

**The original documents are located in Box 64, folder “10/15/76 HR2177 Duty Exemption for Certain Aircraft Components” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library**

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**APPROVED**  
**OCT 15 1976**

8/10/5/76

THE WHITE HOUSE

ACTION

WASHINGTON

Last Day: October 18

October 13, 1976

*Posted*  
*10/15/76*

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON

*[Handwritten signature]*

SUBJECT:

H.R. 2177 - Duty Exemption for Certain Aircraft Components

*archived*  
*10/15/76*

Attached for your consideration is H.R. 2177, sponsored by Representative Conable.

The enrolled bill exempts from duty certain aircraft components and materials installed in aircraft previously exported from the United States and reimported before 1970.

A detailed explanation of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Kilberg) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 2177 at Tab B.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OCT 11 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 2177 - Duty exemption for  
certain aircraft components  
Sponsor - Rep. Conable (R) New York

Last Day for Action

October 18, 1976 - Monday

Purpose

Exempts from duty certain aircraft components and materials installed in an aircraft previously exported from the United States and reimported before 1970.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	No objection
Department of Commerce	No objection
Office of the Special Representative for Trade Negotiations	No objection (Informally)
Department of State	No objection
Department of Labor	No objection (Informally)
Department of Justice	Defers to Treasury

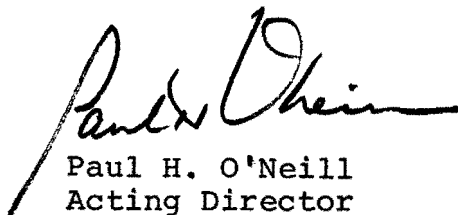
Discussion

This enrolled bill would exempt from the duties assessed on aircraft reimported into the United States the value of any components or materials of United States origin which were installed in the aircraft when it was previously in the United States. This exemption would apply only if the aircraft's value had not been enhanced while it was abroad, if it had been reimported before 1970, and if the customs documents on the reimported aircraft have not been finally reviewed and closed at the time the Act would become effective. Finally,

in order to be eligible for the duty exemption which H.R. 2177 would provide, a request would have to be filed with the customs officer concerned within 30 days of enactment.

Because of the conditions and restrictions incorporated into H.R. 2177, it has the effect of private relief legislation. It apparently applies to a unique case of a certain British-made aircraft which was ferried into the United States with temporary controls and instrumentation. These temporary controls were replaced by an American-made avionics system and the aircraft was sold to a foreign corporation and exported. Subsequently the aircraft was purchased by an American firm and reimported in 1969. The effect of the bill would be to relieve this American firm, Page Airways, Inc., of liability for the duty assessed on these American made controls--an amount of \$27,943.52.

The Executive Branch expressed no objection to the legislation in reporting to Congress, on the grounds that it appears equitable to exempt products of the United States from duty when such products are fabricated components of an article previously exported and then reentered, and when the components of United States origin would not have been advanced in value or improved in condition while abroad. Moreover, exemption from duty in this case would be consistent with the duty-free treatment now provided for products of the United States when returned after having been exported and without having been advanced in value. Finally, the concerned agencies take the same position in their attached enrolled bill letters.



Paul H. O'Neill  
Acting Director

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 18

Date: October 11

Time: 1000pm

FOR ACTION: Bill Seidman *9/10*  
Paul Leach *al*  
Max Friedersdorf *fh*  
Bobbie Kilberg *en*

cc (for information): Jack Marsh  
Ed Schmults  
Steve McConahey *dfcc*

FROM THE STAFF SECRETARY

DUE: Date: October 12

Time: 1100am

SUBJECT:

H.R.2177-Duty exemption for certain aircraft components

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.  
For the President

Date: October 11

Time: 1000pm

FOR ACTION: Bill Seidman  
Paul Leach  
Max Friedersdorf  
Bobbie Kilberg

cc (for information): Jack Marsh  
Ed Schmults  
Steve McConahey

FROM THE STAFF SECRETARY

DUE: Date: October 13

Time: 1100am

SUBJECT:

H.R.2177-Duty exemption for certain aircraft components

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

Please return to judy johnston, ground floor west wing

*no objection  
JWB*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

Date: October 11

Time: 1000pm

~~FOR~~ ACTION: Bill Seidman  
Paul Leach  
Max Friedersdorf  
Bobbie Kilberg

cc (for information): Jack Marsh  
Ed Schmults  
Steve McConahey

FROM THE STAFF SECRETARY

DUE: Date: October 13

Time: 1100am

SUBJECT:

H.R.2177-Duty exemption for certain aircraft components

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

please return to judy johnston, ground floor west wing

OK PC 1  
10/12/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

D October 11

Time: 1000pm

FOR ACTION: Bill Seidman  
Paul Leach  
Max Friedersdorf  
Bobbie Kilberg

cc (for information): Jack Marsh  
Ed Schmults  
Steve McConahey

FROM THE STAFF SECRETARY

DUE: Date: October 13

Time: 1100am

SUBJECT:

H.R.2177-Duty exemption for certain aircraft components

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

please return to judy johnston, ground floor west wing

*Recommend Approval.*  
*[Signature]*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President



Date October 11

Time: 1000pm

FOR INFORMATION: Bill Seidman  
Paul Leach  
Max Friedersdorf  
Bobbie Kilbergcc (for information): Jack Marsh  
Ed Schmults  
Steve McConahey

FROM THE STAFF SECRETARY

DUE: Date: October 13

Time: 1100am

SUBJECT:

H.R.2177-Duty exemption for certain aircraft components

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

please return to judy johnston, ground floor west wing

*agreed Kelly 10/12/76*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

OCT 7 1976

Director, Office of Management and Budget  
Executive Office of the President  
Washington, D. C. 20503

Attention: Assistant Director for Legislative  
Reference

Sir:

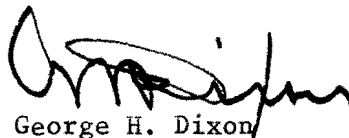
Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 2177, "To exempt from duty certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad."

The enrolled enactment exempts from the operation of the Tariff Schedules of the United States certain components of a British-made aircraft imported into the United States on January 20, 1969. It would specifically exempt from duty the value of American-made instrumentation and interior furnishings installed into the aircraft in the United States prior to its exportation to Canada. The enrolled enactment is specifically limited to aircraft entered for consumption before 1970 pursuant to an entry which is unliquidated as of the date of enactment.

The enrolled enactment is identical to H.R. 5026, a bill which was introduced in the 93d Congress. In our report to the House Committee on Ways and Means on H.R. 5026, we opposed passage of the bill since it would benefit only a single importer. Consequently, it would grant that importer more favorable treatment than that accorded other importers.

However, since both Houses of Congress have determined that the fact situation presented provides a basis for legislative relief, the Department would have no objection to a recommendation that the enrolled enactment be approved by the President.

Sincerely yours,



George H. Dixon



**GENERAL COUNSEL OF THE  
UNITED STATES DEPARTMENT OF COMMERCE**  
Washington, D.C. 20230

OCT 7 1976

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H.R. 2177, an enrolled enactment

"To exempt from duty certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad."


H.R. 2177 would provide duty exemption for components and materials of U.S. origin installed in aircraft in the United States when such aircraft are exported from the United States and reimported without having been advanced in value or improved in condition while abroad. H.R. 2177 would apply only if the aircraft were entered for consumption before 1970 pursuant to an entry which is unliquidated as of the date of enactment of this legislation.

H.R. 2177 applies to a unique case in which a used aircraft with U.S. components was purchased abroad and imported into the United States. H.R. 2177 would exempt from duty the U.S. components which had been installed in the plane following a previous importation.

The Department of Commerce would have no objection to approval by the President of H.R. 2177.

Enactment of this legislation would not involve any expenditure of funds by this Department.

Sincerely,

  
General Counsel





DEPARTMENT OF STATE

Washington, D.C. 20520

OCT 8 1976

Dear Mr. Lynn:

The Secretary has asked me to reply to your communication (Office of Management and Budget Memorandum, dated