the total cost of such equipment.

Certain machinery. The various articles of industrial machinery for which the duty saved is small relative to the total duty-paid value consist principally of machines for working metal and other materials ($27 million); elevators, conveyors and hoists ($13 million); pulp- and paper-making machinery ($7 million); and a wide range of miscellaneous products ($14 million).

The total value of the imports in 1969 amounted to $61 million, of which $10 million, or 16 percent, consisted of duty-free U.S. components. For all of the articles combined, the duty saved in that year

($0.8 million) was equivalent to 1.3 percent of the total duty-paid value of the 807.00 imports, and to about 9 percent of the duty-free value. Based on the 1972 rates, the duty-saved on the U.S. value would be nearly 6 percent.

Most of the articles in this group are supplied by Canada and Western Europe. The larger part of the trade is by U.S. concerns which have established foreign production facilities as a part of programs to expand in world markets and to rationalize their production. Thus, the duty saved appears not to be the factor upon which either the continued entry of the imported articles, or the use of the U.S. components depends. The elimination of the tariff provision would be reflected primarily in the profit position of the industry involved and/or the cost of the articles to the end user. The replacement of the U.S. components with like articles of foreign manufacture probably would be limited.

Certain consumer electronic products. As noted, the principal products included in this group consist of phonographs, radio-phonograph combinations, and tape recorders and related equipment. Combined, the imports were valued at $39 million in 1969. The U.S. components entered free of duty were valued at $5.5 million, or the equivalent of about 14 percent of the total value. In that year the calculated duty saved, $0.5 million, was equivalent to about 1.2 percent of the total duty-paid value of the imports, and to about 10 percent of the value of the U.S. components. Based on the rates scheduled to become effective in 1972, the duty saved would be equivalent to about 6 percent of the duty-free value.

The entries of these products under item 807.00 account for a small part of the total imports of comparable products from all sources. The great bulk of the imports are supplied by foreign producers without the benefit of item 807.00. While the duty saved in relation to the total value of the imports is small, the savings as a percent of the value of the U.S. components are substantial. Because of the ready availability of foreign components at competitive prices, it is likely that the duty saved is the major factor upon which the continued use of components of U.S. origin depends.

Sewing machines and household articles containing electrical elements. The articles imported in this category consist largely of sewing machines ($23 million) and other miscellaneous articles ($13 million) chiefly comprising hair dryers and electric shavers. Most of the imports of sewing machines are by one large concern with production facilities in several foreign countries; the company supplies part of its world requirements for components from U.S. plants to take advantage of large production runs. Most of the remainder are by a major chain which purchases sewing machines from Japan. The U.S. components (believed to consist chiefly of electric motors produced to operate on U.S. electrical current) were valued at $2.4 million in 1969 or the equivalent of about 11 percent of the total value. The operations of these concerns are not likely to be altered markedly by elimination of the modest amount of duty saved, which amounted to $196,000 in 1969.

The other household equipment containing electric elements here considered consists chiefly of hair dryers and shavers. They generally contain U.S. components to provide products that are operable on U.S. electrical current and/or to meet U.S. safety regulations. In the light of these factors, the duty saved ($204,000 in 1969) does not appear to be the factor on which either the imports or the use of U.S. components depends.

Other articles. The remaining imports under this group of products consist chiefly of pleasure boats, tennis racquets, certain railroad rolling stock, hand tools without motors, and certain photographic equipment. The aggregate value of the imports in 1969 was $21 million, of which $3 million was duty free. The duty saved in 1969 amounted to $0.2 million.

The use of U.S. components (valued at $58,000 in 1969) in tennis racquets that have been imported under the item probably would be discontinued if the duty savings were eliminated. All of the imports are by one large producer of sporting equipment which discontinued the domestic production of tennis racquets years ago because of import competition. It has since imported racquets under item 807.00, using small amounts of purchased U.S. components, to round out its product line.

Information on which to make a judgment respecting the other articles in this category is not available.

Articles imported under item 807.00 for which the duty saved in 1969 represented from 2.0 percent to 4.9 percent of the total duty-paid value.--In 1969, about $313 million of the trade consisted of products for which the duty saving was equivalent to 2.0 to 4.9 percent of the total duty-paid value of the imported articles. The duty-free value amounted to $121 million. These articles accounted for about 19 percent of the total value of imports in 1969 under item 807.00 and for about 36 percent of the total duty-free value.

The leading products in this category consisted of office machines and parts; television apparatus and parts; non-agricultural tractors and earthmoving equipment; non-piston type internal combustion engines; scientific instruments; air conditioners and refrigeration equipment; and steam turbines and steam boilers. Details are shown below:

Item	807.00 imports, 1969			Ratio of the duty saved to--		
	Total value	Duty-free value	Duty saved	Total duty-paid value, 1969	Duty-free value in 1969 based on-- 1969 rates	1972 rates
	Million dollars	Million dollars	Million dollars	Percent	Percent	Percent
Office machines-----	96.9	38.7	3.3	3.2	8.4	5.4
T.V. receivers and parts----	87.1	37.4	3.0	3.3	8.0	5.0
Earthmoving equipment and non-agricultural tractors-----	25.8	9.7	.8	3.3	8.7	5.4
Non-piston type internal combustion engines-------	16.1	5.3	.4	2.5	8.0	5.0
Scientific instruments----	12.9	3.9	.4	2.8	9.8	8.5
Air conditioners and refrigeration equipment---------	12.0	4.3	.4	3.0	8.8	5.4
Steam turbines and boilers--	10.0	3.7	.4	3.6	10.5	6.6
Other----------	52.3	17.7	1.9	3.4	10.8	7.1

The "other" products included in this category have consisted of a wide range of heterogeneous articles such as compressors and parts, hand tools containing electric motors, various types of transformers, loudspeakers, capacitors, hearing aids, electric motors, and miscellaneous metal articles not elsewhere classified. None of the TSUSA items involved in this group accounted for more than $10 million of trade; imports of most of these articles were valued at less than $5 million.

Office machines. In 1969, the total value of the imports under item 807.00 amounted to $97 million. About 40 percent of that value, or $39 million, was duty-free. The duty saved, $3.3 million, was equivalent to about 3 percent of the total duty-paid value of the imports and to about 8 percent of the value of the U.S. components. Based on rates scheduled to become effective in 1972, the duty saved on the U.S. components would be about 5 percent.

In 1969, somewhat less than half of the imports consisted of data processing equipment, and calculating, adding, and similar office machines which have been imported essentially ready for use. About 56 percent consisted of parts--largely sub-assemblies of data processing equipment. The bulk of the imports, both finished equipment and sub-assemblies, are by the major domestic producers of such articles; virtually all of them acquire the imports from their foreign subsidiaries. Generally, item 807.00 was not a factor in the decision of such concerns to establish foreign production facilities.

The creation of an international production and distribution system for the purpose of participating in expanding world markets has long been an established practice in this industry and has been an important factor in its growth both by cultivating sales in areas in which trade barriers may have disadvantaged outside suppliers and by reducing costs through the allocation of production resources on an international rather than a national scale.

Most U.S. components contained in the imports entered by these concerns consist of items produced in high-volume production facilities in the United States. The amount saved by foreign assembly and the other advantages achieved thereby probably outweigh the benefits realized by the use of item 807.00. To the extent that such firms would be significantly disadvantaged by the added duty--either in terms of their profit position, the funds available for research, or their position relative to foreign competition--they would probably endeavor to offset the added cost by performing additional manufacturing operations abroad and/or by replacing some of the U.S. components now incorporated in the imported articles with their foreign equivalents. The amount of such substitution is not likely to be large in the short term but may become significant over a period of several years, particularly as competition from foreign producers increases.

Television apparatus and parts. The television receivers imported under item 807.00 consist largely of monochrome sets of all sizes and of color receivers with viewing screens over 10 inches in diagonal width. The principal categories of parts imported under that tariff item are tuners and partly assembled chassis. In 1969, the imports of these products under item 807.00 were valued at about $87 million. About $37 million, or 43 percent of the total, was duty-free. The duty saved in that year ($3 million) was equal to about 3 percent of the total duty-paid value of the imports in question and to 8 percent of the duty-free value. Based on the rates scheduled to become effective in 1972, the duty saved would be 5 percent of the duty-free value.

As is the case with most consumer electronic products, competition in the U.S. market from imported television receivers and parts is intense. The bulk of the television receivers that are imported, and a large share of the parts, are already supplied by foreign producers without the benefit of duty allowance.

In substantial degree, the establishment by U.S. producers of foreign production and assembly facilities reflects their efforts to offset the effects of competition from wholly foreign products by the use of foreign facilities for labor-intensive assembly operations and the use of foreign materials rather than their U.S. equivalent. 1/ The effect of repeal of item 807.00 would be a significant increase in the cost of the U.S. components contained in the imported products. Evidence assembled indicates that most producers would probably endeavor to offset this development through the incorporation of components sourced abroad--either by purchase or manufacture, or both.

Earthmoving equipment, and off-the-highway, nonagricultural tractors. The imports of these products under item 807.00 were valued at $26 million in 1969. The duty-free value, $10 million, was equivalent to about 38 percent of the total value. In 1969, the duty saved, $0.8 million, was equal to about 3 percent of the total duty-paid value and to nearly 9 percent of the value of the U.S. components based on the 1969 rates of duty. Based on the rates scheduled to

1/ Although varying greatly by product, a substantial part of the foreign value of many of the articles imported under item 807.00 from the Far East is attributable to foreign materials added abroad.

become effective in 1972, the duty saved would be about 5 percent of the duty-free value. Nearly all of the imports are from Canada and the bulk of the duty saved is realized by a few large U.S. concerns with substantial investments in the production facilities in which the components are assembled. In almost all cases, such facilities were established for the purpose of rationalizing production between facilities in Canada and the United States to serve both markets. Accordingly, the provisions of item 807.00 are not the major consideration on which the imports of the articles themselves, or the U.S. components contained therein, depend.

As indicated above, the elimination of the duty-free allowance on U.S. components would result in a significant increase in their cost. As other circumstances outweigh the importance of the duty saved for most of the articles, however, the termination of the provisions of item 807.00 probably would not affect the continued use of most of the U.S. components incorporated in the articles currently assembled abroad.

Non-piston type internal combustion engines. The engines considered here are used principally for propelling aircraft and for driving generators used for the production of electricity. In 1969, the imports were valued at $16 million; about $5 million, or the equivalent of about 33 percent of the total, were free of duty. The duty saved ($0.4 million) was equivalent to about 3 percent of the total duty-paid value and to about 8 percent of the value of the U.S. duty-free components. Based on rates scheduled to become effective in 1972, the duty saved would amount to about 5 percent of the duty-free value. Most of the imports are from Canada, the United Kingdom, and Japan.

With respect to the principal importer of turbines for use in generating electricity, the use of the provision has been based primarily upon a temporary shortage in its U.S. capacity. The principal firm importing aircraft engines has integrated its U.S.-Canadian production facilities and supplies its U.S. requirements for certain engines from its Canadian plant. Elimination of item 807.00 would represent a substantial added cost burden to firms importing the above products, but it is unlikely that the additional duty would affect the present mode of operations.

Scientific instruments. The imports of scientific instruments under item 807.00 amounted to $13 million in 1969. About $4 million, or 30 percent of the total value, consisted of U.S. components entered free of duty. The duty saved in 1969 ($0.4 million) was equivalent to about 3 percent of the total duty-paid value of the imports, and to about 10 percent of the duty-free value. At 1972 rates, the duty saved would be equivalent to nearly 9 percent of the duty-free value.

Nearly all of the imports under item 807.00 consist of products which are assembled in the foreign plants of large, internationally oriented U.S. concerns. Most of these facilities antedate the provisions of item 807.00 and were established for purposes of market proximity, as well as to avoid foreign import restrictions and tariffs. Many of these offshore plants operate as semi-autonomous entities with freedom to use components of either local or U.S. origin, irrespective of where the products are marketed. Nevertheless, almost a third of the total value of imports under item 807.00 consisted of U.S. components in 1969. It is probable that in some product lines, repeal of item 807.00 would result in substantial substitution of foreign articles for U.S. components.

Air conditioners and refrigeration equipment. The imports under item 807.00 in 1969 were valued at $12 million, of which about $4 million were entered free of duty. The duty saved in 1969 ($0.4 million) was equivalent to about 3 percent of the total duty-paid value of the articles in question and to about 9 percent of the U.S. duty-free component. Based on 1972 rates, the duty saved would be about 5 percent of the duty-free value.

The U.S. components incorporated in the imported articles (e.g., compressors and electric motors) are used principally because of considerations of subsequent service and replacement. Moreover, a sizable proportion of the imports, largely from Canada, are accounted for by U.S. concerns which purchase such equipment to round out their product lines. While the elimination of the duty savings would constitute a significant added cost, it is unlikely that the duty saved is the factor on which the imported articles or the use of U.S. components depend.

Steam turbines and boilers. The imports of steam turbines and boilers under item 807.00 were valued at $10 million in 1969. The duty saved in that year, $0.4 million, was equivalent to about 4 percent of the total duty-paid value and to about 11 percent of the value of the U.S. components. Based on 1972 rates of duty, the duty saved would be equivalent to about 7 percent of the value of the U.S. components.

Most of the imports under item 807.00 are entered by large concerns with investments in plants in Canada. Generally, the imports have reflected efforts to satisfy domestic requirements from the Canadian facilities when the U.S. plants were operating at or near full capacity. The duty saved is probably not the factor on which the imports depend.

Other articles. As indicated above, most of the remaining imports in this category are accounted for by a wide range of heterogeneous products, which individually account for but a small part of the total value of the imports under item 807.00. For several of the articles in question (e.g., hearing aids, compressors, electric hand tools, loudspeakers, and certain radio-telegraphic equipment), it is probable that repeal of the provisions would not materially affect the nature or the volume of trade; other factors--such as the quality of the U.S. components, repair and maintenance considerations, or the nature of the firm's operations--generally outweigh the duty savings as a determinant of the trade. For the remainder of the articles, little information is available on which to base a judgment of the probable effects of repeal.

Articles imported under item 807.00 for which the duty saved in 1969 represented from 5.0 percent to 9.9 percent of the total duty-paid value.--For about $243 million of the imports in 1969, the cost increase of the elimination of the tariff preference for U.S. components would range from 5.0 percent to 9.9 percent of the total duty-paid value of the imports. Such articles accounted for about 15 percent of the total imports under item 807.00 in 1969 and for 36 percent of the total duty-free value of such imports. For these products, the duty-free value ($122 million in 1969) is generally large relative to the total duty-paid value, amounting to about 50 percent for the group as a whole.

In 1969, the duty saved ranged from approximately 9 percent to 35 percent of the value of U.S. components; for the group as a whole it averaged about 12 percent. The corresponding ratio based on the final Kennedy Round rates would be about 8 percent ad valorem.

As indicated below, by far the leading product category consisted of certain electronic components (semiconductors and parts, and electronic memories). In 1969 the combined imports of such products were valued at $153 million, of which $92 million, or about 60 percent of the total, was duty free. The duty saved in 1969, $8.9 million, was equivalent to about 6 percent of the total duty-paid value and to nearly 10 percent of the value of the U.S. components. Based on 1972 rates of duty, the duty saved would be nearly 6 percent of the duty-free value.

Imports of radios (mainly clock radios) and parts under the provisions were valued at about $51 million, of which $8.5 million, or about 17 percent of the total, were duty free. The duty saved in 1969, $3 million, was equivalent to about 5 percent of the total duty-paid value and to 35 percent of the value of U.S. components. Based on 1972 rates of duty, the duty saved would be about 22 percent of the duty-free value.

Imports of resistors and parts under the provisions were valued at about $4 million in 1969. The remaining trade was accounted for by a wide range of articles, for example, baseballs and soft balls, magnetic recording media, electrical conductors, circuit breakers, and wood and paper products.

Item	807.00 imports, 1969: Total value	Duty-free value	Duty saved	Ratio of the duty saved to--: Total duty-paid value, 1969	Duty-free value based on--: 1969 rates	1972 rates
	Million dollars	Million dollars	Million dollars	Percent	Percent	Percent
Semiconductors------	106.2	62.4	6.2	5.6	10.0	6.0
Electronic memories-----	47.2	29.4	2.7	5.4	9.0	5.5
Radios and parts---------	51.1	8.5	3.0	5.3	35.3	21.6
Resistors and parts---------	3.6	2.6	.3	7.1	10.0	6.0
Other-----------	34.8	19.1	2.8	7.6	14.7	11.1

Semiconductors and parts, and electronic memories. As with office machines, discussed above, the great bulk of the imports of semiconductors and electronic memories are entered by large U.S. firms with integrated domestic and foreign production facilities. Whereas capital-intensive operations, involving the basic materials, are performed mainly in the United States, most of the labor-intensive assembly operations, involving the production of sub-assemblies, are performed in foreign plants. Upon the return of the sub-assemblies to the United States, they are incorporated into a wide range of products such as scientific instruments; data-processing machinery; and control, guidance, and navigational equipment.

The components exported and returned to the United States are often proprietary items. The materials contained in the imports are predominantly U.S. materials, and the value added abroad consists chiefly of that contributed by labor. At the assembly stage of production, the amounts of labor involved (e.g., in the soldering of leads to microscopic printed circuits) represent an important cost factor. Accordingly, the cost saving realized through the use of foreign rather than domestic labor is large, and the duty saving small in relation to it.

Technology and competition in world markets are growing rapidly in the electronics industry, and sales depend increasingly upon both the performance characteristics and the prices of the items involved. For the U.S. industry, the maintenance of its price competitiveness appears to be related, in a significant degree, to cost savings achieved through the use of foreign labor in assembly operations.

While the amount of duty saved under the provisions of item 807.00 is not a critical factor on which such imports depend, elimination of that item would significantly affect the cost of imported semiconductors. In the short run, the added costs would probably be absorbed by the producers of these articles. In the long run, because of price competition, its elimination would provide a significant impetus to increase the amount of manufacturing that would be performed abroad. The basic materials from which these components are processed, however, often proprietary in nature, would generally continue to be supplied by U.S. firms.

Radios and parts. As in the case of other consumer electronic products, only a small share (12 percent) of total U.S. imports of radios and parts in 1969 was accounted for by imports entered under item 807.00. In terms of quantity, imported radios supply a substantial part of U.S. consumption. Few producers of radios for home or personal use remain in the United States. Most concerns have radios manufactured for them from wholly foreign components by foreign manufacturers that have the required technology, production capacity, and access to low-cost labor.

In 1969, the bulk of the imports of radios entered under item 807.00 consisted of radios containing duty-exempt clocks of U.S. origin. It is estimated that 807.00 imports of such clock radios supplied about two-thirds of the U.S. market in that year. While in general the primary incentive to assemble radios abroad is the significantly lower production cost, the U.S. tariff treatment accorded radios containing U.S.-made clocks has a very significant bearing on their entry under item 807.00.

The value of U.S. clocks contained in the imported clock radios (normally dutiable at about 44 percent ad valorem at the 1969 compound rate and at about 27 percent ad valorem at the 1972 compound rate) is constructively separated for duty purposes from the total value of the imported clock radios. The duty saved on U.S. clocks contained in the imports under item 807.00 in 1969 ($2.8 million) was equal to about 6 percent of the total duty-paid value of the imported clock radios; based on rates scheduled to become effective in 1972, the calculated duty saved ($1.8 million) would be equal to about 3.6 percent of the total duty-paid value.

With respect to the group as a whole, including radios not containing clocks and parts, the duty saved in 1969 was equivalent to about 5 percent of the total duty-paid value and to about 35 percent of the duty-free value. Based on rates scheduled to become effective in 1972, the duty saved would be equivalent to 22 percent of the duty-free value.

Virtually all of the clocks incorporated in imported radios are supplied by two U.S. manufacturers. The relatively high U.S. rate of duty on electric clocks is a substantial incentive for their use in the radios entered under item 807.00. Elimination of item 807.00 would materially reduce the incentive to use U.S.-made clocks in imported radios and would encourage the development of large-scale production of clocks in the Far East, particularly in Japan, for use in radios and for other uses as well.

Resistors. Imports of resistors under item 807.00 were valued at $3.6 million in 1969; the duty saved on such articles in that year was about $0.3 million and was equivalent to 10 percent of the duty-free value ($2.6 million). Used in the production of a wide range of electronic and electrical products, the great bulk of the imports of resistors already enter without the benefit of item 807.00. Competition in the domestic market from imports is intense, and the duty preference on the U.S. components contained in such articles is probably the factor upon which their continued used in the imported articles depends.

Other articles. With respect to several of the other products in this category--circuit breakers, electrical conductors, magnetic recording casettes, and baseballs and softballs--most of the U.S. imports enter without the benefit of a tariff preference. For many of the products imported under item 807.00, import competition has been an important factor in the decision to assemble them offshore. For most of the users, the added cost of the duty would probably be sufficiently great to cause a substantial reduction in the use of U.S. components--either as a result of cessation of the trade or the offshore procurement (through purchase of production) of foreign articles to replace the U.S. components.

Articles imported under item 807.00 for which the duty saved in 1969 represented from 10.0 percent to 14.9 percent of the total duty-paid value.--In 1969, about $29 million of U.S. imports under item 807.00 consisted of products for which the calculated duty saved represented from 10.0 percent to 14.9 percent of the total duty-paid value of the imported articles. In that year the duty-free value amounted to $14 million. In the aggregate, these products accounted for about 2 percent of the total value of the entries of all products under item 807.00 and for about 4 percent of the total duty-free value. As indicated below, the bulk of the trade ($22.2 million) consisted of toys, dolls, and models while the remainder consisted chiefly of gloves ($5.9 million):

Item	807.00 imports in 1969			Ratio of the duty saved to--		
				Total duty-paid value, 1969	Duty-free value based on--	
	Total value	Duty-free value	Duty saved		1969 rates	1972 rates
	Million dollars	Million dollars	Million dollars	Percent	Percent	Percent
Toys and dolls-	22.2	9.7	2.7	10.5	27.7	17.7
Gloves---------	5.9	4.1	.8	12.5	19.1	22.1
Other----------	.8	.5	.1	13.8	24.6	17.5

With respect to both of these categories, the rates of duty are high, ranging from 12.5 percent to 33 percent ad valorem for toys, and from 15 to 43 percent ad valorem for gloves. In addition, a large proportion of the total value of the imports (44 percent for toys and 69 percent for gloves) consists of materials entered free of duty. Accordingly, elimination of item 807.00 would result in a substantial cost increase both in terms of the total duty-paid value of the imports and in terms of the value of the U.S. components entered free of duty.

For toys, the average ad valorem equivalent of the rates will be reduced to about 18 percent in 1972 as a result of the Kennedy Round. The average rate for gloves will increase to 22 percent in 1972 as a result of reductions in tariff preferences on imports from the Philippine Republic.

Toys. Most (about 78 percent) of the imports of toys under item 807.00 are from Mexico, and the remainder is largely from Hong Kong

(17 percent). The bulk of the imports are entered by one large concern which has investments in both Mexico and the Far East. Generally, the U.S.-fabricated components exported are purchased from independent vendors, resulting in a considerable degree of flexibility with respect to sources of supply.

All of the U.S. imports of toys from Mexico enter under item 807.00. The great bulk of the total U.S. imports of toys, however, are supplied by Far Eastern countries without the benefit of item 807.00. The ability of U.S. producers to compete with imports from such countries by assembling U.S. components in Mexico depends in large measure on the duty-free allowance realized by the use of item 807.00. Indeed, some concerns have been able to increase their volume of business substantially through such operations.

With respect to toys, the effect of the repeal of item 807.00 will vary greatly according to the products involved and to the significance of the duty saved relative to the margin of profit currently realized on them. In general, the cost advantage of producing by assembly offshore is significantly greater than the margin of duty saved through the use of item 807.00. Although the duty saved is thus not the major factor on which such imports depend, it substantially influences the use of U.S. components. Most producers would probably endeavor to offset the added cost resulting from the repeal of the provision by increasing the amount of processing performed offshore and/or substituting foreign articles for the U.S. components. The extent to which this is feasible depends, of course, upon the availability, quality, and price of the foreign equivalent of the various U.S.-fabricated components now used in foreign assembly operations. Evidence indicates that there would be little difficulty in producing or procuring additional components abroad since the capacity and know-how for producing them in foreign countries is generally widespread.

Gloves. Most (about 75 percent by value) of the imports of gloves entered under item 807.00 are classified for duty purposes as gloves of leather; almost all of the remainder consist of gloves of textile materials. Of the leather gloves, the bulk are dress gloves assembled in the Republic of the Philippines. In 1969, a small quantity of cowhide work gloves, valued at $374,000, was imported from Mexico; a small quantity of dress-type leather gloves was supplied by Taiwan. Imports from the Caribbean area, which have included both textile and leather gloves, currently are small but are expected to increase as a result of recent starts by several U.S. concerns.

The elimination of the duty-free provision on the U.S. components contained in imported gloves would probably significantly worsen the position of U.S. producers vis-a-vis their foreign competitors in the U.S. market. Limited data respecting imports from the Philippines, the major source of imports, indicate that even with the Philippine preference the profit margin on goods entered under 807.00 is small, and that it would probably be largely eliminated by the added cost of the duty if item 807.00 were repealed. 1/

Articles imported under item 807.00 for which the duty saved was equivalent to 15 percent or more of the duty-paid value.--In 1969, about $36 million of the imports under item 807.00 consisted of articles for which the duty saved represented from 15 percent to 22 percent of the total value of the articles in question. For the group, the duty-free value ($24 million) was equivalent to about 67 percent of the total value. Combined, these articles accounted for 2 percent of all of the imports under this tariff provision in 1969 and for about 7 percent of the duty-free value. As indicated below, the great bulk of the imports consisted of wearing apparel other than gloves, and the remainder consisted chiefly of specialty luggage:

Item	807.00 imports, 1969			Ratio of the duty saved to--		
	Total value	Duty-free value	Duty saved	Total duty-paid value, 1969	Duty-free value based on-- 1969 rates	Duty-free value based on-- 1972 rates
	Million dollars	Million dollars	Million dollars	Percent	Percent	Percent
Wearing apparel (except gloves) and other textile articles-----	34.8	23.1	7.4	19.3	32.1	31.4
Luggage--------	.8	.6	.1	17.2	21.8	19.8

1/ Products of the Philippine Republic (including gloves) imported into the United States receive a tariff preference amounting to 60 percent of the most-favored-nation rate through 1970, and 80 percent during 1971-73. The preference terminates January 1, 1974. For those gloves imported from the Philippines that were subject to Kennedy Round concessions, the duty reductions will not fully offset the increased rates resulting from the elimination of the Philippine preference.

Wearing apparel (except gloves) and other textile articles. In 1969, the total imports of such articles under item 807.00 were valued at $35 million, of which $23 million were entered free of duty. In that year, the amount of duty saved ($7.4 million) was equivalent to about 19 percent of the total duty-paid value of the imports and to about 32 percent of the duty-free value. The applicable rates were not significantly reduced in the Kennedy Round. Imports have consisted chiefly of wearing apparel made with ornamentation or wearing apparel made from manmade fibers, not ornamented. 1/

For most articles of wearing apparel, the elimination of item 807.00 would probably result in the termination of the assembly operations that are presently conducted in connection with this tariff provision. Most imports of wearing apparel are supplied by Far Eastern countries and enter without the benefit of the duty savings under item 807.00. Many of the producers assembling products in Mexico, Central America, and the Caribbean countries indicate that they have built a volume business in low-priced merchandise, sold primarily through large chains in competition with non-807.00 imports of like products from the Far East.

For the most part, the markup of the 807.00 articles, at wholesale, over the cost of the imported goods, duty-paid at the U.S. border

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1/ Most imports of wearing apparel of cotton are subject to quantitative restraints pursuant to the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA).

but not delivered, is modest, and the duty saved is large in relation to it. The increase in cost as a result of elimination of item 807.00 probably would be sufficiently great as to make the present mode of operation unprofitable or nearly so for most concerns importing wearing apparel under the provisions, from Mexico, the Caribbean, and Central America. While some of the major firms engaged in such trade might shift a part of their operations from these areas to Far Eastern countries, the bulk of the trade under item 807.00 probably would be terminated. Most of the chains now sourcing their requirements with the firms that assemble U.S. components probably would find it advantageous to procure like products wholly produced abroad by foreign manufacturers in the Far East.

Luggage. Imports of luggage under the provision were valued at $0.8 million in 1969. In that year, the duty saved was equivalent to 17 percent of the total duty-paid value and to 22 percent of the duty-free value. The rates of duty were not significantly reduced in the Kennedy Round. Elimination of the duty savings, which in 1969 amounted to $138,000, would probably make existing operations under item 807.00 largely unprofitable. Evidence collected during the investigation indicates that present users of the provision could readily procure their requirements by importing similar articles produced wholly abroad.

Articles imported under item 806.30.--As indicated in the summary tabulation below, nearly 60 percent of the imports in 1969 under item 806.30 consisted of articles for which the duty saved in 1969 was equivalent to less than 5 percent of the total duty-paid value of of such articles. For about 30 percent of the imports, the duty saved represented from 5.0 to 9.9 percent of the total duty-paid value. For 10 percent of the imports, the duty saved represented from 10.0 to 14.9 percent of the total value:

Range of the ratio of duty saved to the total value	806.30 imports, 1969: Total value	Duty-free value	Duty saved	Ratio of the duty saved to--: Total duty-paid value, 1969	Duty-free value, 1969
Percent	Million dollars	Million dollars	Million dollars	Percent	Percent
0.1 - 1.9------	3.8	1.1	.1	1.7	6.3
2.0 - 4.9------	111.6	46.4	3.5	2.9	7.4
5.0 - 7.4------	51.9	37.7	3.0	5.7	8.0
7.5 - 9.9------	5.9	4.4	.5	8.1	11.2
10.0 - 14.9----	19.4	13.6	2.6	12.6	19.1
Total or average--	192.6	103.2	9.7	4.8	9.4

With respect to those articles--chiefly iron and steel wire rope, copper rods, and iron and steel fasteners--for which the duty saved was less than 2 percent of the total value, the aggregate duty saved ($69,000 in 1969) was small and is scarcely the factor on which the imports depend.

As for those articles for which the duty saved in 1969 represented from 2.0 to 4.9 percent of the total duty-paid value, the bulk of the trade was accounted for by parts of aircraft ($68 million) and semiconductors ($20 million). Virtually all of the imports of aircraft parts are entered by one large firm with either a subsidiary or a contractual arrangement in the foreign countries from which the components are procured. In the main, these arrangements were entered into for reasons other than the duty savings realized under item 806.30. The amount of duty saved, however, is large ($1.9 million in 1969) and is substantial in relation to the duty free value ($26.6 million in 1969). Evidence assembled in the investigation indicates that elimination of the provision could affect the user in a highly competitive world market.

As noted elsewhere in this report, most large domestic producers of semiconductors have established foreign facilities to perform labor-intensive operations in connection with the production of semiconductors, and cost reductions achieved thereby have been an important factor in the ability of the industry to expand in an increasingly competitive market. Repeal of this tariff provision would significantly affect the cost of imported semiconductors. In the short run, the added cost would probably be absorbed by the producers. In the long run, because of price competition, more of the production processes would be shifted abroad. The basic materials from which these components are processed, however, often proprietary in nature, would generally continue to originate in the United States.

With respect to those articles for which the duty saved in 1969 represented from 5 to 9.9 percent of the total value, the bulk of the trade was accounted for by aluminum mill products, excluding foil ($26 million); steam-turbine, steam-boiler, and economizer parts ($14 million); and copper pipes and tubes ($10 million). Most of the trade in aluminum mill products is supplied by affiliates of a large European producer which obtains part of its raw materials (principally ingot) from U.S. plants in which it has a financial interest. The duty saved on these products (7 percent of the duty-free value) is substantial. Accordingly, it probably would be uneconomical to continue this method of operation if item 806.30 were eliminated. It is likely that if the provision were repealed, this concern, as well as others, would endeavor to supply its U.S. customers with mill products produced from ingots of foreign origin. Nearly all of the imports of steam-turbine, steam-boiler, and economizer parts imported under item 806.30 have been entered by large domestic producers of these articles. Generally, these concerns have imported the products in question because their domestic facilities were operating at capacity or because of practices designed to rationalize production between the firms' overall North American production facilities. As other factors outweigh the importance of the duty savings, it is unlikely that elimination of item 806.30 would markedly affect this trade.

With respect to copper pipes and tubes, data developed in the course of the investigation indicate the probable cessation of trade and the closing of a U.S. plant for further processing of imported copper tube shells if the provision is eliminated.

It is likely that all of the imports under item 806.30 for which the duty saved represented more than 10 percent of the total value of the imported articles would be discontinued if the provision were eliminated. Such imports were valued at $19 million or the equivalent of about 10 percent of the total value of the imports under item 806.30 in 1969. The duty-free value, about $14 million, was equivalent to about 14 percent of the total duty-free value of all imports entered under this item in 1969. For all of the metal articles concerned--principally aluminum foil, wrought titanium, wire cloth, refractory metal powders and compounds , and parts of railroad rolling stock--the duty saved, as a percent of the duty-free value, is substantial, ranging from 18 to 26 percent ad valorem, depending upon the metal article, and averaging about 19 percent for the group as a whole. It is likely that the U.S. requirements for these articles would be largely supplied by domestic concerns if the tariff provision were eliminated.

Aggregate Effects of Repeal

The effects of repeal of items 807.00 and 806.30 upon U.S. trade, production, and employment--even on a short-term basis--can be appraised only approximately owing to many uncertainties regarding the course that trade might take. While it is impossible to determine definitively the extent to which repeal of the items would result in the displacement of current imports with imports having fewer or no U.S. components, it is clear that such displacement would be the most likely short-term result for many of the articles that now enter under the provisions, particularly under item 807.00. The outlook over the longer period will depend on many developments that cannot be foreseen, including changes, for example, in the level of economic activity in the United States and other countries, technological advances in the United States and abroad, and changes in relative costs and prices and their effects on consumption.

For the bulk of the trade under these provisions, and particularly that supplied by the industrially developed countries, the duty saving has seldom been the major factor upon which the decision to utilize foreign facilities has been based. With respect to the imports from developing countries, the tariff preference on the U.S. components has served to encourage the development of foreign assembly operations. It is not likely, however, that repeal of these provisions would significantly slow the development by U.S. concerns of production facilities in low-wage areas for their labor-intensive operations. With respect to such imports, most of the users of these provisions report that the predominant factor in their decisions to assemble products abroad was their inability to compete with other imports entering the U.S. market. Moreover, to the extent that the provisions have served to provide an incentive to producers to establish foreign facilities, such incentive will be reduced as a result of the further implementation of tariff concessions negotiated in the Kennedy Round. In addition, while lower foreign labor costs cannot be translated fully into lower delivered costs in the United States, wages in the lesser developed countries amount in many instances to only a small fraction of U.S. wages for comparable job classifications. If the same operations were performed in the United States, the unit labor cost would accordingly be higher and the adverse effect upon the competitive position of domestic producers in the U.S. market vis-a-vis imports, and indeed in world markets for some product lines, would often be substantial. 1/

With respect to the existing trade, the information obtained in this investigation indicates that repeal of items 807.00 and 806.30 of the Tariff Schedules of the United States would not markedly reduce the volume of imports of the articles that now enter the United States under these provisions. Rather, the products would continue to be supplied from abroad by the same concerns but in many cases with fewer or no U.S. components, or by other concerns producing like articles without the use of U.S. materials. With respect to the former, the replacement

1/ In this connection, there have been recent indications that concerns in several foreign countries are making increasing use of production facilities in less-developed areas. Repeal of the provisions would further disadvantage the United States in relation to such operations.

would occur chiefly as the result of the foreign procurement of the equivalent of the U.S. materials through purchase, licensing arrangements, or by an increase in the amount of manufacturing performed. In the absence of increased restrictions on U.S. imports of the imported articles themselves, there is little basis to presume that there would be a significant increase in U.S. production should these tariff items be repealed.

Based on 1969 data, it is estimated that, overall, repeal of these provisions would result in an adverse effect on the U.S. balance of trade. On the one hand, exports of U.S. materials for use under the provisions would be reduced by about \$180-\$250 million. 1/ On the other hand, imports would be reduced by a smaller amount, probably not more than \$30 to \$50 million. 2/ Thus, the net effect of repeal would be a \$150-\$200 million deterioration in the U.S. balance of trade.

As indicated above, the effects of repeal on U.S. employment also can only be estimated. Foreign assembly operations utilizing these provisions now provide employment for about 121,000 workers in foreign countries. Only a small portion of these jobs would be returned to the U.S. if items 807.00 and 806.30 were repealed. On the other hand, these provisions now provide employment for about 37,000 people in the U.S. (producing U.S. materials for export to be assembled or processed

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1/ The principal U.S. materials subject to substantial displacement are those contained in the imports of wearing apparel, various electronic products, certain components of transportation equipment, toys and dolls, and certain nonferrous metal products.

2/ The bulk of these imports enter under item 806.30. The products involved are chiefly aluminum foil, wrought titanium, copper pipe and tube, wire cloth, railroad rolling stock and refractory metals.

abroad, and further processing imports after they have been returned). Accordingly, repeal would probably result in only a modest number of jobs returned to the U.S., which likely would be more than offset by the loss of jobs among workers now producing components for export and those who further process the imported products.

APPENDIX A

UNITED STATES TARIFF COMMISSION
Washington

[332-61]

ASSEMBLED AND PROCESSED ARTICLES

Notice of Investigation and Hearing

In response to a request dated August 18, 1969, by the President of the United States, the U.S. Tariff Commission has instituted an investigation of the economic factors affecting the use of items 806.30 and 807.00 of the Tariff Schedules of the United States (TSUS). The full text of the request is as follows:

Dear Mr. Chairman:

I hereby request that the Tariff Commission conduct an investigation, under section 332 of the Tariff Act of 1930, and report to me at the earliest opportunity, but not later than January 31, 1970, on all relevant economic factors affecting the use of items 806.30 and 807.00 of the Tariff Schedules of the United States. The Commission's report should include, but not be limited to, an analysis of

(1) the competitive relationship in U.S. consumption of articles admitted under items 806.30 and 807.00 and other like or directly competitive articles;

(2) the operations of U.S. industries, or firms, utilizing items 806.30 and 807.00 of the TSUS, including data with respect to their production, imports, exports, foreign investments in production facilities, and the effect of the operation of these provisions upon their competitive position in the U.S. and in foreign markets;

(3) the effect of operations under these provisions of the TSUS upon the U.S. balance of payments; and

(4) the relationship of these provisions and imports thereunder to employment opportunities and wage levels in the United States, particularly in the industries utilizing these provisions; and

(5) the probable effect of repeal of either 806.30 or 807.00, or both.

I am asking the Secretary of Labor to make available to the Commission any data at his disposal pertinent to this matter and any other assistance which the Commission may require from his department in the conduct of this investigation.

I am also making similar requests on furnishing data and assistance to the Secretary of the Treasury, the Secretary of Commerce, and to the heads of other agencies concerned.

Sincerely,

(Signed) RICHARD NIXON

A hearing will be held in the Hearing Room, Tariff Commission Building, 8th and E Streets, N.W., Washington, D.C., beginning at 10 a.m., on November 18, 1969. Interested parties desiring to appear and to be heard should notify the Secretary of the Commission, in writing, on or before November 7, 1969. It is suggested that parties who have a common interest endeavor wherever possible to arrange for a consolidated presentation of their views.

Requests to appear must contain the following information:

a. The products or industry segments on which testimony will be presented.

b. The name and organization of the witness or witnesses who will testify, and the name, address, telephone number, and organization of the person filing the request.

c. A statement indicating whether the testimony to be presented will be on behalf of importer, domestic producer, or labor interests.

d. A careful estimate of the aggregate time desired for presentation of oral testimony by all witnesses for whose appearances the request is filed.

Because of the limited time available, the Commission reserves the right to limit the time assigned to witnesses. In this connection, experience in similar previous hearings has indicated that in most cases the essential information can be effectively summarized in an oral presentation of 15 to 30 minutes. Parties desiring an allowance of time in excess of this amount should set forth any special circumstances in support of such request. Witnesses may supplement their oral testimony with written statements of any desired length. These should be submitted when the oral testimony is presented.

Persons who have properly filed requests to appear will be individually notified of the date on which they will be scheduled to present oral testimony and of the time allotted for presentation of such testimony.

Questioning of witnesses will be limited to members of the Commission and the Commission's staff.

Written information and views in lieu of appearance at the public hearings may be submitted by interested persons. A signed original and nineteen true copies of such statements shall be submitted.

Business data which are deemed confidential shall be submitted on separate sheets, each clearly marked at the top "Business Confidential". All written statements, except for confidential business data, will be made available for inspection by interested persons. To be assured of consideration by the Commission, written statements *in lieu of appearance* should be submitted at the earliest practicable date, but not later than November 25, 1969.

All communications regarding the Commission's investigation should be addressed to the Secretary, United States Tariff Commission, Washington, D.C. 20436.

By order of the Commission:

Willard W. Kane

WILLARD W. KANE
Acting Secretary

Issued August 28, 1969

APPENDIX B

A-7

THE WHITE HOUSE

WASHINGTON

RECEIVED

NOV 12 1969

OFFICE OF THE SECRETARY

November 10, 1969

Dear Mr. Chairman:

I have your letter to the President dated October 30, 1969, asking for an extension in the time for the submission to the President of the Commission's report in connection with its investigation 332-61, instituted in August 1969, in response to the President's directive of August 18, 1969, for a report on all relevant economic factors affecting the use of items 806.30 and 807.00 of the Tariff Schedules of the United States.

On behalf of the President, I hereby advise you that an extension of time has been granted. The Commission's report should be submitted not later than August 31, 1970.

Sincerely,

Henry A. Kissinger

Henry A. Kissinger

Honorable Glenn W. Sutton
Chairman
United States Tariff Commission
Washington, D. C.

APPENDIX C

STATEMENT OF NATHANIEL GOLDFINGER, DIRECTOR, AFL-CIO DEPARTMENT OF RESEARCH, ACCOMPANIED BY ELIZABETH JAGER OF RESEARCH DEPARTMENT, ON BEHALF OF AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

EXHIBIT NO. 4

IN THE MATTER OF INVESTIGATION INTO ECONOMIC FACTORS AFFECTING THE USE OF ITEMS 806.30 AND 807.00, TARIFF SCHEDULES OF THE UNITED STATES

PRESENTED BY

DATE

BEFORE THE UNITED STATES TARIFF COMMISSION
May 5, 1970

The AFL-CIO appears before this Commission because the President has requested a study of the impact of Items 806.30 and 807 of the Tariff Code on the economy of the United States.

We believe that these Items should have been repealed in 1967, when the AFL-CIO first urged such action. They should be repealed now.

The issue before the Commission, at this time, is merely one aspect of a continuing and growing problem -- the mushrooming expansion of foreign subsidiary operations of U.S. firms. Continued delays in repeal of 807 and similar sections of the Tariff Code encourage the growth of these operations, with the displacement of U.S. production and employment.

Item 807 is one small loophole in the tax structure for the advantage of U.S.-based multi-national companies. It operates as a lubricant for the growing export of U.S. capital, which is a major factor in America's balance of payments difficulties. It provides financial encouragement of foreign production, by U.S. firms, of goods that are sold in the U.S. market. It is a factor in the deterioration of both the volume and composition of the U.S. trade balance.

Both Items 806.30 and 807 provide reduced U.S. tariff duties on imports which contain U.S.-produced components and which have been assembled or proces abroad. The tariff duty, therefore, is applied effectively to merely the value added in foreign assembly or processing -- often, to merely the very low wages of workers in the foreign operations. Under 807, the advantage to the firm is twofold. There is a substantial advantage from the utilization of American equipment and know-how, usually combined with wages and fringe benefits that are 50% to 90% less than in the U.S. 807 adds to this a reduced-tariff subsidy.

Like many tax loopholes, 807 and similar provisions tend to grow. Reported imports under 807 shot up from $577 million in 1965 to $1.6 billion in 1969. Moreover, these figures may well be understated, since multi-national firms can juggle their prices in intra-corporate transactions,for the benefit of the firm.

The practice, under 807, started as a mistake and it became part of the law. It is now one of a number of various devices available to U.S. companies to spur the expansion of the production of goods in foreign subsidiaries for importation into the U.S. -- to encourage the avoidance, by such companies, of U.S. wages, labor and social standards. The profit margins of such operations are thereby aided, to the detriment of American workers and communities.

Whether or not the operations of U.S. firms under 807 and 806.30 are rational decisions for the firms should not be a major consideration in this stu The issue is the consequences on the American economy, on American workers and their communities. Business decisions for the sales and profit advantage of the firm are not necessarily identical with the interests of the U.S., as a nation, and of the American people as a whole.

In introducing H.R. 14188 to delete Item 807 from the Tariff Schedules, Chairman Wilbur D. Mills of the Ways and Means Committee of the House of Representatives declared on October 3, 1969, that "item 807.00 is being exploite in a manner not originally anticipated by the Congress. If operations under it continue to expand and its use is adopted by other industries, the result will be loss of many jobs. While there may be meaningful economic operations being conducted under this provision, I am convinced that in many instances, it is being misused in some industries. Therefore, I feel the provision should be repealed until such time as the government can develop new language and assure that the operations under such a provision are economically viable and contribut to rather than damage the wellbeing of the U.S. labor force."

The narrow issue of 807 involves a tariff (or tax) saving of approximatel $24 million in 1968, which may have increased to about $30 million in 1969. Business publications that ardently oppose repeal do not seem to recognize what this Commission knows -- of the $1.6 billion in imports under 807 in 1969, all but $339 million were charged the duties appropriate for the imported items. Payment of the appropriate duties on the excluded $339 million would surely not break the companies involved, but it would eliminate this specific type of federal inducement for the displacement of U.S. production and employment by runaway operations to countries whose wage levels are as much as 90% lower than ours.

While studies of 807 in the Executive Branch and the Tariff Commission ha been under way since 1967, the operations of U.S. firms in foreign countries -- with the utilization of this provision -- have led to the export of about one hundred thousand or more American jobs in those few years. Moreover, these exported jobs -- generally, lower-skilled assembly jobs -- are precisely the kinds of jobs that were needed at home for the long-term unemployed. They are much-more needed, now, at a time of spreading layoffs, production cutbacks and rising unemployment.

While the Executive Branch has been examining the issue in these past few years -- and while the National Alliance of Businessmen has been training, with federal subsidies, a small portion of the disadvantaged unemployed for jobs in U.S. plants -- 807 has been encouraging companies, including NAB members, to export needed jobs to low-wage foreign subsidiaries. Total imports, under 807, from Mexico, alone, soared from $3.1 million in 1965 and $19.2 million in 1967 to $145.2 million in 1969 -- and although these imports include U.S.-produced components, the net loss of U.S. jobs is clear.

At home, the U.S. government is engaging in numerous efforts to train unemployed workers for low-skilled jobs -- jobs that are now disappearing, due to recent and current economic developments. But 807 provides firms with a federal subsidy to export such assembly and production jobs for the advantage of some companies and to the detriment of the American labor force, including the most disadvantaged.

Moreover, even the so-called U.S.-produced component, under 807, may not be what it appears. Such component may be an imported item, processed in the U.S. and assembled abroad, for shipment back to the U.S., under 807.

The utter confusion and lack of valid information on the actual value of shipments, under 807, was pointed up in the remarks of Mr. Adolfo Loera, Assistant District Director of Customs at El Paso, Texas, to a group of U.S. businessmen on how to operate plants in Mexico and take advantage of 807. Mr. Loera told this promotional business conference in April 28, 1969:

"It has been our experience that due to the circumstances surrounding the assembly of goods abroad, elements of value for appraisement purposes are ordinarily lacking to preclude the appraisement either export or United States value. So we get to the very last resort, which is known as constructive value -- the final basis for appraisal. This value is the sum of all costs, components, materials, labor, overhead, and a normal profit depreciation and normal profit to arrive at a fair market value in wholesale quantities in the country of exportation. It is most advisable to establish with the district director of customs, the proper value on goods, state, general expenses, and profits which must be added to arrive at a full market value. . . The United States Customs service is exactly what its name implies -- here to serve you. Red tape and delays are kept to a minimum. Immediate delivery of the merchandise may be obtained on arrival with presentation of the proper documents."

This is merely one small insight into how 807 actually works, with the value of shipments constructed by the firm, in an operation that is for the sales and profit advantage of the firm -- with the attendant export of American jobs.

The term "export of American jobs" may have an old-fashioned ring to some observers. But it has an entirely modern meaning, today, which is well-known to many American workers. The multi-national firm -- through 807 and various other federal advantages -- is encouraged to shift its production back and forth, across national frontiers and oceans, among its U.S. and foreign subsidiaries, within a closed-circuit, intra-corporate trading system -- to utilize low-wage labor and lower taxes in foreign countries for the production of goods for sale in the American market, at American prices. A product with an American brand-name may be composed of components produced in a multi-national company's plants in Taiwan, Korea, Hong Kong and the U.S. and assembled in Mexico -- within the structure of the firm, for its advantage and benefit.

But American workers and communities that are adversely affected by the displacement of production and jobs, as a result of these developments, are simply advised -- sometimes by the multi-national company beneficiaries and sometimes by well-protected observers -- to get adjusted. Workers and communities, however, cannot be moved around like pawns on a chessboard. They are not easily mobile, like investments which can be moved around from one location to another, including foreign countries. Investors can change the composition and location of their portfolios with relative ease. Workers have great stakes in their jobs and communities -- skills that are related to the job or plant, seniority and seniority-related benefits, investment in a home, the attachment of themselves and their families in the neighborhood, the schools and the church.

The AFL-CIO is a trade union federation. It is composed of over one hundred and twenty national unions, with over 60,000 local unions, charged by law to bargain with employers on behalf of their 13.6 million members and all other workers who may be in the bargaining units.

This statement is intended to illustrate the problem as it appears to American labor and the reasons why we are firmly convinced that the two tariff inducements to displace U.S. production and employment by expanding foreign assembly and processing operations should be repealed.

History

The historical development of Item 807, its recent rapid expansion, and the changing circumstances of the United States and world economies -- all of these factors make repeal of this item long overdue:

The history starts in 1954, long before Item 807 was codified in the Tariff Schedules. In that year, a Customs Court decision (C.D. 1628) overruled a previous Bureau of Customs decision in 1949 that work done abroad to assemble or combine an American article with a foreign product advanced in value or improved in condition the American article. The 1954 Court held, on the contrary, that labor used abroad in installing American marine engines in foreign built motor boats did not advance in value or improve in condition the U.S. engines. Said marine engines were therefore re-imported duty-free on their return to the U.S.

Thus, the practice started with a court ruling that labor did not add to value when, in fact, labor was creating a more expensive item and, in economic terminology, was providing "value added" in another country. From that time on, the practice spread and was eventually codified into 807.

Now, under a variety of regulations, the following absurdities are possible and prevalent: Three pieces of cut cloth can be considered not to have "lost their physical identity" or "changed in form" when they are re-imported as a blouse. Several electronic components have not "changed in condition" when they come back as a TV set. Even parts of a toy haven't "changed in form" when they are painted and become a whole toy, a completely different article. And the "product of the United States" may mean an imported article merely processed in the U.S. before export, under Item 807, to be incorporated in an item assembled abroad and shipped to the U.S. for sale in the American market. For non-lawyers and non-customs technicians, this kind of reasoning is absurd on its face. Certainly, a study should not be necessary to end such practices.

The history of Item 807 and trade with Canada also show that what appears to be logical in theoretical economic discussions ignores the practicalities of how governments behave when faced with their own national needs. Both 807 and 806.30 started with Canadian operations by U.S. firms, according to most reports. Canada is a friendly neighbor to the North with close cultural ties and bonds across the borders between banks, businesses, and other institutions, including unions.

Canada has had generally higher duties on U.S. products exported to Canada and the U.S. has had relatively lower duties on goods imported from Canada. Ten years after 807 had started, however, in 1964, the base year for Kennedy Round considerations, the following condition existed:

> "U.S.-Canadian negotiations were an undertaking of major importance to the two North American countries. Canada is America's largest national trading partner, accounting for roughly one-fifth of total U.S. trade. In 1964, 69 percent of Canada's imports and 54 percent of its exports were from and to the United States. Many products, industrial and agricultural are traded almost exclusively across the border, often within a unified corporate production or marketing system.
>
> "Unique characteristics of the U.S.-Canadian trade bore heavily on the negotiations. The United States maintained a substantial export surplus with Canada, normally offset by the northward flow of capital. Moreover, Canadian exports to the United States were concentrated in primary or partially processed goods, while U.S. exports were largely finished manufactures. This trade structure reinforced the imbalance in duty payments from the generally higher level of Canadian tariffs because tariffs are normally highest on manufactures and low or nil on raw materials and lightly processed goods. Whereas Canadian duties on American exports were largely in the 17-25 percent range, the average duty paid on U.S. imports from Canada was only 3.4 percent." 1/

1/Ernest H. Preeg, Traders and Diplomats, the Brookings Institution, 1970, pp. 186-187.

Thus, Canada would not participate in the kind of overall tariff cuts proposed for highly industrialized nations in the Kennedy Round, because such "cuts by Canada would lead to relatively large reductions on price sensitive imports of manufactures, while Canadian exports, basically price insensitive, would receive very modest duty cuts in absolute terms. The net effect would be strongly negative to the Canadian trade balance." 2/

While enjoying this status in the Kennedy Round, Canada was carrying on negotiations with the U.S. on autos and parts. In 1963, she apparently determined to have manufactured exports in greater quantities and had chosen to emphasize auto exports through a kind of export-subsidy. Out of negotiations about the subsidy came the U.S.-Canadian auto agreement, which gave a preference to Canadian production and encouraged a two-way trade between the auto firms across the borders to rationalize the industry in the two countries. The U.S. lost its traditional surplus in autos and parts of about $500 million and the conditions of Canadian trade changed in the late 1960s. By 1969, Canada was still the largest partner in trade with the U.S. but Canada had a commodity trade surplus of about $1 billion with the U.S. There is no 807 in autos and parts because duty-free entry under the auto agreement made it unnecessary.

Thus, developments that actually take place in the real world tend to shift the trade balance against the industrial production of goods in the U.S. With this background, it is interesting to contemplate what happens with efforts to expand multi-national company relationships, with growing subsidiary operations in countries whose customs, language, labor standards and institutions are substantially different from the United States -- through the use of tariff-saving provisions for multi-national firms, such as 807 and 806.30.

2/ *Ibid*, p. 187.

The AFL-CIO has called attention repeatedly to growing problems concerning Mexico, a friendly neighbor to the South, where in a substantially different economic, social and political environment. U.S. companies utilize 807 to the detriment of jobs for U.S. workers without building the interchanges that are supposed to occur under U.S. trade policy. Imports from Mexico, under 807, rose from $3.1 million in 1965 to $145.2 million in 1969. These are low-wage imports -- with wages about 75% lower than in the U.S. U.S. exports under this item rose from $1.3 million in 1965 to $95.8 million in 1969.

Mexico follows a protectionist policy, designed to promote industrialization on a Mexican basis, on the foundation of its own determination of its national interests. The United States trades with Mexico as if Mexico were a member of the General Agreement on Tariffs and Trade, which Mexico is not, and as if there were a "two-way street," which there is not. No analysis that ignores these operative facts is a realistic economic analysis of the problem.

Perhaps the best description of 807's operations in Mexico is described in the April 1970 issue of _Fortune_: "Under Schedule 8 of the U.S. Tariff Code, goods can be exported from the U.S. for assembly or processing abroad and then sent back to the U.S. at highly favorable tariffs. Duties are levied, in effect, only on the value added by foreign labor and not on the full value of the returning goods. _This arrangement provides a kind of preferential access to the U.S. market_.

"Where the economics of transportation permit, U.S. companies can perfor technical or capital-intensive operations at home and labor-intensive operatio abroad, and then bring the products home again for final processing and marke

"A special beneficiary of Schedule 8 is Mexico. The transportation costs permit such shuffling of goods across the border on a very substantial scale. As a result Schedule 8 has spawned a sizeable border-industry complex. According to Mexico's Ministry of Industry and Commerce, 140 factories have set up operations on the Mexican side of the border since 1966. These plants employ 17,000 people and have an annual payroll of $16,800,000. Eighteen other installations are currently under construction... Many of the Mexican affiliates of U.S. companies shun publicity to avoid being branded as "runaway" plants. At some facilities there are no signs to identify the premises, and security guards turn away all questioners. The only way U.S. labor unions can find out what these companies are doing is to interview workers in nearby cantinas."

A Wall Street Journal story on July 20, 1967, also reported that "Production in Mexico is negotiated for anonymous U.S. clients by a California concern, Cal-Pacifico, Newport Beach. Cal Pacifico says the service is for companies that would be embarrassed, for one reason or another, by disclosures that their products are made outside the U.S."

According to these business publications, firms are "embarrassed" to reveal that their products are produced outside the U.S., even though U.S. law requires labelling of all products imported from abroad. It is not just labor unions who should be interested, because there are millions of Americans -- many of them unorganized workers -- who are affected by the loss of these jobs, losses to other countries, and the threat of much greater losses in the next few years.

And, according to Fortune, 807 provides a preferential access to the huge and lucrative American market -- preferentially lower tariff duties for manufactured imports, produced by foreign subsidiaries of American firms or their licensees, for sale in the most open market of all industrial nations.

As for conditions along the Mexican border, Charles A. Meyer, Assistant Secretary of State, declared in September 1969:

> "Nearly three million people live in the 25 U.S. counties on the border. More than two million live in the adjacent communities of Mexico. Unemployment is high in the U.S. border counties -- nearly six percent over-all and nine percent in at least five. Per capita income is about 50 to 75 percent of the national average, except in a city such as San Diego. It has been estimated that about 400,000 people in South Texas alone belong to families with incomes less than $2,000. Birth rates are high, levels of educational attainment low. Trends in agricultural employment, which has been an important factor in the area, are toward fewer jobs. Throughout much of the area, gains in employment and income lag behind national standards.
>
> "Conditions in Mexico's border cities are better than in most areas of the interior, but still depressed by U.S. standards. The result has been large-scale internal migration to Mexican border cities. This process has been accompanied by unemployment, rising expectations, inadequate housing, and inadequate health conditions."

U.S. production and jobs, therefore, are exported to subsidiary operation in Mexico, while high unemployment and poverty pervade most of the U.S. border counties. And the export of jobs is subsidized by 807.

At the same time, these 807 operations in Mexico tend to attract a large-scale internal migration from the Mexican interior to the northern border areas -- with resultant depressed conditions and additional pressures on U.S. border areas from illegal entrants and green-carders. Item 807, thereby, is a contributing factor to troubles on both sides of the border.

It would be well for the Commission to contemplate how long the United States labor force and the U.S. market can withstand the pressures from those who wish to maximize their short-term dollar returns on investment by using the U.S. market for their sales, while they export production and jobs to the lowest possible wage areas in foreign countries.

In this game of immediate advantage, American workers and communities are adversely affected. Each foreign country, from the vantage-point of its own national interests, views these trade issues as if they were bilateral arrangements, with the huge and relatively open U.S. market as the target. And U.S. firms view it, in terms of their private advantage, to maximize sale and profits. But these short-run advantages and goals, for them, are not necessarily rational goals for the U.S., as a nation. And in the long-run, these goals may be irrational for both the foreign countries and the multinational firms.

Companies naturally take advantage of government incentives provided tc them. These kinds of arrangements, as in 807 and 806.30, help to create trade losses of the U.S. They are not part of a liberal trade policy. They are preferential arrangements, for special benefits to some U.S. companies -- usually unknown to most Americans, not explained in detail to the Congress and without adequate data to support the continuation of the preferential practices.

The reported value of shipments under 807 and 806.30 depends upon intra corporate valuations. As a result, we do not accept the data as precise or even as necessarily a close approximation of reality, although we are compelled to use them, as the only available indication of trends. The customs officials' advance agreements with the companies, however honestly motivated make it impossible for a private citizen or public group like our own to accept the data as valid. The actual impacts are probably greater than the data implies. The Commission's investigation of this issue, therefore, cannot be based on statistics of shipments alone.

We are in a web of multi-national business decisions and operations -- with 807 contributing to the sharp expansion of foreign subsidiary operations, the displacement of U.S. production and the export of American jobs.

Rapid Expansion of Item 807's Usage

In 1965, reported imports, under Item 807, amounted to $577 million. By 1969, this figure had jumped to $1.6 billion -- a significant factor in the U.S. declining trade balance. Since 1967, when the AFL-CIO asked for repeal, because the size of the problem had already grown to reported imports of $931.7 million, these imports have soared by about 77%.

From 1967 to 1969, when reported 807 imports rose 77%, overall U.S. imports of all commodities increased 33.8%. Thus, 807 imports are growing much more rapidly than even the overall changes in U.S. trade. The so-called U.S. exports, reported under this item, have also risen sharply, but the net loss is substantial and many of these reported exports are, in fact, imported items, processed slightly, and then re-exported for return under Item 807.

The expansion of 807 operations has been phenomenally rapid since 1967, in countries like Mexico, Taiwan, and the lowest-wage areas of this hemisphere and the Far East. The economies of the developing countries are frequently disrupted by such high productivity-low wage production of goods, in foreign-owned plants, solely for export -- and with very little, if any, regard for the needed balanced growth of domestic markets in such countries, including developing consumer markets.

For the U.S., the effects are obvious -- the displacement of production and employment. 807 operations contribute to mushrooming developments and, also, to the reduction of competition in the U.S. economy. Once such trend is begun effectively in a product line, the development mushrooms, as indicated by the reported shipments of the past several years. The 807 operator has the distinct advantage of the U.S. government's preferential treatment -- with substantially lower unit costs and greater profit margins. Domestic competitors are thereby compelled to go out of business, reducing competition in the product-line, or to join the parade by establishing their own foreign subsidiaries, which displace additional U.S. production and employment.

Within the dynamic functioning of the American economy, 807 is a disruptive and harmful factor -- contributing to adverse impacts and to the speed of adverse trends.

The Need for Job Opportunities In the U.S.

America cannot afford to subsidize and encourage the export of U.S. jobs.

In 1968, according to the Labor Department's recently released information on the work-experience of the population in that year, 11.3 million people were unemployed during the course of the year and 2.4 million were jobless for 15 weeks or more. Although details on the work-experience of the population are not available for 1969, when average unemployment was approximately the same as in 1968, it is reasonable to assume that a similar unemployment situation existed.

An article in the Bureau of Labor Statistics' Monthly Labor Review, April 1970, examines the long-duration aspect of the 1968 unemployment experience and states: "More Americans worked at the close of the 1960s than ever before in our nation's history... Still, in the late 1960s, about 2½ million Americans accumulated 15 weeks of unemployment or more during the year." (America's Less Fortunate: The Long-Duration Unemployed, by Edward J. O'Boyle)

Yet even this account of unemployment among people -- as distinct from the average statistics reported each month -- is also an understatement.

Unemployed workers who are discouraged, as a result of their failure to find jobs, may stop looking for work. Such discouraged unemployed are excluded from the Labor Department's count of the labor force.

In addition, the Labor Department's monthly sample survey of the population is based on the 1960 census, which contained a significant undercount of the popluation, particularly in depressed rural and urban areas where unemployment is substantial.

There are various estimates of the undercount of the unemployed -- running as high as 3 million or more, with a large percentage of them long-duration unemployed. The estimate of the AFL-CIO Research Department, after attempting to account for the various and partly overlapping excluded categories, is that the unemployment undercount in recent years has been in the neighborhood of 1½ million.

Recent studies by the Labor Department indicate that there were 600,000-700,000 uncounted, "discouraged" unemployed in 1967-1969. Another 800,000 or so were uncounted, primarily as a result of the difficulty with the 1960 census, according to estimates of the AFL-CIO Research Department.

While not all of those left out of the count were long-term unemployed, many, if not most, of them obviously were. As a result, there were probably about 3 million to 4 million long-term unemployed persons in 1968 and 1969 -- years of relatively low, average unemployment statistics.

In addition, there were 1.7-1.8 million people who were compelled to work part-time, in those years, because full-time work was not available to them, according to the Labor Department's reports. Many of these workers were seriously under-employed.

Even in the generally affluent years 1968 and 1969, therefore, there were about 3 million to 5 million long-term unemployed and seriously under-employed American workers. This situation has been worsening in recent months, as a result of layoffs and production cutbacks.

Yet, in the face of this condition -- and despite public and private efforts to find employment for the hard-core unemployed and seriously under-employed -- the U.S. government has provided financial incentives to U.S. companies to export an expanding number of processing, assembly and lower-skilled production jobs.

But 807 and 806.30 are irrational government policies not merely in terms of adverse impacts on the hard-core unemployed and seriously under-employed -- mainly marginal groups that should be rapidly drawn into the economy's mainstream. These provisions of the Tariff Schedules are also contributing to the actual displacement -- and impending displacement in the next few years -- of scores of thousands of unskilled and semi-skilled factory production workers who are now in the economy's mainstream. Increasingly, as relatively sophisticated production is being exported, even highly skilled industrial workers are being displaced. 807 and 806.30 are adding to the burdens of factory employees, a major group of Americans.

In a statement to the Senate Subcommittee on Manpower on March 25,1970, Prof. Charles Killingsworth described these burdens in the following way:

> "During at least the past two decades, the growth patterns of our affluent society have created vastly different conditions in the upper and lower sectors of our labor market. Less-skilled and less-educated workers have faced conditions of shrinking job opportunities and chronic looseness in their part of the labor market. Their reported unemployment rates have risen relative to those in the upper sector; and hundreds of thousands of them, perceiving the search for work as futile, have stopped looking, even though many or most of them -- especially those still in the prime of life -- are undoubtedly still able and willing to work. The great majority of the workers in this lower sector still have jobs, of course; but the increasingly bitter competition for the shrinking job supply has retarded increases in earnings; although those still employed in this labor market sector are better off economically than they were two decades ago, they have had a much smaller share than their brethren in the upper sector in the increasing bounty of an affluent society. Higher-skilled and better-educated workers have lived in a quite different world -- one with abundant and growing opportunity, with falling unemployment rates, with a chronically tight labor market. . ."

Unfortunately, these realities have apparently not been perceived by those in the State Department and the other agencies of government who have been encouraging the maintenance and expansion of federal subsidies and other aids for the export of U.S. production and jobs.

Prof. Killingsworth gave the following explanation of the failure of academic writers and government leaders to understand the job and income pressures of this major group in the workforce, whose interests are so readily ignored -- most particularly, I would add, in considerations of foreign economic policy.

"It is worth noting that most writers on economic issues and most government policy-makers have spent their lives in the benign climate of the upper levels of the labor market and have no conception of the depressing realities of the lower level. . . far too many of us still don't really know much about how the other half lives."

The time is long overdue to establish the interests of American workers as a factor of paramount importance in the government's decision-making in foreign economic policy -- and to halt the promotion of the displacement of U.S. production and employment.

* * *

The AFL-CIO has repeatedly urged the deletion of 807 and similar provisions from the Tariff Schedule ever since 1967. These provisions have had adverse impacts on an increasing number of American workers and communities. Their continuation is a threat to the well-being of hundreds of thousands of workers and their families in communities throughout the country. These provisions should be deleted, without delay, as one step forward in the needed advance toward a rational foreign economic policy.

TABLE I

SUMMARY OF U.S. IMPORTS UNDER ITEM 807 1965 - 1969
(Millions of Dollars)

	1965	1966	1967	1968	1969
Total	$577	$890	$931.7	$1,432	$1,649
U.S. Exports Reimported Under Item 807*	$ 76.2**	$113.3	$146.6	$225.3	$ 339

*Most reports call these "U.S. Parts" and analysts tend to claim that the total volume represents U.S. production which creates U.S. jobs related to that total volume. But the law requires only that they be "the product of the U.S." Technically that does not require total production in the U.S. Mere processing of an imported item can make it "the product of the United States." Thus a textile can be imported, cut in Los Angeles, and sent to Mexico, under 807 and returned. Or electronic components can be imported, processed slightly exported and re-imported under 807. Jobs for a few cutters and shippers or a few electronic employees may be involved in a high volume of "U.S. exports."

**Includes $42 million in auto parts shipped to Canada and returned (such parts not included under 807 after Automotive Products Trade Act of 1965 because autos and parts entered the U.S. duty free after that date).

Source: Data compiled, some of it preliminary, from Census Reports Foreign Trade Report IM-145-A and IA-245-A

TABLE II

U.S. IMPORTS FOR CONSUMPTION UNDER TSUS 807.00 BY COUNTRY 1965-1969
(Millions of Dollars)

Country 1/	1965 Total	1965 U.S. Exports	1966 Total	1966 U.S. Exports	1967 Total	1967 U.S. Exports	1968 Total	1968 U.S. Exports	1969 Total	1969 U.S. Exports
West Germany	$ 248.5	$ 4.0	$443.7	$ 4.7	$464.4	$ 7.9	$ 685.7	$ 7.8	$ 616.8	$ 5.6
Canada	151.0	34.7	116.3	36.6	137.8	39.5	188.1	48.9	243.2	66.9
Sweden	31.8	1.3	44.2	1.9	60.0	1.3	81.7	1.3	58.2	0.2
United Kingdom	43.6	6.6	112.5	13.2	53.7	9.5	57.0	7.0	74.1	9.4
Hong Kong	19.5	10.5	41.1	18.9	51.2	16.4	64.7	35.2	90.7	50.7
Japan	27.1	3.1	42.0	9.0	32.4	7.1	90.4	17.0	132.9	22.5
France	9.1	3.0	33.3	10.3	28.6	8.7	22.3	7.0	21.3	6.7
Mexico	3.1	1.3	7.0	3.6	19.2	12.3	73.3	49.5	145.2	95.8
Ireland	9.5	3.9	16.3	5.1	17.0	4.6	17.5	4.5	19.8	5.4
Belgium 2/	11.4	3.8	8.9	3.3	16.2	6.0	44.9	5.2	74.0	5.4
Taiwan	1.8	0.9	6.6	3.4	16.2	7.3	49.9	18.8	68.1	23.6
Other	21.0	3.1	17.9	3.3	35.0	26.0	56.5	23.1	104.9	47.2
Total	577.4	76.2	889.8	113.3	931.7	146.6	1,432.0	225.3	1,649	339.4

1/ The eleven countries accounted for 96 percent of the total value of imports under TSUS 807 and 82 percent of the U.S. component value of such imports in 1967.

2/ Includes Luxembourg

Source: Unofficial Statistics of the Department of Commerce
1969 Data from Tariff Commission

TABLE III

Imports under Item 807 in 1969
from countries listed as "Other"

(millions of dollars)

	Total	U.S. Exports
Barbados	$ 3.2	$ 2.2
Brazil*	4.1	2.5
Denmark	2.4	0.2
Haiti	4.0	2.4
Italy	10.8	1.3
Jamaica	7.7	5.1
Korea	20.1	13.8
Netherlands	12.7	2.1
Philippines	5.2	3.5
Portugal	8.4	4.0
Singapore	6.8	2.6
Spain	1.4	0.2
Trinidad	2.9	1.9

*Almost all of this is in TSUS 676.52 parts for office machines

APPENDIX D

19 U.S.C. 1401a
70 Stat. 943

SEC. 402. VALUE.

(a) Basis.-- Except as otherwise specifically provided for in this Act 1/, the value of imported merchandise for the purposes of this Act shall be--

(1) the export value, or

(2) if the export value cannot be determined satisfactorily, then the United States value, or

(3) if neither the export value nor the United States value can be determined satisfactorily, then the constructed value;

except that, in the case of an imported article subject to a rate of duty based on the American selling price of a domestic article, such value shall be--

(4) the American selling price of such domestic article.

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70 Stat. 948
See list in
TD 54521

1/ The Secretary of the Treasury shall determine and make public a list of the articles which shall be valued in accordance with section 402a, Tariff Act of 1930, as amended by this Act, as follows:

As soon as practicable after the enactment of this Act the Secretary shall make public a preliminary list of the imported articles which he shall have determined, after such investigation as he deems necessary, would have been appraised in accordance with section 402 of the Tariff Act of 1930, as amended by this Act, at average values for each article which are 95 (or less) per centum of the average values at which such article was actually appraised during the fiscal year 1954. If within sixty days after the publication of such preliminary list any manufacturer, producer, or wholesaler in the United States presents to the Secretary his reason for belief that any imported articles not specified in such list and like or similar to articles manufactured, produced, or sold at wholesale by him would have been appraised in accordance with such section 402 at average values which are 95 (or less) per centum of the average values at which they were or would have been appraised under section 402a, Tariff Act of 1930, as amended by this Act, the Secretary shall cause such investigation of the matter to be made as he deems necessary. If in the opinion of the Secretary the reason for belief is substantiated by the investigation, the articles involved shall be added to the preliminary list and such list, including any additions so made thereto, shall be published as a final list. Every article so specified in the final list which is entered, or withdrawn from warehouse, for consumption on or after the thirtieth day following the date of publication of the final list shall be appraised in accordance with the provisions of section 402a, Tariff Act of 1930, as amended by this Act.

(b) Export value.-- For the purposes of this section, the export value of imported merchandise shall be the price, at the time of exportation to the United States of the merchandise undergoing appraisement, at which such or similar merchandise is freely sold or, in the absence of sales, offered for sale in the principal markets of the country of exportation, in the usual wholesale quantities and in the ordinary course of trade, for exportation to the United States, plus, when not included in such price, the cost of all containers and coverings of whatever nature and all other expenses incidental to placing the merchandise in condition, packed ready for shipment to the United States.

(c) United States Value.-- For the purposes of this section, the United States value of imported merchandise shall be the price, at the time of exportation to the United States of the merchandise undergoing appraisement, at which such or similar merchandise is freely sold or, in the absence of sales, offered for sale in the principal market of the United States for domestic consumption, packed ready for delivery, in the usual wholesale quantities and in the ordinary course of trade, with allowances made for--

(1) any commission usually paid or agreed to be paid, or the addition for profit and general expenses usually made, in connection with sales in such market of imported merchandise of the same class or kind as the merchandise undergoing appraisement;

(2) the usual costs of transportation and insurance and other usual expenses incurred with respect to such or similar merchandise from the place of shipment to the place of delivery, not including any expense provided for in subdivision (1); and

(3) the ordinary customs duties and other Federal taxes currently payable on such or similar merchandise by reason of its importation, and any Federal excise taxes on, or measured by the value of, such or similar merchandise, for which vendors at wholesale in the United States are ordinarily liable.

If such or similar merchandise was not so sold or offered at the time of exportation of the merchandise undergoing appraisement, the United States value shall be determined, subject to the foregoing specifications of this subsection, from the price at which such or similar merchandise is so sold or offered at the earliest date after such time of exportation but before the expiration of ninety days after the importation of the merchandise undergoing appraisement.

(d) Constructed Value.-- For the purposes of this section, the constructed value of imported merchandise shall be the sum of--

(1) the cost of materials (exclusive of any internal tax applicable in the country of exportation directly to such materials or their disposition, but remitted or refunded upon the exportation of the article in the production of which such materials are used) and of fabrication or other processing of any kind employed in producing such or similar merchandise, at a time preceding the date of exportation of the merchandise undergoing appraisement which would ordinarily permit the production of that particular merchandise in the ordinary course of business;

(2) an amount for general expenses and profit equal to that usually reflected in sales of merchandise of the same general class or kind as the merchandise undergoing appraisement which are made by producers in the country of exportation, in the usual wholesale quantities and in the ordinary course of trade, for shipment to the United States; and

(3) the cost of all containers and coverings of whatever nature, and all other expenses incidental to placing the merchandise undergoing appraisement in condition, packed ready for shipment to the United States.

(e) American Selling Price.-- For the purpose of this section, the American selling price of any article produced in the United States shall be the price, including the cost of all containers and coverings of whatever nature and all other expenses incidental to placing the article in condition packed ready for delivery, at which such article is freely sold or, in the absence of sales, offered for sale for domestic consumption in the principal market of the United States, in the ordinary course of trade and in the usual wholesale quantities, or the price that the manufacturer, producer, or owner would have received or was willing to receive for such article when sold for domestic consumption in the ordinary course of trade and in the usual wholesale quantities, at the time of exportation of the imported article.

(f) Definitions.-- For the purposes of this section--

(1) The term "freely sold or, in the absence of sales, offered for sale" means sold or, in the absence of sales, offered--

(A) to all purchasers at wholesale, or

(B) in the ordinary course of trade to one or more selected purchasers at wholesale at a price which fairly reflects the market value of the merchandise,

without restrictions as to the disposition or use of the merchandise by the purchaser, except restrictions as to such disposition or use which (i) are imposed or required by law,

(ii) limit the price at which or the territory in which the merchandise may be resold, or (iii) do not substantially affect the value of the merchandise to usual purchasers at wholesale.

(2) The term "ordinary course of trade" means the conditions and practices which, for a reasonable time prior to the exportation of the merchandise undergoing appraisement, have been normal in the trade under consideration with respect to merchandise of the same class or kind as the merchandise undergoing appraisement.

(3) The term "purchasers at wholesale" means purchasers who buy in the usual wholesale quantities for industrial use or for resale otherwise than at retail; or, if there are no such purchasers, then all other purchasers for resale who buy in the usual wholesale quantities; or, if there are no purchasers in either of the foregoing categories, then all other purchasers who buy in the usual wholesale quantities.

(4) The term "such or similar merchandise" means merchandise in the first of the following categories in respect of which export value, United States value, or constructed value, as the case may be, can be satisfactorily determined:

(A) The merchandise undergoing appraisement and other merchandise which is identical in physical characteristics with, and was produced in the same country by the same person as, the merchandise undergoing appraisement.

(B) Merchandise which is identical in physical characterists with, and was produced by another person in the same country as, the merchandise undergoing appraisement.

(C) Merchandise (i) produced in the same country and by the same person as the merchandise undergoing appraisement, (ii) like the merchandise undergoing appraisement in component material or materials and in the purposes for which used, and (iii) approximately equal in commercial value to the merchandise undergoing appraisement.

(D) Merchandise which satisfies all the requirements of subdivision (C) except that it was produced by another person.

(5) The term "usual wholesale quantities", in any case in which the merchandise in respect of which value is being determined is sold in the market under consideration at different prices for different quantities, means the quantities in which such merchandise is there sold at the price or prices for one quantity in an aggregate volume which is greater than the aggregate volume sold at the price or prices for any other quantity.

(g) Transactions Between Related Persons.--

(1) For the purposes of subsection (c)(1) or (d), as the case may be, a transaction directly or indirectly between persons specified in any one of the subdivisions in paragraph (2) of this subsection may be disregarded if, in the case of any element of value required to be considered, the amount representing that element does not fairly reflect the amount usually reflected in sales in the market under consideration of merchandise of the same general class or kind as the merchandise undergoing appraisement. If a transaction is disregarded under the preceding sentence and there are no other transactions available for consideration, then, for the purposes of subsection (d), the determination of the amount required to be considered shall be based on the best evidence available as to what the amount would have been if the transaction had occurred between persons not specified in any one of the subdivisions in paragraph (2).

(2) The persons referred to in paragraph (1) are:

(A) Members of a family, including brothers and sisters (whether by whole or half blood), spouse, ancestors, and lineal descendants;

(B) Any officer or director of an organization and such organization;

(C) Partners;

(D) Employer and employee;

(E) Any person directly or indirectly owning, controlling, or holding with power to vote, 5 per centum or more of the outstanding voting stock or shares of any organization and such organization; and

(F) Two or more persons directly or indirectly controlling, controlled by, or under common control with, any person.

19 U.S.C. 1402
70 Stat. 943, 946
See list in
TD 54521

SEC. 402a. VALUE (ALTERNATIVE).

(a) Basis.-- For the purposes of this Act the value of imported articles designated by the Secretary of the Treasury as provided for in section 6(a) of the Customs Simplification Act of 1956 shall be--

(1) The foreign value or the export value, whichever is higher;

(2) If the appraiser determines that neither the foreign value nor the export value can be satisfactorily ascertained, then the United States value;

(3) If the appraiser determines that neither the foreign value, the export value, nor the United States value can be satisfactorily ascertained, then the cost of production;

(4) In the case of an article with respect to which there is in effect under section 336 a rate of duty based upon the American selling price of a domestic article, then the American selling price of such article.

(b) Review of Appraiser's Decision.-- A decision of the appraiser that foreign value, export value, or United States value can not be satisfactorily ascertained shall be subject to review in reappraisement proceedings under section 501; but in any such proceeding, an affidavit executed outside of the United States shall not be admitted in evidence if executed by any person who fails to permit a Treasury attache to inspect his books, papers, records, accounts, documents, or correspondence, pertaining to the value or classification of such merchandise.

(c) Foreign Value.-- The foreign value of imported merchandise shall be the market value or the price at the time of exportation of such merchandise to the United States, at which such or similar
Stat. 1081 merchandise is freely offered for sale for home consumption to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade, including the cost of all containers and coverings of whatever nature, and all other costs, charges, and expenses incident to placing the merchandise in condition, packed ready for shipment to the United States.

(d) Export Value.-- The export value of imported merchandise shall be the market value or the price, at the time of exportation of such merchandise to the United States, at which such or similar merchandise is freely offered for sale to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade, for exportation to the United States, plus, when not included in such price, the cost of all containers and coverings of whatever nature, and all other costs, charges, and expenses incident to placing the merchandise in condition, packed ready for shipment to the United States.

(e) United States Value.-- The United States value of imported merchandise shall be the price at which such or similar imported
2 Stat. 1081 merchandise is freely offered for sale for domestic consumption, packed ready for delivery, in the principal market of the United States to all purchasers, at the time of exportation of the imported merchandise, in the usual wholesale quantities and in the ordinary course of trade, with allowance made for duty, cost of transportation and insurance, and other necessary expenses from the place of shipment to the place of delivery, a commission not exceeding 6 per centum, if any has been paid or contracted to be paid on goods secured otherwise than by purchase, or profits not to exceed 8 per centum and a reasonable allowance for general expenses, not to exceed 8 per centum on purchased goods.

(f) Cost of Production.-- For the purpose of this title the cost of production of imported merchandise shall be the sum of--

(1) The cost of materials of, and of fabrication, manipulation, or other process employed in the manufacturing or producing such or similar merchandise, at a time preceding the date

of exportation of the particular merchandise under consideration which would ordinarily permit the manufacture or production of the particular merchandise under consideration in the usual course of business;

(2) The usual general expenses (not less than 10 per centum of such cost) in the case of such or similar merchandise;

(3) The cost of all containers and coverings of whatever nature, and all other costs, charges, and expenses incident to placing the particular merchandise under consideration in condition, packed ready for shipment to the United States; and

(4) An addition for profit (not less than 8 per centum of the sum of the amounts found under paragraphs (1) and (2) of this subdivision) equal to the profit which ordinarily is added, in the case of merchandise of the same general character as the particular merchandise under consideration, by manufacturers or producers in the country of manufacture or production who are engaged in the production or manufacture of merchandise of the same class or kind.

(g) American Selling Price.-- The American selling price of any article manufactured or produced in the United States shall be the price, including the cost of all containers and coverings of whatever nature and all other costs, charges, and expenses incident to
52 Stat. 1081 placing the merchandise in condition packed ready for delivery, at which such article is freely offered for sale for domestic consumption to all purchasers in the principal market of the United States, in the ordinary course of trade and in the usual wholesale quantities in such market, or the price that the manufacturer, producer, or owner would have received or was willing to receive for such
52 Stat. 1081 merchandise when sold for domestic consumption in the ordinary course of trade and in the usual wholesale quantities, at the time of exportation of the imported article.

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APPENDIX E

TARIFF CLASSIFICATION STUDY

SCHEDULE 8, PART 1.--ARTICLES EXPORTED AND RETURNED 1/

Explanatory Notes

* * * *

Subpart B. - Articles Advanced or Improved Abroad

In subpart B the proviso to paragraph 1410 (relating to books exported for advancement or improvement), paragraph 1615(c) and paragraph 1615(g) have been brought together. In addition, a new provision (item 807.00) has been included in this subpart.

Item 807.00, above referred to, is designed to replace and put on a sound basis an anomalous, but well-established, practice arising under paragraph 1615(a) as the result of a 1954 ruling of the United States Customs Court (CD 1628) reversing an administrative ruling, an abstract of which was published as TD 52191.

In CD 1628 the court held that the labor expended abroad in installing an American motor in a Canadian built motor boat did not advance the value of the American motor or improve it in condition.

1/ The Tariff Commission received no oral presentations or written statements on this part.

TARIFF CLASSIFICATION STUDY

SCHEDULE 8, PART 1.--ARTICLES EXPORTED AND RETURNED

Explanatory Notes

The court held that --

> * * * American goods returned to the United States in combination with foreign manufactures are entitled to exemption from duty under the provisions of paragraph 1615 [a] as American goods returned, so long as the American article itself has not been advanced in value or improved in condition and the identity thereof lost by reason of its having been combined with foreign merchandise in such a manner that it cannot be readily identified. * * *

Earlier in the decision the court in commenting favorably on the case of the United States v. Bird, 11 CCA 229, upholding the collector's assessment of duty on a foreign generator without making allowance for certain American parts incorporated therein, stated as follows:

> We are of the opinion that the collector in that case assessed duty upon the generators, including the American parts [generator spiders, generator shafts, pole pieces, and pole splines], upon the correct theory of law, that is, that the parts had become so incorporated with the generators that it had become impossible to identify them by physical examination, even though it was agreed that such parts were American products.

Thus, the court apparently is of the opinion that an allowance in duty should be made on American parts if, "by physical examination" at the time of importation, they can be identified in the imported article as the identical American product exported from the United States and as not having been changed in any manner other than by their assembly with other parts into a new or different article. If any work, other than assembly with other parts, is performed directly on the American product, the allowance in duty is not accorded.

As stated in the Commission's Interim Report of March 15, 1955 (page 54), there is no logic to attributing the labor costs involved in assembly exclusively to foreign parts, nor is there any logic in holding that assembly operations do not advance or improve the component parts assembled therein. Such component parts reach their ultimate value only when they have been assembled into an article where they can in fact perform the function for which they were designed and made.

TARIFF CLASSIFICATION STUDY

SCHEDULE 8, PART 1.--ARTICLES EXPORTED AND RETURNED

Explanatory Notes

The Bureau of Customs, in numerous rulings applying the principle of CD 1628, has allowed free entry to American-made components assembled into foreign articles if, "under the theory of constructive segregation," the components are "capable of being identified and removed without injury" to themselves or to the articles into which they have been assembled. Thus, American shoe plugs exported to have foreign beads sewn thereon (CIE 867/57), American diodes and transistors exported to be incorporated into small portable radios (CIE 1975/56), American parts exported to be assembled into starters for fluorescent lighting (CIE 96/58), American steering assemblies, front and rear axles, transmissions, etc., exported to be assembled into motor buses (CIE 339/57), American brackets, supports, nuts, screws, and other components exported and assembled into gyroscopes (CIE 1017/56), have been held to be "free" on importation of the foreign articles on the finding that they were capable of being identified and removed without injury. On the other hand, it was held that no benefit under paragraph 1615(a) was allowable when American cores of printing press rollers were provided with plastic covers abroad which could not be physically separated from the cores without being cut or otherwise injured (CIE 1183/58).

Whether or not an American component can be separated from a foreign article "without injury" to either is an unrealistic and arbitrary condition upon which to predicate partial exemption from duty.

The real issue is not whether you can remove "without injury" or "constructively segregate" the American part in order to "classify" it under paragraph 1615(a). The only classification which must be made for tariff purposes is the classification of the imported article as an entirety. The substance of the issue is what proof shall be required to satisfy customs officers--

(1) that an American part has been assembled into the imported article, and
(2) that such part was assembled therein without having been changed in condition.

If (1) and (2) are satisfactorily proved, the question then arises as to how much allowance or deduction is to be made from the full value of the imported article on account of its having such "unimproved" American parts.

In virtually all instances of this type the best proof of American origin and of the extent to which articles exported had been altered or processed abroad is obtained from export declarations, affidavits, and other documents. An examination of the component, even if it were actually removed from the imported article, would usually provide little or no corroborative proof. Aside from the difficulty of understanding how, for example, it would be possible to remove a steering assembly, transmission, and axle from a motor bus without injury to the bus, there would see to be little probability that the condition imposed of removal without injury facilitates in any way the identification of, say, transistors, diodes, nuts, bolts, or screws as being of American origin.

In the circumstances, item 807.00 continues the substance of the practice but not under the theory that there has been no advancement or improvement. On the contrary, the provision and its related headnote (headnote 3 to subpart B) logically assume that there has been an advancement or improvement, but limits the extent of the advancement or improvement to that which is brought about solely by the act of assembly. Moreover, the proposed provision is not predicated on the theory of constructive segregation nor of capability of the American part being removed without injury. The provision is founded on the premise that an appropriate allowance should be made in any situation where the importer furnishes the proof, as required by the customs regulations, which satisfies customs officers that the requirements have been met. Item 807.00 also brings about uniformity of conditions applicable to partial exemptions and attempts to assist in the identification of the American parts by requiring that such parts be exported for the purpose of being assembled into articles abroad.

A similar clarification is needed in connection with a "constructive segregation" practice which has been applied in the interpretation of paragraph 1615(g) (2) relating to metal articles exported for processing and subsequent return to the United States for further processing. The Bureau of Customs has held, for example, in CIE 2234/57 concerning a semi-finished zipper consisting of a rough zipper chain and sliders produced abroad with the use of American base metal scrap, American steel strip, and tape, that such tape, not being metal, was to be appraised and classified as a separate tariff entity from the metal components.

The artificial separation of the unfinished zipper into separate components which are to be appraised and classified individually is illogical and in some instances could result in higher total duties collected than would be collccted if the imported article were treated as a single tariff entity. From a logical, economic point of view and in accordance with the specific provisions of paragraph 1615(g) (2), any imported article which properly comes within the purview of that paragraph should always be classified for rate purposes under the dutiable provisions which would apply to such article if it were not within the scope of the said paragraph 1615(g) (2). For that

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reason, headnote 2(c) of subpart B specifically provides that the duty upon the value of the change in condition shall be at the rate which would apply to "the article itself, as an entirety without constructive separation of its components, in its condition as imported if it were not within the purview of this subpart."

The question directly involved is one relating to the scope of the words "further processing" in the phrase "if exported for further processing" in paragraph 1615(g)(2). If "further processing" embraces the fabrication abroad of composite articles made with significant additions to the exported base metal articles of other materials or components (such as textile zipper tapes), then the composite articles (such as unfinished zippers) imported into the United States should be classified as what they actually are (unfinished zippers) without artificial separation of the components.

As in the case of articles covered by item 807.00 previously referred to, the real substance of the issue concerns the nature of the proof needed to establish fulfillment of the requirements of the provision, including the extent to which the exported base metal articles have been "further" processed abroad, and the extent to which the imported article is to be further processed after importation.

* * * *

APPENDIX F

Statistical Tables

Table 1.--Imports under item 807.00 and total imports for consumption of similar products, 1/ by product group, 1966-69

(Value in thousands of dollars)

Product group	1966	1967	1968	1969
Schedules 1 through 7, grand total:				
Total imports	5,241,170	5,711,636	7,608,919	9,265,067
807.00 imports, total	889,754	931,556	1,431,958	1,649,201
Dutiable	776,553	784,977	1,206,215	1,309,794
Duty free	113,201	146,578	225,741	339,407
Schedule 1 (Agricultural products):				
Total imports	98,848	106,479	128,646	121,678
807.00 imports, total	389	1,078	128	18
Dutiable	364	968	118	8
Duty free	25	110	9	10
Schedule 2 (Lumber and paper products):				
Total imports	92,474	86,635	107,899	167,327
807.00 imports, total	408	267	681	2,452
Dutiable	201	190	329	1,264
Duty free	208	77	352	1,188
Schedule 3 (Textile products):				
Total imports	312,244	259,424	432,759	680,163
807.00 imports, total	7,314	12,133	21,707	34,826
Dutiable	3,287	4,462	6,912	11,776
Duty free	4,027	7,671	14,795	23,050
Body-supporting garments:				
Total imports	9,886	12,727	16,945	18,381
807.00 imports, total	2,287	4,201	5,509	7,831
Dutiable	872	1,722	2,080	2,637
Duty free	1,415	2,479	3,429	5,194
Women's, girls', and infants' dresses:				
Total imports	20,099	35,543	42,734	56,367
807.00 imports, total	707	1,312	3,095	5,620
Dutiable	250	448	1,074	1,805
Duty free	457	864	2,021	3,816
Women's, girls', and infants' slacks and shorts:				
Total imports	15,911	14,954	30,101	43,558
807.00 imports, total	466	349	1,670	4,260
Dutiable	150	56	343	859
Duty free	316	293	1,327	3,401
Women's, girls', and infants' suits, coats, jackets, and skirts:				
Total imports	3,976	12,962	22,776	95,082
807.00 imports, total	1,088	1,665	2,854	4,057
Dutiable	627	519	794	1,770
Duty free	461	1,146	2,060	2,287

See footnotes at end of table.

Table 1.--Imports under item 807.00 and total imports of similar products, 1/ by product group, 1966-69--Continued

(Value in thousands of dollars)

Product group	1966	1967	1968	1969
Schedule 3 (Textile products)--Continued				
Women's, girls', and infants' blouses:				
Total imports	26,452	23,334	30,641	45,630
807.00 imports, total	479	604	1,806	3,037
Dutiable	241	124	421	1,061
Duty free	238	480	1,385	1,976
Men's and boys' trousers, slacks, and outer shorts:				
Total imports	9,557	19,420	28,257	24,146
807.00 imports, total	9	1,048	1,260	1,944
Dutiable	6	300	345	568
Duty free	3	748	915	1,376
Other:				
Total imports	226,363	140,484	261,305	396,999
807.00 imports, total	2,278	2,954	5,513	8,076
Dutiable	1,141	1,293	1,855	3,077
Duty free	1,137	1,661	3,658	5,000
Schedule 4 (Chemical products):				
Total imports	19,196	21,599	22,431	26,858
807.00 imports, total	158	107	236	134
Dutiable	118	59	217	88
Duty free	41	48	19	46
Schedule 5 (Ceramic products):				
Total imports	227,496	241,002	293,080	295,372
807.00 imports, total	679	687	495	306
Dutiable	315	322	318	270
Duty free	364	364	177	36
Schedule 6 (Metal products):				
Total imports	3,627,580	3,945,571	5,269,992	6,240,845
807.00 imports, total	867,736	897,968	1,366,288	1,545,886
Dutiable	763,085	767,646	1,175,190	1,261,573
Duty free	104,650	130,322	191,098	284,313
Internal combustion engines, nonpiston types:				
Total imports	35,098	39,858	50,049	36,312
807.00 imports, total	11,936	8,444	20,058	16,147
Dutiable	8,753	5,203	13,017	10,877
Duty free	3,183	3,241	7,041	5,270
Compressors and parts:				
Total imports	14,872	19,434	22,226	27,993
807.00 imports, total	1,983	1,081	5,555	6,403
Dutiable	960	744	2,453	3,300
Duty free	1,022	337	3,103	3,103

See footnotes at end of table.

Table 1 .--Imports under item 807.00 and total imports of similar products, 1/ by product group, 1966-69--Continued

(Value in thousands of dollars)

Product group	Year 1966	1967	1968	1969
Schedule 6 (Metal products)--Continued				
Air conditioning machines:				
Total imports	2,349	3,118	6,156	8,221
807.00 imports, total	1,986	2,697	5,740	7,519
Dutiable	916	1,251	2,646	4,261
Duty free	1,069	1,445	3,094	3,258
Earth moving and mining machinery:				
Total imports	14,971	20,761	34,901	45,543
807.00 imports, total	1,643	3,634	6,253	7,853
Dutiable	1,082	2,312	4,026	4,973
Duty free	562	1,322	2,227	2,880
Sewing machines, household type:				
Total imports	53,680	53,290	68,118	74,083
807.00 imports, total	14,700	19,369	20,872	22,615
Dutiable	13,385	17,876	18,874	20,169
Duty free	1,315	1,493	1,998	2,446
Office machines and parts, other than typewriters and cash registers:				
Total imports	120,434	147,272	174,038	277,781
807.00 imports, total	16,075	24,360	39,265	96,869
Dutiable	11,971	17,015	25,753	58,208
Duty free	4,104	7,345	13,512	38,662
Handtools with self-contained electric motors:				
Total imports	1,060	1,178	4,059	5,243
807.00 imports, total	6	116	2,423	2,980
Dutiable	2/	44	1,489	2,171
Duty free	6	72	935	809
Television receivers:				
Total imports	114,520	123,857	203,051	286,452
807.00 imports, total	9,515	6,088	21,633	47,003
Dutiable	4,153	3,195	15,786	29,280
Duty free	5,362	2,893	5,847	17,724
Television apparatus and parts, other than cameras, receivers and picture tubes:				
Total imports	39,343	38,551	53,273	61,938
807.00 imports, total	26,041	26,666	38,558	40,084
Dutiable	13,362	12,223	19,775	20,363
Duty free	12,679	14,444	18,783	19,721

See footnotes at end of table.

Table 1 .--Imports under item 807.00 and total imports of similar products, 1/ by product group, 1966-69--Continued

(Value in thousands of dollars)

Product group	Year			
	1966	1967	1968	1969
Schedule 6 (Metal products)--Continued				
Radio apparatus and parts:				
Total imports	201,397	225,627	285,780	360,084
807.00 imports, total	11,904	18,663	27,868	51,135
Dutiable	9,080	14,883	23,414	42,678
Duty free	2,824	3,781	4,454	8,457
Phonographs and parts:				
Total imports	52,804	37,795	49,085	54,248
807.00 imports, total	11,083	14,055	20,204	21,798
Dutiable	8,657	11,355	16,653	18,324
Duty free	2,425	2,700	3,551	3,474
Semiconductors and parts:				
Total imports	49,844	50,182	86,431	134,395
807.00 imports, total	31,255	36,304	67,185	106,236
Dutiable	19,612	16,047	28,719	43,821
Duty free	11,643	20,257	38,467	62,415
Electronic memories:				
Total imports	29,323	45,745	60,527	72,490
807.00 imports, total	12,373	22,675	39,191	47,213
Dutiable	5,988	9,857	16,246	17,769
Duty free	6,386	12,818	22,944	29,444
Motor vehicles:				
Total imports	893,664	910,306	1,484,717	1,587,618
807.00 imports, total	494,089	529,151	790,523	742,422
Dutiable	483,808	513,185	777,258	732,102
Duty free	10,281	15,966	13,265	10,319
Tractors and parts, nonagricultural types:				
Total imports	28,567	23,743	21,057	30,951
807.00 imports, total	12,595	11,031	13,634	17,926
Dutiable	8,385	7,329	8,682	11,092
Duty free	4,210	3,702	4,951	6,834
Aircraft, nonmilitary:				
Total imports	151,283	58,906	110,109	102,020
807.00 imports, total	121,613	51,689	75,979	97,990
Dutiable	103,070	38,037	64,766	79,495
Duty free	18,542	13,652	11,213	18,495
Other:				
Total imports	1,824,371	2,145,948	2,556,415	3,072,223
807.00 imports, total	88,939	122,345	171,947	213,693
Dutiable	69,903	97,290	135,943	162,691
Duty free	19,037	25,054	36,003	51,002

See footnotes at end of table.

Table 1.--Imports under item 807.00 and total imports of similar products, 1/ by product group, 1966-69--Continued

(Value in thousands of dollars)

Product group	Year 1966	1967	1968	1969
Schedule 7 (Miscellaneous products):				
Total imports	863,332	1,050,926	1,354,112	1,732,824
807.00 imports, total	13,070	18,916	41,823	65,578
Dutiable	9,183	11,130	22,821	34,813
Duty free	3,886	7,786	19,001	30,765
Gloves:				
Total imports	54,762	56,681	65,174	73,614
807.00 imports, total	12	582	3,059	5,873
Dutiable	6	201	999	1,810
Duty free	5	381	2,060	4,063
Luggage:				
Total imports	11,619	14,282	18,129	20,765
807.00 imports, total	117	311	555	769
Dutiable	51	107	99	137
Duty free	66	204	455	632
Hearing aids:				
Total imports	2,754	2,905	2,519	2,647
807.00 imports, total	1,541	1,265	1,431	1,590
Dutiable	1,087	866	1,000	1,131
Duty free	455	399	431	459
Scientific instruments:				
Total imports	64,194	74,791	92,012	103,352
807.00 imports, total	5,751	5,771	7,989	12,892
Dutiable	4,707	3,403	5,480	8,943
Duty free	1,044	2,368	2,509	3,949
Photographic equipment:				
Total imports	46,380	58,511	74,583	81,834
807.00 imports, total	285	482	1,328	466
Dutiable	239	397	1,108	395
Duty free	46	85	220	70
Recording media:				
Total imports	7,016	11,144	13,819	20,892
807.00 imports, total	-	156	1,040	2,633
Dutiable	-	23	195	457
Duty free	-	133	845	2,176
Baseballs and softballs:				
Total imports	1,145	1,407	2,134	3,247
807.00 imports, total	437	690	1,331	2,230
Dutiable	171	341	599	924
Duty free	266	349	732	1,306

See footnotes at end of table.

Table 1.--Imports under item 807.00 and total imports of similar products, 1/ by product group, 1966-69--Continued

(Value in thousands of dollars)

Product group	1966	1967	1968	1969
Schedule 7 (Miscellaneous products)--Continued				
Tennis rackets, strung:				
Total imports	2,366	2,269	2,727	3,231
807.00 imports, total	-	113	400	419
Dutiable	-	108	327	361
Duty free	-	5	73	58
Toys, dolls, and models:				
Total imports	83,297	97,604	138,077	165,273
807.00 imports, total	682	2,639	12,947	22,216
Dutiable	529	1,837	6,744	12,505
Duty free	154	802	6,203	9,711
Jewelry:				
Total imports	38,857	41,642	47,638	54,614
807.00 imports, total	273	1,895	1,233	801
Dutiable	187	1,312	728	314
Duty free	86	583	506	487
Other:				
Total imports	550,942	689,690	897,300	1,203,328
807.00 imports, total	3,970	5,012	10,510	15,689
Dutiable	2,206	2,535	5,542	7,835
Duty free	1,764	2,477	4,967	7,854

1/ Except for certain adjustments to retain comparability, total imports for each year include imports for all TSUSA numbers (schedules 1-7) under which 807.00 entries occurred in any of the four years. Hence, some of the figures differ from those shown in other parts of the report.
2/ Less than $500.

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

Note.--Components may not add to total due to rounding.

Table 2.--All countries: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (all products)	8,684,325	1,649,201	339,407	20.6	136,540	41,317	8.3	5.6	2.4	1.7
Schedule 1 (Agricultural products), total	10,632	18	10	53.2	2	1	8.8	5.6	6.4	2.7
Schedule 2 (Lumber and paper products), total	167,327	2,452	1,188	48.4	272	140	11.1	7.6	5.4	3.5
Schedule 3 (Textile products), total	680,163	34,826	23,050	66.2	10,987	7,405	31.5	30.9	19.3	19.0
Body-supporting garments	18,381	7,831	5,194	66.3	2,311	1,546	29.5	29.4	18.0	17.9
Women's, girls', and infants' dresses	56,367	5,620	3,816	67.9	1,901	1,302	33.8	33.4	20.9	20.7
Women's, girls', and infants' slacks and shorts	43,558	4,260	3,401	79.8	1,509	1,205	35.4	35.3	26.4	26.3
Women's, girls' and infants' suits, coats, jackets, and skirts	95,082	4,057	2,287	56.4	1,338	806	33.0	32.9	17.6	17.4
Women's, girls', and infants' blouses	45,630	3,037	1,976	65.1	1,033	675	34.0	33.9	19.9	19.8
Men's and boys' trousers, slacks, and outer shorts	24,146	1,944	1,376	70.8	464	330	23.8	22.4	15.9	15.0
Other	396,999	8,076	5,000	61.9	2,431	1,542	30.1	28.4	17.3	16.6
Schedule 4 (Chemical products), total	18,956	134	46	34.6	16	6	11.7	7.7	3.8	2.5
Schedule 5 (Ceramic products), total	247,422	306	36	11.8	127	9	41.3	18.7	2.2	1.5
Schedule 6 (Metal products), total	6,219,827	1,545,886	284,313	18.4	112,813	27,856	7.3	4.6	1.7	1.1
Internal combustion engines, non-piston types	36,312	16,147	5,270	32.6	1,292	422	8.0	5.0	2.5	1.6
Compressors and parts	27,993	6,403	3,103	48.5	480	233	7.5	4.5	3.5	2.1

See footnotes at end of table.

Table 2.--All countries: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 6 (Metal products)--Con.										
Air-conditioning machines----------	8,221	7,519	3,258	43.3	639	277	8.5	5.5	3.5	2.3
Earth-moving and mining machinery---	45,543	7,853	2,880	36.7	628	230	8.0	5.0	2.8	1.8
Sewing machines, household type-----	74,083	22,615	2,446	10.8	1,809	196	8.0	5.0	.8	.5
Office machines and parts, other than typewriters and cash registers-----	277,781	96,869	38,662	39.9	8,078	3,257	8.3	5.3	3.2	2.1
Handtools with self-contained electric motors-------------	5,243	2,980	809	27.2	268	73	9.0	5.5	2.3	1.4
Television receivers----------	286,452	47,003	17,724	37.7	3,760	1,418	8.0	5.0	2.9	1.8
Television apparatus and parts, other than cameras, receivers, and picture tubes------	61,938	40,084	19,721	49.2	3,207	1,578	8.0	5.0	3.8	2.4
Radio apparatus and parts--------------	360.084	51,135	8,457	16.5	7,804	2,984	15.3	11.8	5.3	3.3
Phonographs and parts--------------	54,248	21,798	3,474	15.9	1,962	313	9.0	5.5	1.3	.8
Semiconductors and parts--------------	134,395	106,236	62,415	58.8	10,624	6,242	10.0	6.0	5.6	3.4
Electronic memories--	72,490	47,213	29,444	62.4	4,249	2,650	9.0	5.5	5.4	3.4
Motor vehicles-------	1,569,850	742,422	10,319	1.4	38,065	668	5.1	3.1	.1	.1
Tractors and parts, nonagricultural types-------------	30,951	17,926	6,834	38.1	1,613	615	9.0	5.5	3.3	2.0
Aircraft, non-military-----------	102,020	97,990	18,495	18.9	7,839	1,480	8.0	5.0	1.4	.9
Other 6/------------	3,072,223	213,693	51,002	23.9	20,459	5,214	9.6	5.9	2.3	1.5
Schedule 7 (Miscellaneous products), total--------------	1,339,998	65,578	30,765	47.1	12,361	5,907	18.9	14.3	8.2	6.6
Gloves---------------	70,693	5,873	4,063	69.2	1,122	777	19.1	23.1	12.5	14.7
Luggage--------------	17,630	769	632	82.2	168	138	21.9	19.6	17.2	15.7
Hearing aids---------	2,647	1,590	459	28.9	151	44	9.5	6.0	2.6	1.7
Scientific instruments--------------	100,255	12,892	3,949	30.6	1,355	387	10.5	9.3	2.8	2.4
Photographic equipment---------------	44,035	466	70	15.1	57	9	12.2	7.7	1.8	1.2
Recording media------	20,892	2,633	2,176	82.6	250	207	9.5	6.0	7.7	4.9

See footnotes at end of table.

Table 2.--All countries: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 7 (Miscellaneous products)--Con.										
Baseballs and softballs	3,247	2,230	1,306	58.6	268	157	12.0	7.5	6.7	4.3
Tennis rackets, (strung)	3,231	419	58	13.9	59	8	14.0	8.5	1.7	1.1
Toys, dolls, and models	162,994	22,216	9,711	43.7	6,113	2,690	27.5	17.6	10.5	7.1
Jewelry	51,451	801	487	60.9	191	120	23.8	17.9	13.7	10.8
Other	862,923	15,543	7,854	50.9	2,627	1,370	17.0	13.5	8.6	6.9

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.

2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.

3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.

4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.

5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.

6/ Details, by products included, appear in table 3.

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

Note.--Components may not add due to rounding; ratios were compiled from unrounded data.

Table 3.--All countries: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups, for those products included in the "other" category under Schedule 6 in table 2

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Metallic containers	11,410	3,024	913	30.2	246	74	8.1	5.1	2.3	1.5
Hand tools, cutlery, and interchangeable cutting tools for machine tools	63,465	4,744	654	13.8	437	70	9.2	6.8	1.4	.9
Other miscellaneous metal articles	199,403	5,069	1,960	38.7	700	262	13.8	8.9	4.8	3.3
Steam turbines and boilers; gas generators and parts	11,597	10,046	3,677	36.6	1,112	386	11.1	6.6	3.6	2.3
Piston-type engines and parts, and parts of internal combustion engines	246,462	21,480	5,631	26.2	1,594	416	7.4	4.6	1.8	1.2
Industrial heat-treating equipment, refrigeration equipment, centrifuges, pumps, and blowers	126,856	4,486	994	22.1	433	98	9.7	5.0	2.0	1.1
Elevators, conveyors, winches and hoists	74,613	12,791	2,273	17.8	1,023	182	8.0	5.0	1.3	.9
Pulp, paper, and printing machinery and parts	100,430	7,390	794	10.7	627	64	8.5	5.1	.8	.5
Machines for working metal, stone, and other materials	328,927	26,555	3,632	13.7	2,566	344	9.7	5.8	1.2	.8
Other miscellaneous machinery and mechanical equipment and parts	323,477	14,230	2,901	20.4	1,184	232	8.3	6.0	1.5	1.2
Transformers	39,302	12,619	2,986	23.7	1,399	354	11.1	6.0	2.6	1.4
Electric motors, generators, rectifiers, inductors, and parts	75,294	7,347	2,386	32.5	868	286	11.8	7.6	3.6	2.3
Electric household appliances and parts	92,163	13,285	2,041	15.4	1,350	204	10.2	6.0	1.4	.9
Equipment for making, breaking, or connecting electrical circuits, and voltage regulators	61,380	6,458	3,331	51.6	894	460	13.8	8.4	6.7	4.2
Radio telegraphic and telephonic, radio-navigational and radar apparatus	97,351	1,392	375	26.9	167	46	12.0	7.6	3.0	2.0
Loudspeakers, microphones, and sound amplification equipment	51,891	4,834	1,698	35.1	580	204	12.0	7.5	3.9	2.5
Tape recorders and players, and dictation machines	279,688	2,660	215	8.1	218	18	8.2	5.3	.6	.4
Electrical conductors with or without fittings	66,926	4,209	2,799	66.5	625	404	14.8	10.2	9.1	6.5
Radio-phonograph combinations, other combinations of consumer electronic products, and other miscellaneous electrical equipment	225,997	14,616	1,830	12.5	1,657	197	11.3	6.5	1.2	.8

See footnotes at end of table.

Table 3.--All countries: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups, for those products included in the "other" category under Schedule 6 in table 2--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Capacitors	31,801	6,608	2,957	44.7	727	325	11.0	10.0	4.6	4.2
Resistors and parts	15,224	3,594	2,626	73.1	359	263	10.0	6.0	7.1	4.3
Rail locomotives and rolling stock	4,425	1,570	160	10.2	134	14	8.6	5.9	.8	.6
Motor vehicle parts, motorcycles, tractors, and off-the-highway type work vehicles	335,680	9,744	1,755	18.0	531	112	5.5	4.5	1.1	.8
Aircraft and spacecraft parts, and parachutes	171,710	1,234	422	34.2	136	70	11.0	10.6	5.4	3.4
Yachts and pleasure boats	36,751	13,708	1,992	14.5	892	129	6.5	4.1	.9	.6
Total or average	3,072,223	213,693	51,002	23.9	20,459	5,214	9.6	5.9	2.3	1.5

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.

2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.

3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.

4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. (n most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.

5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.

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

Note.--Components may not add due to rounding; ratios were computed from unrounded data.

Table 4.--Tariff item 807.00: U.S. imports from industrially developed and less developed countries, 1966-69

(In millions of dollars)

Category and country	1966 Dutiable value	1966 Duty-free value	1966 Total value	1967 Dutiable value	1967 Duty-free value	1967 Total value	1968 Dutiable value	1968 Duty-free value	1968 Total value	1969 Dutiable value	1969 Duty-free value	1969 Total value
Grand total	776.5	113.3	889.8	785.0	146.6	931.6	1,206.2	225.7	1,432.0	1,309.8	339.4	1,649.2
Developed countries, total	744.8	84.2	829.0	742.2	91.2	833.4	1,111.1	104.8	1,215.9	1,150.5	131.2	1,281.8
West Germany	439.0	4.7	443.7	456.6	7.9	464.4	676.5	7.6	684.0	611.3	5.6	616.8
Canada	79.8	36.2	116.0	98.8	39.9	138.7	139.3	48.8	188.1	176.3	66.9	243.2
Japan	34.6	7.6	42.2	31.7	10.5	42.2	71.7	16.2	87.9	110.4	22.5	132.9
United Kingdom	100.0	12.7	112.7	39.2	9.3	48.5	50.2	7.1	57.2	64.7	9.4	74.1
Belgium and Luxembourg	6.0	3.3	9.4	10.3	5.9	16.2	39.7	5.3	45.0	68.6	5.4	74.0
Sweden	42.3	1.9	44.2	58.7	1.3	60.0	80.3	1.3	81.7	57.9	.3	58.2
France	23.0	10.3	33.3	19.8	8.7	28.6	15.4	7.1	22.5	14.7	6.7	21.3
Ireland	10.8	5.4	16.3	12.4	4.6	17.0	13.1	4.5	17.6	14.4	5.4	19.8
Netherlands	3.5	.9	4.3	3.8	1.0	4.8	7.6	1.7	9.4	10.5	2.1	12.7
Italy	2.2	.2	2.4	6.6	.6	7.2	7.8	.9	8.7	9.5	1.3	10.9
Portugal	-	-	-	.3	.5	.8	1.8	2.5	4.4	4.3	4.0	8.4
Other	3.6	1.0	4.5	4.0	1.0	5.0	7.7	1.8	9.4	7.9	1.6	9.5
Less developed countries, total	31.3	28.9	60.5	42.4	55.3	98.2	94.8	121.1	215.9	158.6	208.2	366.6
Mexico	3.4	3.6	7.0	7.0	12.3	19.3	23.7	49.7	73.4	49.4	95.8	145.2
Hong Kong	22.3	19.1	41.4	21.8	29.5	51.4	29.9	35.4	65.4	40.0	50.7	90.7
Taiwan	3.3	3.3	6.6	8.6	7.3	15.9	27.0	18.5	45.5	44.5	23.6	68.1
Republic of Korea	1/	1/	1/	.1	.2	.3	6.3	4.7	11.0	6.4	13.8	20.1
Jamaica	1.2	1.7	2.9	1.9	3.3	5.2	2.5	4.3	6.8	2.6	5.1	7.7
Singapore	-	-	-	-	-	-	1/	1/	1/	4.2	2.6	6.8
Philippines	.1	.1	.2	.3	.5	.8	1.1	2.3	3.4	1.8	3.5	5.2
Brazil	-	-	-	.4	.2	.6	.4	.7	1.0	1.6	2.5	4.1
Haiti	.3	.4	.8	.5	.5	1.1	.9	1.2	2.1	1.6	2.4	4.0
Barbados	1/	1/	.1	.2	.4	.6	.4	.9	1.3	1.0	2.2	3.2
Trinidad	-	-	-	.3	.5	.8	.6	1.8	2.4	1.0	1.9	2.9
Costa Rica	-	-	-	1/	1/	.1	.1	.2	.3	.6	1.2	1.8
Israel	1/	1/	1/	.2	1/	.3	.2	.1	.3	1.2	.4	1.6
Netherlands Antilles	-	-	-	-	-	-	.2	.1	.3	.7	.2	.9
British Honduras	.2	.1	.3	.1	.2	.4	.2	.4	.6	.3	.5	.8
Honduras	1/	1/	1/	1/	.1	.1	.1	.3	.4	.2	.6	.8
Other	.5	.6	1.2	1.0	.3	1.3	1.2	.5	1.7	1.8	1.2	3.0
Communist countries	.1	1/	.1	.1	1/	.1	.2	1/	.2	.3	1/	.3

1/ Less than $50,000.

Source: Compiled from data supplied by the U.S. Bureau of the Census (special listing).

Note.--Because of rounding, the figures may not add to the totals shown.

Table 5.--Tariff item 807.00: Percentage distribution of U.S. imports from industrially developed and less developed countries, 1969

Category and country	Dutiable value	Duty-free value	Total value
Grand total	100.0	100.0	100.0
Developed countries, total	87.8	38.7	77.7
West Germany	46.7	1.6	37.4
Canada	13.5	19.7	14.7
Japan	8.4	6.6	8.1
United Kingdom	4.9	2.8	4.5
Belgium and Luxembourg	5.2	1.6	4.5
Sweden	4.4	.1	3.5
France	1.1	2.0	1.3
Ireland	1.1	1.6	1.2
Netherlands	.8	.6	.8
Italy	.7	.4	.7
Portugal	.3	1.2	.5
Other	.6	.5	.6
Less developed countries, total	12.1	61.3	22.2
Mexico	3.8	28.2	8.8
Hong Kong	3.1	14.9	5.5
Taiwan	3.4	7.0	4.1
Republic of Korea	.5	4.1	1.2
Jamaica	.2	1.5	.5
Singapore	.3	.8	.4
Philippines	.1	1.0	.3
Brazil	.1	.7	.2
Haiti	.1	.7	.2
Barbados	.1	.6	.2
Trinidad	.1	.6	.2
Costa Rica	1/	.4	.1
Israel	.1	.1	.1
Netherlands Antilles	.1	.1	.1
British Honduras	1/	.1	1/
Honduras	1/	.2	1/
Other	.1	.4	.2
Communist countries	1/	1/	1/

1/ Less than 0.05 percent.

Source: Compiled from data supplied by the U.S. Bureau of the Census (special listing).

Note.--Because of rounding, the figures may not add to the totals shown.

Table 6.--Developed countries: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	4,654,615	1,281,811	131,142	10.2	88,464	13,145	6.9	4.4	1.0	.6
Schedule 1 (Agricultural products), total	1,165	12	8	63.5	1	1	8.0	5.0	4.9	3.1
Schedule 2 (Lumber and paper products), total	29,132	990	246	24.9	87	18	8.8	7.5	1.7	1.4
Schedule 3 (Textile products), total	18,668	2,834	888	31.3	701	235	24.8	22.3	7.1	6.2
Body-supporting garments	81	53	32	60.0	13	8	25.1	22.4	14.2	13.0
Women's, girls', and infants' dresses	1,267	102	8	7.8	21	2	20.8	20.1	1.7	1.7
Women's, girls', and infants' slacks and shorts	1,165	33	11	33.4	9	3	29.5	29.5	9.3	9.3
Women's, girls' and infants' suits, coats, jackets, and skirts	4,824	1,085	139	12.8	280	41	25.8	25.8	3.3	3.3
Women's, girls', and infants' blouses	24	7	2	32.1	1	6/	20.0	18.7	6.3	6.3
Men's and boys' trousers, slacks, and outer shorts	58	4	3	57.2	1	1	35.5	35.5	17.6	17.6
Other	11,249	1,550	693	44.7	376	180	24.3	19.4	10.3	8.6
Schedule 4 (Chemical Products), total	9,051	123	42	34.4	15	5	12.2	8.1	3.9	2.6
Schedule 5 (Ceramic products), total	118,341	82	25	30.2	15	5	18.5	12.3	5.5	3.7
Schedule 6 (Metal products), total	4,145,215	1,260,971	124,625	9.9	85,270	12,066	6.8	4.3	.9	.6
Internal combustion engines, nonpiston types	19,398	16,147	5,270	32.6	1,292	422	8.0	5.0	2.5	1.6
Compressors and parts	14,550	6,403	3,103	48.5	480	233	7.5	4.5	3.5	2.1
Air-conditioning machines	7,870	7,519	3,258	43.3	639	277	8.5	5.5	3.5	2.3
Earth moving and mining machinery	18,377	7,842	2,873	36.6	627	230	8.0	5.0	2.8	1.8
Sewing machines household type	57,242	22,615	2,446	10.8	1,809	196	8.0	5.0	.8	.5
Office machines and parts, other than typewriters and cash registers	148,354	66,538	14,935	22.4	5,500	1,240	8.3	5.2	1.8	1.1
Handtools with self-contained electric motors	4,372	2,980	809	27.2	268	73	9.0	5.5	2.3	1.4
Television receivers	205,301	7,447	1,999	26.8	596	160	8.0	5.0	2.0	1.3

See footnotes at end of table.

Table 6.--Developed countries: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 6 (Metal products)--Con.										
Television apparatus and parts, other than cameras, receivers, and picture tubes	28,311	9,746	2,660	27.3	780	213	8.0	5.0	2.1	1.5
Radio apparatus and parts	252,785	34,509	5,209	15.1	5,204	1,910	15.1	11.8	5.1	3.1
Phonographs and parts	46,471	21,645	3,447	15.9	1,948	310	9.0	5.5	1.3	.8
Semiconductors and parts	37,471	19,596	6,782	34.6	1,960	678	10.0	6.0	3.2	2.0
Electronic memories	31.191	9,836	3,189	32.4	885	287	9.0	5.5	2.8	1.7
Motor vehicles	1,538,450	742,422	10,319	1.4	38,065	668	5.1	3.1	.1	.0
Tractors and parts, nonagricultural types	21,394	17,925	6,834	38.1	1,613	615	9.0	5.5	3.3	2.0
Aircraft, non-military	99.900	97,990	18,495	18.9	7,839	1,480	8.0	5.0	1.4	.9
Other	1,612,778	169,811	32,997	19.4	15,762	3,074	9.3	6.2	1.8	1.2
Schedule 7 (Miscellaneous products), total	333,043	16,797	5,311	31.6	2,376	816	14.1	11.1	4.4	4.0
Gloves	6,568	69	49	71.2	22	16	31.9	24.8	20.5	15.9
Luggage	195	9	4	40.3	2	1	17.9	14.7	6.6	5.5
Hearing aids	2,394	1,590	459	28.9	151	44	9.5	6.0	2.6	1.7
Scientific instruments	51,520	6,858	2,601	37.9	710	249	10.3	9.3	3.4	3.2
Photographic equipment	24,311	452	69	15.2	55	9	12.1	7.6	1.8	1.2
Tennis rackets, (strung)	1,318	419	58	13.9	59	8	14.0	8.5	1.7	1.1
Toys, dolls, and models	47,619	606	108	17.8	109	24	17.9	11.5	3.5	2.3
Jewelry	22,550	182	27	14.6	42	5	23.3	14.7	2.4	1.6
Other	176,568	6,612	1,936	29.3	1,226	460	18.5	14.4	5.4	4.2

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.
2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.
3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.
4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.
5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.
6/ Less than $500.

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

Note.--Components may not add due to rounding; ratios were computed from unrounded data.

Table 7.--West Germany: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	1,178,845	616,826	5,550	.9	32,241	421	5.2	3.2	.1	.0
Schedule 1 (Agricultural products), total	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total	-	-	-	-	-	-	-	-	-	-
Schedule 3 (Textile products), total	1,210	31	16	51.1	8	4	26.0	25.3	11.9	11.8
Schedule 4 (Chemical products), total	2,491	33	24	72.7	5	3	13.9	8.7	9.6	6.1
Schedule 5 (Ceramic products), total	306	8	6/	5.1	2	6/	19.0	12.0	.8	.6
Schedule 6 (Metal products), total	1,149,232	615,783	5,318	0.9	32,121	393	5.2	3.2	.1	.0
Internal combustion engines, nonpiston types	878	847	480	56.7	68	38	8.0	5.0	4.4	2.8
Office machines and parts, other than typewriters and cash registers	14,632	1,025	50	4.9	83	4	8.1	5.1	.4	.2
Handtools with self-contained electric motors	1,385	6	4	70.6	1	6/	9.0	5.5	6.2	3.8
Electronic memories	3,351	317	48	15.2	29	4	9.0	5.5	1.3	.8
Motor vehicles	875,674	597,693	2,689	0.4	30,425	148	5.1	3.1	.0	.0
Aircraft, nonmilitary	1,998	1,926	807	41.9	154	65	8.0	5.0	3.2	2.0
Other	251,315	13,968	1,240	8.9	1,363	133	9.8	6.1	0.9	0.5

See footnotes at end of table.

Table 7.--West Germany: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 7 (Miscellaneous products), total	25,606	971	192	19.8	105	20	10.8	7.8	1.9	1.4
Hearing aids	790	305	97	31.8	29	9	9.5	6.0	2.8	1.8
Scientific instruments	10,753	315	42	13.2	35	5	11.0	10.0	1.3	1.2
Photographic equipment	1,689	187	38	20.1	22	4	11.7	7.3	2.2	1.4
Jewelry	1,319	1	1	94.8	6/	6/	19.0	12.0	17.7	11.3
Other	11,055	164	15	9.1	19	2	11.6	7.3	1.0	0.7

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.

2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.

3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.

4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.

5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.

6/ Less than $500.

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

Note.--Components may not add to rounding; ratios were computed from unrounded data.

Table 8.--Sweden: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	89,398	58,220	288	0.5	2,965	19	5.1	3.1	.0	.0
Schedule 1 (Agricultural products), total	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total	-	-	-	-	-	-	-	-	-	-
Schedule 3 (Textile products), total	-	-	-	-	-	-	-	-	-	-
Schedule 4 (Chemical products), total	-	-	-	-	-	-	-	-	-	-
Schedule 5 (Ceramic products), total	-	-	-	-	-	-	-	-	-	-
Schedule 6 (Metal products), total	88,753	58,185	277	0.5	2,958	16	5.1	3.1	.0	.0
Motor vehicles	76,536	57,494	242	0.4	2,875	12	5.0	3.0	.0	.0
Other	12,216	692	35	5.1	83	4	12.0	7.7	0.6	0.4
Schedule 7 (Miscellaneous products), total	645	35	11	32.0	7	2	20.0	12.5	5.6	3.7

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.
2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.
3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.
4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.
5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incicental to importing, such as freight, insurance, brokerage fees, etc., are not included.

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

Note.--Components may not add due to rounding; ratios were computed from unrounded data.

Table 9.--Canada: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	824,664	243,213	66,907	27.5	21,333	5,889	8.8	5.9	2.3	1.5
Schedule 1 (Agricultural products), total	1,138	10	7	66.0	1	1	7.5	4.7	4.9	3.1
Schedule 2 (Lumber and paper products), total	14,901	816	234	28.6	63	16	7.7	6.9	1.9	1.6
Schedule 3 (Textile products), total	12,148	2,391	730	30.5	608	194	25.4	23.0	6.9	5.9
Women's, girls', and infants' dresses	879	100	8	7.5	21	2	20.5	19.8	1.5	1.5
Women's, girls', and infants' slacks and shorts	1,165	33	11	33.4	9	3	27.3	27.3	9.1	9.1
Women's, girls', and infants' suits, coats, jackets, and skirts	4,346	1,084	139	12.8	280	41	25.8	25.8	3.3	3.3
Women's, girls', and infants' blouses	24	7	2	32.1	1	6/	20.0	18.7	6.3	6.3
Men's and boys' trousers, slacks, and outer shorts	58	4	3	57.2	1	1	25.0	25.0	18.8	18.8
Other	5,675	1,163	568	48.8	296	146	25.4	19.9	11.1	8.9
Schedule 4 (Chemical products), total	-	-	-	-	-	-	-	-	-	-
Schedule 5 (Ceramic products), total	399	52	20	37.3	11	4	21.1	13.2	7.4	4.8
Schedule 6 (Metal products), total	678,859	231,591	62,914	27.2	19,646	5,342	8.5	5.6	2.2	1.4
Internal combustion engines, nonpiston types	14,488	11,896	2,751	23.1	952	220	8.0	5.0	1.7	1.1
Compressors and parts	8,424	5,306	2,919	55.0	398	219	7.5	4.5	4.0	2.4
Air-conditioning machines	7,870	7,519	3,258	43.3	639	277	8.5	5.5	3.5	2.3
Earth-moving and mining machinery	13,591	6,968	2,550	36.6	557	204	8.0	5.0	2.8	1.8
Sewing machines, household type	3,487	1,313	827	63.0	105	66	8.0	5.0	4.9	3.1
Office machines and parts, other than typewriters and cash registers	44,279	35,531	9,774	27.5	2,956	810	8.3	5.3	2.2	1.4
Handtools with self-contained electric motors	2,987	2,974	805	27.1	268	72	9.0	5.5	2.3	1.4

See footnotes at end of table.

Table 9.--Canada: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the 1969 AVE	Increase in the total duty-paid value 5/ based on the 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Per cent	1,000 dollars	1,000 dollars	Per-cent	Per-cent	Per-cent	Per-cent
Schedule 6 (Metal products)--Con.										
Television receivers	4,662	4,431	1,989	44.9	354	159	8.0	5.0	3.4	2.2
Television apparatus and parts, other than cameras, receivers, and picture tubes	5,144	2,370	359	15.1	190	29	8.0	5.0	1.1	0.7
Radio apparatus and parts	6,882	2,623	614	23.4	296	92	11.3	6.9	3.2	1.8
Phonographs and parts	90	59	7	12.6	5	1	9.0	5.5	1.1	.7
Semiconductors and parts	5,615	1,620	147	9.1	162	15	10.0	6.0	0.8	.5
Electronic memories	9,151	715	241	33.7	64	22	9.0	5.5	2.9	1.8
Motor vehicles	8,516	6,874	2,881	41.9	553	233	8.1	5.1	3.2	2.1
Tractors and parts, nonagricultural types	21,394	17,925	6,834	38.1	1,613	615	9.0	5.5	3.3	2.0
Aircraft, nonmilitary	24,133	22,274	5,691	25.6	1,782	455	8.0	5.0	1.9	1.2
Other	498,146	101,193	21,267	21.0	8,752	1,853	8.6	6.0	1.8	1.3
Schedule 7 (Miscellaneous products), total	117,218	8,352	3,004	36.0	1,004	332	12.0	9.1	3.7	3.0
Luggage	67	4	2	42.6	1	6/	20.0	20.0	7.7	7.7
Hearing aids	1	1	6/	22.6	6/	6/	9.5	6.0	2.0	1.3
Scientific instruments	11,950	4,644	2,051	44.2	458	185	9.9	9.0	3.8	3.6
Toys, dolls, and models	1,135	43	8	17.7	12	2	28.0	18.2	4.0	2.9
Jewelry	78	1	6/	6.0	6/	6/	18.0	18.0	.9	.9
Other	103,987	3,658	943	25.8	533	145	14.6	9.2	3.8	2.4

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.
2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.
3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.
4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.
5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.
6/ Less Than $500.

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

Note.--Components may not add due to rounding; ratios were computed from unrounded data.

Table 10.--Japan: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	1,558,288	132,945	22,497	16.9	14,085	3,648	10.6	7.4	2.5	1.7
Schedule 1 (Agricultural products), total	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total	13,327	117	9	7.5	14	1	12.4	7.6	0.8	0.5
Schedule 3 (Textile products), total	103	1	6/	30.2	1	6/	42.5	42.5	9.9	9.9
Schedule 4 (Chemical products), total	-	-	-	-	-	-	-	-	-	-
Schedule 5 (Ceramic products), total	1,333	1	6/	36.8	6/	6/	50.0	50.0	14.0	14.0
Schedule 6 (Metal products), total	1,428,979	129,153	21,215	16.4	13,275	3,292	10.3	7.0	2.4	1.5
Internal combustion engines, nonpiston types	2,630	2,530	1,517	60.0	202	121	8.0	5.0	4.6	2.9
Compressors and parts	284	103	34	32.8	8	3	7.5	4.5	2.3	1.4
Sewing machines, household type	48,619	21,289	1,609	7.6	1,703	129	8.0	5.0	6	.4
Office machines and parts, other than typewriters and cash registers	56,079	19,952	3,493	17.5	1,615	289	8.1	5.1	1.4	.9
Television receivers	200,640	3,016	10	.3	241	1	8.0	5.0	.0	.0
Television apparatus and parts, other than cameras, receivers, and picture tubes	15,832	2,047	197	9.6	164	16	8.0	5.0	[illegible]	.5
Radio apparatus and parts	242,855	28,974	4,137	14.3	4,612	1,768	15.9	12.5	[illegible]	3.5
Phonographs and parts	9,519	2,255	118	5.2	203	11	9.0	5.5	5	3
Semiconductors and parts	11,859	2,620	1,850	70.6	262	185	10.0	6.0	6.9	4.2
Electronic memories	12,298	6,956	2,364	34.0	626	215	9.0	5.5	.9	1.8
Motor vehicles	300,561	699	37	5.3	36	2	5.2	3.2	.3	.2
Aircraft, nonmilitary	17,058	18,506	1,979	10.7	1,480	158	8.0	5.0	.8	.5
Other	510,745	20,206	3,870	19.2	2,119	394	10.5	6.7	2.0	1.3

See footnotes at end of table.

Table 10.--Japan: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 7 (Miscellaneous products), total	114,546	3,673	1,273	34.7	795	355	21.6	19.4	8.6	6.7
Scientific instruments	13,105	1,222	351	28.7	134	39	11.0	10.0	2.9	2.7
Photographic equipment	22,564	262	31	11.7	32	4	12.4	7.8	1.5	1.0
Toys, dolls, and models	46,484	563	100	17.8	97	22	17.2	11.0	3.4	2.3
Jewelry	5,010	32	1	1.7	14	6/	43.6	27.6	.5	.4
Other	27,384	1,594	790	49.6	518	290	32.5	31.2	16.1	15.4

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.

2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.

3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.

4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the percentage increase in the cost of the U.S. component in the absence of item 807.00.

5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.

6/ Less than $500.

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

Note.--Components may not add due to rounding; ratios were computed from unrounded data.

Table 11.--United Kingdom: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	478,979	74,062	9,405	12.7	6,039	831	8.2	5.1	1.0	.7
Schedule 1 (Agricultural products), total	27	1	1	45.1	6/	6/	12.0	7.5	5.1	3.2
Schedule 2 (Lumber and paper products), total	-	-	-	-	-	-	-	-	-	-
Schedule 3 (Textile products), total	1,856	21	6	28.1	4	1	19.2	16.2	5.8	5.6
Schedule 4 (Chemical products), total	-	-	-	-	-	-	-	-	-	
Schedule 5 (Ceramic products), total	-	-	-	-	-	-	-	-	-	
Schedule 6 (Metal products): total	452,702	73,549	9,320	12.7	5,972	820	8.1	5.0	1.0	.7
Internal combustion engines, nonpiston types	1,402	874	522	59.7	70	42	8.0	5.0	4.6	2.9
Compressors and parts	4,466	668	61	9.1	50	5	7.5	4.5	.6	.4
Earth moving and mining machinery	3,369	8	1	16.0	1	6/	8.0	5.0	1.2	.8
Sewing machines, household type	5,136	13	10	75.0	1	1	8.0	5.0	5.9	3.7
Office machines and parts, other than typewriters and cash registers	9,781	1,833	204	11.2	155	17	8.5	5.5	.9	.6
Television apparatus and parts, other than cameras, receivers, and picture tubes	233	8	2	29.2	1	6/	8.0	5.0	2.2	1.4
Radio apparatus and parts	81	5	1	18.5	6/	6/	10.0	6.0	1.7	1.1
Phonographs and parts	36,365	19,290	3,319	17.2	1,736	299	9.0	5.5	1.4	.9
Semiconductors and parts	1,467	145	34	23.4	14	3	10.0	6.0	2.2	1.3

See footnotes at end of table.

Table 11.--United Kingdom: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 6 (Metal products)--Con.										
Electronic memories--	2,525	137	16	12.0	12	1	9.0	5.5	1.0	.6
Motor vehicles-------	137,359	10,574	232	2.2	529	12	5.0	3.0	.1	.1
Aircraft, non-military-----------	34,356	32,925	3,212	9.8	2,634	257	8.0	5.0	.8	.5
Other----------------	216,161	7,070	1,705	24.1	768	183	10.9	6.8	2.4	1.5
Schedule 7 (Miscellaneous products), total--------------	24,394	491	78	15.9	63	9	12.8	9.9	1.7	1.4
Hearing aids---------	21	3	6/	10.2	6/	6/	9.5	6.0	.9	.6
Scientific instruments--------------	11,594	320	61	19.0	38	8	12.0	10.2	2.3	1.9
Jewelry--------------	1,149	7	1	17.1	1	6/	19.0	12.0	2.8	1.9
Other----------------	11,631	162	16	9.9	23	1	14.2	8.6	1.2	.6

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.
2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.
3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.
4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.
5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incicental to importing, such as freight, insurance, brokerage fees, etc., are not included.

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

Note.--Components may not add due to rounding; ratios were computed from unrounded data.

Table 12.--Belgium and Luxembourg: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)----------------	196,280	73,962	5,353	7.2	4,118	361	5.6	3.4	.5	.3
Schedule 1 (Agricultural products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 3 (Textile products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 4 (Chemical products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 5 (Ceramic products), total---------------	113,114	9	1	5.6	1	6/	7.3	4.6	.4	.2
Schedule 6 (Metal products), total---------------	81,357	73,221	5,240	7.2	4,023	345	5.5	3.3	.4	.3
Compressors and parts---------------	1,376	327	89	27.3	25	7	7.5	4.5	1.9	1.2
Earth moving and mining machinery----	528	147	55	37.7	12	4	8.0	5.0	2.9	1.8
Office machines and parts, other than typewriters and cash registers--	5,656	4,920	741	15.1	401	61	8.2	5.1	1.2	.8
Semiconductors and parts---------------	113	106	26	24.2	11	3	10.0	6.0	2.3	1.4
Motor vehicles--------	71,659	66,574	4,004	6.0	3,490	245	5.2	3.2	.4	.2
Other-----------------	2,026	1,148	324	28.2	84	25	5.2	3.2	1.5	0.9

See footnotes at end of table.

Table 12.--Belgium and Luxembourg: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 7 (Miscellaneous products), total	1,809	732	113	15.4	94	15	12.9	8.7	1.9	1.3
Scientific instruments	334	216	46	21.1	26	6	12.1	10.2	2.7	2.0
Tennis rackets, (strung)	1,318	419	58	13.9	59	8	14.0	8.5	1.7	1.1
Other	157	97	9	9.3	9	1	9.3	6.2	1.0	0.6

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.
2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.
3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.
4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.
5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incicental to importing, such as freight, insurance, brokerage fees, etc., are not included.
6/ Less than $500.

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

Note.--Components may not add to totals due to rounding; ratios were computed from unrounded data.

Table 13.--France: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	61,120	21,324	6,653	31.2	1,728	538	8.1	5.1	2.4	1.6
Schedule 1 (Agricultural products), total	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total	-	-	-	-	-	-	-	-	-	-
Schedule 3 (Textile products), total	294	9	6	70.3	3	2	31.7	31.2	21.1	20.7
Schedule 4 (Chemical products), total	6,560	90	18	20.3	10	2	11.5	7.9	2.0	1.4
Schedule 5 (Ceramic products), total	-	-	-	-	-	-	-	-	-	-
Schedule 6 (Metal products), total	49,275	21,148	6,579	31.1	1,706	529	8.1	5.0	2.4	1.5
Office machines and parts, other than typewriters and cash registers	13,599	305	148	48.6	25	12	8.1	5.1	3.8	2.5
Phonographs and parts	96	14	6/	.1	1	6/	9.0	5.5	.0	.0
Semiconductors and parts	656	9	6	63.1	1	1	10.0	6.0	6.1	3.7
Electronic memories	581	8	5	55.0	1	6/	9.0	5.5	4.8	2.9
Motor vehicles	497	493	69	13.9	39	5	8.0	5.0	1.0	.7
Aircraft, non-military	18,601	18,601	5,991	32.2	1,488	479	8.0	5.0	2.4	1.6
Other	15,245	1,716	361	21.0	150	31	8.8	5.5	1.7	1.1

See footnotes at end of table.

Table 13.--France: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 7 (Miscellaneous products), total	4,992	78	50	64.2	9	5	11.4	9.0	7.3	5.8
Gloves	235	18	13	73.5	5	3	25.2	20.7	17.4	14.4
Hearing aids	1	1	6/	3.6	6/	6/	9.5	6.0	.3	.2
Scientific instruments	2,382	14	2	15.8	2	6/	11.1	9.8	1.6	1.4
Jewelry	2,269	12	9	79.6	2	2	19.0	12.0	14.6	9.3
Other	104	33	25	75.8	6/	6/	26.6	18.9	21.2	15.2

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.

2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.

3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.

4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.

5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incicental to importing, such as freight, insurance, brokerage fees, etc., are not included.

6/ Less than $500.

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

Note.--Components may not add to totals due to rounding; ratios were computed from unrounded data.

Table 14.--Ireland: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)----------------	20,369	19,834	5,442	27.4	1,997	556	10.1	6.6	2.6	1.7
Schedule 1 (Agricultural products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 3 (Textile products), total---------------	133	24	2	7.4	6	6/	24.8	15.0	1.1	0.8
Schedule 4 (Chemical products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 5 (Ceramic products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 6 (Metal products), total---------------	20,108	19,739	5,424	27.5	1,982	553	10.0	6.6	2.6	1.7
Office machines and parts, other than typewriters and cash registers--	16	8	6	77.6	1	1	8.5	5.5	6.5	4.2
Television apparatus and parts, other than cameras, receivers, and picture tubes-------	963	951	139	14.6	76	11	8.0	5.0	1.1	0.7
Radio apparatus and parts---------------	2,463	2,403	220	9.2	240	22	10.0	10.0	.8	.8
Semiconductors and parts---------------	12,645	12,486	3,401	27.2	1,249	340	10.0	6.0	2.5	1.6
Electronic memories---	422	400	259	64.7	36	23	9.0	5.5	5.6	3.5
Aircraft, non-military------------	900	900	286	31.8	72	23	8.0	5.0	2.4	1.5
Other-----------------	2,700	2,591	1,113	42.9	309	133	11.9	7.4	4.8	3.1

See footnotes at end of table.

Table 14.--Ireland: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 7 (Miscellaneous products), total	127	70	16	22.6	9	3	12.1	8.5	3.7	2.4
Scientific instruments	37	33	14	40.7	7	3	20.0	12.5	7.3	4.7
Other	91	37	2	5.4	2	6/	5.0	5.0	.3	.3

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.
2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.
3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.
4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.
5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.
6/ Less than $500.

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

Note.--Components may not add to totals due to rounding; ratios were computed from unrounded data.

Table 15.--Less developed countries: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--: 1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	628,971	366,591	207,964	56.7	47,797	28,080	13.0	9.7	7.3	5.5
Schedule 1 (Agricultural products), total	87	5	1	25.6	1	6/	11.0	7.0	2.6	1.7
Schedule 2 (Lumber and paper products), total	7,511	1,462	941	64.4	185	123	12.6	7.7	8.0	5.0
Schedule 3 (Textile products), total	59,819	31,505	21,902	69.5	10,123	7,082	32.1	31.7	20.5	20.3
Body-supporting garments	13,561	7,773	5,159	66.4	2,296	1,536	29.5	29.4	18.0	17.9
Women's, girls', and infants' dresses	10,164	5,490	3,806	69.3	1,875	1,300	34.2	33.7	21.4	21.1
Women's, girls', and infants' slacks and shorts	4,275	4,228	3,391	80.2	1,500	1,202	35.5	35.4	26.6	26.5
Women's, girls', and infants' suits, coats, jackets, and skirts	10,282	2,902	2,092	72.1	1,034	746	35.6	35.2	23.4	23.1
Women's, girls', and infants' blouses	7,481	2,988	1,949	65.2	1,024	671	34.0	33.9	19.9	19.8
Men's and boys' trousers, slacks, and outer shorts	2,050	1,940	1,374	70.8	462	329	23.8	22.4	15.9	15.0
Other	12,006	6,185	4,131	66.8	1,941	1,304	31.4	30.5	19.3	18.8
Schedule 4 (Chemical products), total	11	11	4	36.8	1	6/	6.5	4.0	2.3	1.4
Schedule 5 (Ceramic products), total	346	54	6	11.1	10	1	17.8	11.6	1.7	1.2
Schedule 6 (Metal products), total	378,468	285,329	159,780	56.0	27,542	15,792	9.7	6.3	5.3	3.4
Earth-moving and mining machinery	188	11	7	69.3	1	1	8.0	5.0	5.4	3.4
Office machines and parts, other than typewriters and cash registers	30,889	30,331	23,726	78.2	2,578	2,017	8.5	5.5	6.5	4.3
Television receivers	40,373	39,556	15,725	39.8	3,165	1,258	8.0	5.0	3.0	1.9

See footnotes at end of table.

Table 15.--Less developed countries: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 6 (Metal products)--Con.										
Television apparatus and parts, other than cameras, receivers, and picture tubes	31,977	30,338	17,061	56.2	2,427	1,365	8.0	5.0	4.3	2.8
Radio apparatus and parts	82,436	16,621	3,247	19.5	2,602	1,076	15.7	12.1	5.9	3.7
Phonographs and parts	204	152	27	17.8	14	2	9.0	5.5	1.5	.9
Semiconductors and parts	90,060	86,632	55,630	64.2	8,663	5,563	10.0	6.0	6.2	3.8
Electronic memories	38,361	37,377	26,254	70.2	3,364	2,364	9.0	5.5	6.2	3.8
Other	63,982	44,311	18,100	40.8	4,729	2,148	10.7	7.8	4.6	3.4
Schedule 7 (Miscellaneous products), total	182,727	48,224	25,330	52.5	9,936	5,082	20.6	15.3	9.6	7.6
Gloves	17,081	5,803	4,013	69.2	1,100	762	19.0	22.3	12.4	14.3
Luggage	764	760	628	82.7	167	137	21.9	19.7	17.4	15.8
Scientific instruments	5,923	5,923	1,325	22.4	633	135	10.7	9.2	2.1	1.6
Photographic equipment	1,065	13	2	11.9	2	6/	16.0	10.0	1.7	1.1
Recording media	3,167	2,633	2,176	82.6	250	207	9.5	6.0	7.7	4.9
Baseballs and softballs	2,554	2,230	1,306	58.6	268	157	12.0	7.5	6.7	4.3
Toys, dolls, and models	64,656	21,611	9,603	44.4	6,004	2,666	27.8	17.8	10.7	7.2
Jewelry	13,876	619	461	74.4	148	115	23.9	18.8	17.6	13.7
Other	73,640	8,633	5,815	67.4	1,365	905	15.8	12.8	9.9	8.5

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.

2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.

3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.

4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.

5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.

6/ Less than $500.

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

Note.--Components may not add to totals due to rounding; ratios were computed from unrounded data.

Table 16.--Mexico: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--: 1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	167,380	145,212	95,788	66.0	21,638	14,265	14.9	11.0	9.3	7.3
Schedule 1 (Agricultural products), total	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total	6,812	1,331	877	65.9	178	119	13.4	8.2	8.6	5.3
Schedule 3 (Textile products) total	17,067	16,704	12,356	74.0	5,819	4,309	34.8	34.6	23.7	23.5
Body-supporting garments	1,869	1,833	1,323	72.2	587	423	32.0	31.7	21.2	21.1
Women's, girls', and infants' dresses	3,404	3,315	2,448	73.9	1,174	867	35.4	35.4	23.9	23.9
Women's, girls', and infants' slacks and shorts	4,078	4,030	3,234	80.2	1,430	1,146	35.5	35.5	26.6	26.6
Women's, girls', and infants' suits, coats, jackets, and skirts	2,818	2,781	2,016	72.5	989	719	35.6	35.2	23.6	23.3
Women's, girls', and infants' blouses	1,034	1,025	663	64.7	357	231	34.8	34.8	20.1	20.1
Men's and boys' trousers, slacks, and outer shorts	639	600	435	72.5	212	154	35.3	35.1	23.3	23.2
Other	3,226	3,120	2,236	71.7	1,069	769	34.3	33.2	22.5	21.9
Schedule 4 (Chemical products), total	-	-	-	-	-	-	-	-	-	-
Schedule 5 (Ceramic products), total	344	52	6	11.1	9	1	18.0	11.8	1.8	1.2
Schedule 6 (Metal products), total	100,328	94,181	64,595	68.6	8,788	6,114	9.3	6.0	6.3	4.1
Earth-moving and mining machinery	188	11	7	69.3	1	1	8.0	5.0	5.4	3.4
Office machines and parts, other than typewriters and cash registers	13,291	13,079	11,401	87.2	1,112	969	8.5	5.5	7.3	4.8
Television receivers	12,955	12,904	9,311	72.2	1,032	745	8.0	5.0	5.6	3.6

See footnotes at end of table.

Table 16.--Mexico: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 6 (Metal products)--Con.										
Television apparatus and parts, other than cameras, receivers, and picture tubes	12,471	11,937	8,351	70.0	955	668	8.0	5.0	5.5	3.4
Radio apparatus and parts	88	81	20	25.2	8	2	10.0	6.0	2.3	1.4
Phonographs and parts	10	7	5	70.1	1	6/	9.0	5.5	6.2	3.8
Semiconductors and parts	23,843	23,596	18,625	78.9	2,360	1,863	10.0	6.0	7.7	4.7
Electronic memories	5,764	5,743	3.996	69.6	517	360	9.0	5.5	6.1	3.8
Other	31,719	26,823	12,879	48.0	2,803	1,507	10.4	7.4	5.0	3.6
Schedule 7 (Miscellaneous products), total	42,829	32,943	17,954	54.5	6,843	3,722	20.8	14.5	10.3	7.4
Gloves	378	374	315	84.1	56	47	15.0	15.0	12.3	12.3
Luggage	714	709	598	84.3	157	132	22.2	20.0	17.9	16.3
Scientific instruments	5,592	5,574	1,244	22.3	602	128	10.8	9.4	2.1	1.7
Recording media	3,127	2,593	2,160	83.3	246	205	9.5	6.0	7.8	4.9
Toys, dolls, and models	17,598	17,267	8,810	51.0	4,788	2,444	27.7	17.8	12.5	8.3
Other	15,420	6,426	4,826	75.1	994	766	15.5	12.6	11.6	9.5

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.
2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.
3/ Total duty saved as a result of the duty-allowance on entries under item 807.00
4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.
5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.
6/ Less than $500.

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

Note.--Components may not add to totals due to rounding; ratios were computed from unrounded data.

Table 17.--Hong Kong: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Per-cent	1,000 dollars	1,000 dollars	Per-cent	Per-cent	Per-cent	Per-cent
Grand total (All products)	277,348	90,652	50,686	55.9	9,858	5,254	10.9	7.1	5.5	3.5
Schedule 1 (Agricultural products), total	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total	526	3	1	44.6	6/	6/	11.1	10.6	4.2	3.8
Schedule 3 (Textile products), total	20,672	325	100	30.7	119	35	36.7	34.3	8.6	8.2
Body-supporting garments	825	55	30	53.8	18	10	32.0	31.7	15.0	14.9
Women's, girls', and infants' dresses	4,618	131	35	26.3	54	13	41.0	40.9	7.8	7.7
Women's, girls', and infants' suits, coats, jackets, and skirts	7,354	13	5	39.9	5	2	35.7	32.5	12.2	11.0
Women's, girls', and infants' blouses	4,503	24	8	32.3	7	2	28.0	25.8	7.2	6.7
Other	3,372	102	23	22.2	36	8	35.8	29.5	6.4	5.5
Schedule 4 (Chemical products), total	11	11	4	36.8	1	6/	6.5	4.0	2.3	1.4
Schedule 5 (Ceramic products), total	2	2	6/	5.0	6/	6/	12.0	7.5	0.5	0.4
Schedule 6 (Metal products), total	142,083	85,107	49,399	58.0	8,407	4,953	9.9	6.4	5.6	3.5
Office machines and parts, other than typewriters and cash registers	10,092	10,068	7,515	74.6	856	639	8.5	5.5	6.2	4.0
Television receivers	1,988	1,854	122	6.6	148	10	8.0	5.0	0.5	0.3
Television apparatus and parts, other than cameras, receivers, and picture tubes	8,775	7,954	4,663	58.6	636	373	8.0	5.0	4.5	2.9
Radio apparatus and parts	51,502	7,106	977	13.8	1,105	403	15.6	12.3	5.2	3.4
Semiconductors and parts	31,987	31,957	19,712	61.7	3,196	1,971	10.0	6.0	5.9	3.6
Electronic memories	20,232	19,717	14,708	74.6	1,775	1,324	9.0	5.5	6.6	4.0
Other	17,507	6,451	1,702	26.4	691	234	10.7	8.0	2.8	2.1

See footnotes at end of table

Table 17.--Hong Kong: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 7 (Miscellaneous products), total	114,054	5,204	1,183	22.7	1,330	265	25.5	16.3	4.2	2.9
Gloves	476	3	1	47.9	1	6/	25.0	25.0	10.6	10.6
Scientific instruments	33	28	10	34.3	3	1	11.0	10.0	3.5	3.2
Photographic equipment	1,049	2	6/	8.8	6/	6/	16.0	10.0	1.2	.8
Toys, dolls, and models	44,387	3,767	672	17.8	1,055	188	28.0	17.5	4.1	2.7
Jewelry	13,258	46	14	30.5	12	4	25.3	16.4	6.7	4.6
Other	54,851	1,358	486	35.8	259	72	19.1	13.2	6.8	4.7

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.

2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.

3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.

4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.

5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.

6/ Less than $500.

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

Note.--Components may not add to totals due to rounding; ratios were computed from unrounded data.

Table 18.--Taiwan: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00								
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/		Increase in the total duty-paid value 5/ based on the--	
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)----------------	92,143	68,098	23,622	34.7	6,738	2,548	9.9	6.7	3.5	2.3
Schedule 1 (Agricultural products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total--------------	65	45	12	25.7	2	1	5.5	3.5	1.4	0.9
Schedule 3 (Textile products), total---------------	460	115	38	32.9	41	13	35.7	33.2	9.2	9.1
Body-supporting garments------------	112	32	20	63.0	10	6	32.0	31.7	18.0	17.9
Women's, girls', and infants' dresses----	77	36	9	23.5	15	4	42.5	42.5	7.5	7.5
Other-----------------	271	46	9	19.4	15	3	32.9	26.9	5.2	4.4
Schedule 4 (Chemical products), total---------------	-	-	-	-	-	-	-	-	-	-
Schedule 5 (Ceramic products), total------	6/	6/	6/	3.6	6/	6/	17.5	11.0	.7	.5
Schedule 6 (Metal products), total---------------	88,518	66,952	23,096	34.5	6,405	2,387	9.6	6.4	3.4	2.2
Office machines and parts, other than typewriters and cash registers------	2,333	2,307	1,681	72.8	196	143	8.5	5.5	6.1	3.9
Television receivers--	25,430	24,798	6,292	25.4	1,984	503	8.0	5.0	1.9	1.2
Television apparatus and parts, other than cameras, receivers, and picture tubes----------	10,520	10,240	3,881	37.9	819	310	8.0	5.0	2.9	1.8
Radio apparatus and parts----------------	23,496	7,010	1,552	22.1	1,075	455	15.3	11.8	6.0	3.7
Phonographs and parts-	191	142	20	14.1	13	2	9.0	5.5	1.2	0.7
Semiconductors and parts---------------	9,263	9,081	4,889	53.8	908	489	10.0	6.0	5.1	3.1
Electronic memories---	6,364	5,980	2,987	49.9	538	269	9.0	5.5	4.3	2.7
Other-----------------	10,921	7,394	1,794	25.9	872	216	11.8	9.7	2.9	2.4

See footnotes at end of table.

Table 18.--Taiwan: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 7 (Miscellaneous products), total	3,099	985	477	48.4	289	147	29.4	21.6	13.0	10.9
Gloves	435	435	364	83.7	132	111	30.5	26.6	24.2	21.3
Toys, dolls, and models	2,586	491	74	15.0	138	21	28.0	17.5	3.4	2.3
Other	78	59	39	66.1	19	15	32.2	18.6	22.0	11.9

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.
2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.
3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.
4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.
5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.
6/ Less than $500.

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

Note.--Components may not add to totals due to rounding; ratios were computed from unrounded data.

Table 19.--South Korea: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the--: 1969 AVE	Increase in the total duty-paid value 5/ based on the--: 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	25,183	20,132	13,768	68.4	2,038	1,376	10.1	6.3	6.7	4.1
Schedule 1 (Agricultural products), total	-	-	-	-	-	-	-	-	-	-
Schedule 2 (Lumber and paper products), total	-	-	-	-	-	-	-	-	-	-
Schedule 3 (Textile products), total	107	102	21	20.6	43	7	42.5	42.5	8.8	8.8
Schedule 4 (Chemical products), total	-	-	-	-	-	-	-	-	-	-
Schedule 5 (Ceramic products), total	-	-	-	-	-	-	-	-	-	-
Schedule 6 (Metal products), total	25,077	20,030	13,747	68.6	1,995	1,369	10.0	6.1	6.6	4.1
Office machines and parts, other than typewriters and cash registers	350	381	350	91.9	32	30	8.5	5.5	7.8	5.0
Radio apparatus and parts	4,724	450	99	21.9	85	44	18.9	14.2	9.2	5.5
Phonographs and parts	3	3	2	68.1	6/	6/	9.0	5.5	6.0	3.7
Semiconductors and parts	15,765	14,989	9,830	65.6	1,499	983	10.0	6.0	6.3	3.9
Electronic memories	4,004	3,995	3,334	83.5	360	300	9.0	5.5	7.4	4.5
Other	230	212	132	62.3	19	12	9.0	5.7	5.6	3.5
Schedule 7 (Miscellaneous products), total	-	-	-	-	-	-	-	-	-	-

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.

2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.

3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.

4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.

5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade. It also represents the approximate ratio (percent) of the duty saved to the total value. Costs incidental to importing, such as freight, insurance, brokerage fees, etc., are not included.

6/ Less than $500.

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

Note.--Components may not add to totals due to rounding; ratios were computed from unrounded data.

Table 20.--Caribbean: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups

Product group	Total imports for consumption 1/	Imports under item 807.00: Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty: Total 2/	Amount of duty: Duty saved 3/	Rate of duty (AVE) 4/: 1969	Rate of duty (AVE) 4/: 1972	Increase in the total duty-paid value 5/ based on the-- 1969 AVE	Increase in the total duty-paid value 5/ based on the-- 1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Grand total (All products)	22,683	18,989	12,087	63.7	4,115	2,684	21.7	19.5	13.1	12.0
Schedule 1 (Agricultural products), total	87	5	2	25.6	1	6/	11.0	7.0	10.0	1.7
Schedule 2 (Lumber and paper products), total	107	83	51	61.9	4	3	4.7	2.3	3.0	1.6
Schedule 3 (Textile products), total	12,605	10,263	6,747	65.7	3,073	2,031	29.9	29.1	18.0	17.5
Body-supporting garments	3,611	3,572	2,203	61.7	1,088	677	30.5	29.8	17.0	16.7
Women's, girls', and infants' dresses	1,324	1,273	871	68.5	413	282	32.4	31.3	20.1	19.4
Women's, girls', and infants' slacks and shorts	197	197	157	79.4	69	56	35.2	32.5	26.3	24.4
Women's, girls', and infants' suits, coats, jackets, and skirts	68	66	53	80.9	23	18	35.5	35.5	27.0	27.0
Women's, girls', and infants' blouses	1,941	1,935	1,277	66.0	650	431	33.6	33.0	20.0	19.7
Men's and boys' trousers, slacks, and outer shorts	1,359	1,287	907	70.4	239	168	18.6	16.6	12.4	11.1
Other	4,105	1,933	1,279	66.2	591	399	30.6	30.3	18.8	18.5
Schedule 4 (Chemical products), total	-	-	-	-	-	-	-	-	-	-
Schedule 5 (Ceramic products), total	-	-	-	-	-	-	-	-	-	-
Schedule 6 (Metal products), total	5,894	5,085	3,113	61.2	509	313	10.0	6.8	5.9	4.1
Office machines and parts, other than typewriters and cash registers	140	142	127	89.8	12	11	8.5	5.5	7.6	4.9
Television apparatus and parts, other than cameras, receivers, and picture tubes	211	207	165	79.7	17	13	8.0	5.0	6.3	3.9
Radio apparatus and parts	337	337	264	78.3	34	26	10.0	6.0	7.7	4.6

See footnotes at end of table.

Table 20.--Caribbean: Imports under item 807.00, total imports for consumption of similar products, 1/ total duty, and duty saved, 1969, and the percentage increase in total duty-paid value without the benefit of item 807.00, based on 1969 trade and 1969 and 1972 rates of duty, by product groups--Continued

Product group	Total imports for consumption 1/	Imports under item 807.00							Increase in the total duty-paid value 5/ based on the--	
		Total value	Duty-free value	Ratio of duty-free value to total value	Amount of duty		Rate of duty (AVE) 4/			
					Total 2/	Duty saved 3/	1969	1972	1969 AVE	1972 AVE
	1,000 dollars	1,000 dollars	1,000 dollars	Percent	1,000 dollars	1,000 dollars	Percent	Percent	Percent	Percent
Schedule 6 (Metal products)--Con.										
Semiconductors and parts	1,621	914	244	26.7	91	24	10.0	6.0	2.5	1.5
Electronic memories	1,993	1,937	1,227	63.3	174	110	9.0	5.5	5.5	3.4
Other	1,592	1,548	1,086	70.2	181	129	11.7	9.3	8.2	6.4
Schedule 7 (Miscellaneous products), total	3,991	3,553	2,174	61.2	528	337	14.8	10.3	9.0	6.4
Gloves	94	94	63	67.2	30	20	31.7	24.9	19.2	15.3
Recording media	40	40	15	38.3	4	1	9.5	6.0	3.4	2.2
Baseballs and softballs	2,554	2,230	1,306	58.6	268	157	12.0	7.5	6.7	4.3
Toys, dolls, and models	85	85	48	55.9	24	13	28.0	17.5	13.9	9.1
Jewelry	618	573	447	78.0	136	111	23.8	19.0	18.5	14.5
Other	600	531	295	55.6	66	35	12.4	9.4	6.9	4.6

1/ Includes only those imports under TSUSA items under which 807.00 entries occurred.
2/ Total duty payable in the absence of item 807.00; i.e., the sum of the duty saved plus the duty actually paid.
3/ Total duty saved as a result of the duty-allowance on entries under item 807.00.
4/ Average ad valorem equivalent of the duties (total duty divided by total value) weighted by the value of the products imported under item 807.00 in 1969. In most instances, it also represents the percentage increase in the cost of the U.S. component in the absence of item 807.00.
5/ Percentage increase in the total duty-paid value in the absence of item 807.00 based on 1969 trade.

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

Note.--Components may not add to totals due to rounding; ratios were computed from unrounded data.

Table 21.--Tariff item 806.30: U.S. imports from industrially developed and less developed countries, 1966-69

(In millions of dollars)

Category and country	1966			1967			1968			1969		
	Dutiable value	Duty-free value	Total value	Dutiable value	Duty-free value	Total value	Dutiable value	Duty-free value	Total value	Dutiable value	Duty-free value	Total value
Grand total	29.0	34.2	63.2	52.2	51.3	103.5	63.0	80.7	143.6	89.4	103.2	192.6
Developed countries, total	28.9	34.1	63.0	51.8	50.8	102.7	60.0	77.7	137.8	71.6	94.1	165.9
Canada	22.0	20.9	42.9	33.5	24.5	58.0	40.3	43.0	83.3	45.1	51.8	96.9
Belgium and Luxembourg	.9	1.4	2.3	4.5	8.3	12.8	8.2	16.7	24.9	6.3	15.8	22.1
Italy	1.1	.7	1.8	6.5	3.1	9.6	5.0	3.1	8.1	7.4	5.7	13.1
West Germany	3.0	4.4	7.4	3.3	5.2	8.5	2.7	4.4	7.1	4.6	6.0	10.6
France	.7	4.8	5.5	1.4	6.0	7.4	1.5	7.2	8.7	2.6	7.5	10.2
United Kingdom	.2	.2	.4	.3	.7	1.1	.5	1.2	1.7	2.6	3.2	5.8
Japan	.2	.8	1.0	1.5	2.0	3.5	.8	.9	1.7	2.1	2.9	5.0
Switzerland	.7	.8	1.5	.7	.8	1.5	.9	1.1	2.0	.9	1.1	2.1
Other	.1	.1	.2	.1	.2	.3	.1	.2	.3	1/	.1	.1
Less developed countries, total	.1	.1	.2	.4	.5	.8	2.9	2.9	5.8	17.7	9.1	26.7
Netherlands Antilles	-	-	-	-	-	-	.6	.3	.8	8.5	2.3	10.8
Singapore	-	-	-	-	-	-	-	-	-	3.6	1.2	4.8
Mexico	1/	1/	.1	.1	.1	.2	.4	.8	1.2	2.7	2.1	4.8
Republic of Korea	-	-	-	-	-	-	.8	1.1	1.9	1.6	2.1	3.7
Hong Kong	-	-	-	1/	1/	1/	1/	1/	1/	.1	.6	.7
Taiwan	-	-	-	-	-	-	.1	1/	.2	.4	.2	.6
Israel	1/	1/	1/	.1	.1	.2	.8	.5	1.3	.3	.2	.5
Other	1/	1/	.1	.2	.3	.4	.2	.2	.4	.5	.4	.8
Communist countries, total	-	-	-	1/	1/	1/	1/	1/	1/	-	-	-

1/ Less than $50,000.

Source: Compiled from data supplied by the U.S. Department of Commerce adjusted to include data obtained from responses to U.S. Tariff Commission questionnaires.

Note.--Because of rounding, the figures may not add to the totals shown.

Table 22.--Tariff item 806.30: Estimated imports, by commodity group, 1969

Commodity group	Dutiable value	Duty-free value	Total value	Duty paid	Calculated duty savings	Total	Ratio of-- Duty-free value to total value	Ratio of-- Duty savings to total value
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent	Percent
Aluminum foil	3,548	6,459	10,007	702	1,280	1,982	65	12.8
Aluminum mill products other than foil	7,381	23,005	30,386	561	1,675	2,236	76	5.5
Copper mill products	3,574	15,170	18,744	221	1,026	1,247	81	5.5
Iron or steel mill products	2,909	2,199	5,108	244	205	449	43	4.0
Nickel mill products; Refractory metal powders and compounds	1/ 816	2,234	3,050	134	357	491	73	11.7
Titanium, wrought; Wire cloth	1/ 1,084	4,007	5,091	228	749	977	79	14.7
Parts of:								
Aircraft	41,178	26,614	67,792	2,882	1,863	4,745	39	2.7
Automobile wheels; Railway rolling stock	1/ 1,207	2,739	3,946	154	347	501	69	8.8
Internal combustion engines	2,644	2,686	5,330	209	206	415	50	3.9
Steam boilers and auxiliary equipment; Steam turbines	1/ 6,054	7,855	13,909	720	922	1,642	56	6.6
Semiconductors	14,336	5,993	20,329	1,434	599	2,033	29	2.9
All other	4,681	4,260	8,941	510	465	975	48	5.2
Total	89,412	103,221	192,633	7,999	9,694	17,693	54	5.0

1/ Data for these commodity groups are combined in order not to disclose the operations of individual firms.

Source: Compiled from data supplied by the U.S. Department of Commerce and from responses to U.S. Tariff Commission questionnaires.

Table 23.--Tariff item 806.30: Percentage distribution of U.S. imports from industrially developed and less developed countries, 1969

Category and country	Dutiable value	Duty-free value	Total value
Grand total	100.0	100.0	100.0
Developed countries, total	80.1	91.2	86.1
Canada	50.4	50.2	50.3
Belgium and Luxembourg	7.0	15.3	11.5
Italy	8.3	5.5	6.8
West Germany	5.1	5.8	5.5
France	2.9	7.3	5.3
United Kingdom	2.9	3.1	3.0
Japan	2.3	2.8	2.6
Switzerland	1.0	1.1	1.1
Other	1/	.1	.1
Less developed countries, total	19.8	8.8	13.9
Netherlands Antilles	9.5	2.2	5.6
Singapore	4.0	1.2	2.5
Mexico	3.0	2.0	2.5
Republic of Korea	1.8	2.0	1.9
Hong Kong	.1	.6	.4
Taiwan	.4	.2	.3
Israel	.3	.2	.3
Other	.6	.4	.4
Communist countries, total	-	-	-

1/ Less than 0.05 percent.

Source: Compiled from data supplied by the U.S. Department of Commerce adjusted to include data obtained from responses to U.S. Tariff Commission questionnaires.

Note.--Because of rounding, the figures may not add to the totals shown.

Table 24.--Average hourly earnings (including supplementary compensation) in foreign establishments for workers processing or assembling U.S. materials, and estimated earnings (including supplementary compensation) for comparable job classifications in the United States, by product group, 1969

Product group and foreign country	Average hourly earnings: Foreign	Average hourly earnings: United States	Ratio of U.S. hourly earnings to foreign hourly earnings
	Dollars per hour	Dollars per hour	
Consumer electronic products:			
Canada	3.50	3.85	1.1
Mexico	.53	2.31	4.4
Japan	.58	1.60	2.8
Hong Kong	.27	3.13	11.8
Taiwan	.14	2.56	18.2
Office machines and parts (including electronic memories):			
Mexico	.48	2.97	6.2
Brazil	.38	2.75	[illegible].2
Taiwan	.38	3.67	9.8
Korea	.28	2.78	10.1
Hong Kong	.30	2.92	9.7
Singapore	.29	3.36	11.6
United Kingdom	2.11	4.77	2.3
West Germany	2.23	4.77	2.1
Semiconductors:			
Canada	2.11	3.33	1.6
Mexico	.61	2.56	4.2
Jamaica	.30	2.23	7.4
Netherlands Antilles	.72	3.33	4.6
Japan	1.30	2.96	2.3
Hong Kong	.28	2.84	10.3
Singapore	.29	3.22	11.1
Korea	.33	3.32	10.2
Ireland	.70	2.97	4.2
Wearing apparel:			
Mexico	.53	2.29	4.3
British Honduras	.28	2.11	7.5
Costa Rica	.34	2.28	6.7
Honduras	.45	2.27	5.0
Jamaica	.35	2.26	5.0
Trinidad	.40	2.49	6.3
Toys, dolls, and models:			
Mexico	.65	2.59	4.0
Japan	.61	2.59	4.2
Taiwan	.12	2.59	21.6
Hong Kong	.16	2.59	16.2
Scientific instruments:			
Canada	3.40	4.22	[illegible].2
Mexico	.85	3.01	[illegible].6
Japan	1.17	3.84	3.3
Italy	1.25	2.96	2.4
Other:			
Canada	3.00	4.55	1.5
	3.18	4.27	1.3
Mexico	.50	1.65	3.3
	.66	3.66	5.5
	.80	2.25	2.8
	.66	3.00	4.6
Caribbean countries	.16	1.93	12.1
	.14	1.93	[illegible].8
	.39	2.10	5.4
Japan	1.04	2.39	2.3
Other Far East countries	.14	2.56	18.2
	.29	3.66	12.8
	.46	3.00	6.5
Europe	1.50	3.17	2.1
	1.30	6.00	4.6

Source: Compiled from data submitted by U.S. firms to the U.S. Tariff Commission.

Table 25.--U.S. International Transactions, 1966-69

(Millions of dollars)

	1966	1967	1968	1969
Exports of goods and services	43,360	46,203	50,622	55,514
Merchandise	29,389	30,681	33,588	36,473
Military sales	829	1,240	1,395	1,515
Income on investments:				
Private	5,659	6,234	6,922	7,906
Government	593	638	765	932
Other services	6,891	7,409	7,952	8,687
Imports of goods and services	-38,060	-40,990	-48,129	-53,564
Merchandise	-25,463	-26,821	-32,964	-35,835
Military expenditures	-3,764	-4,378	-4,535	-4,850
Other services	-8,833	-9,791	-10,630	-12,880
Balance on goods and services	5,300	5,213	2,493	1,949
Private remittances and pensions	-898	-1,167	-1,121	-1,190
U.S. Government grants and capital	-3,444	-4,233	-3,976	-3,826
U.S. private capital:				
Direct investments, net	-3,661	-3,137	-3,209	-3,070
Other long-term	-256	-1,292	-1,116	-1,588
Short-term	-415	-1,209	-1,087	-716
Foreign capital, net	2,531	3,360	8,701	4,146
Errors and unrecorded transactions	-514	-1,088	-514	-2,924
Balance:				
Liquidity basis	-1,357	-3,544	171	-7,221
Official reserve transactions basis	266	-3,418	1,641	2,708
Changes in selected liabilities (decrease [-]):				
To foreign official holders:				
Liquid	-1,595	2,020	-3,101	-525
Non-liquid	761	1,346	2,340	-996
To other foreign holders	2,384	1,472	3,810	8,933
Changes in gold, convertible currencies, and IMF gold tranche position (increase [-])	568	52	-800	-1,187

Source: Balance of Payments Division, Office of Business Economics, U.S. Department of Commerce, and Survey of Current Business, June 1970.

Note.--Detail may not add to totals due to rounding.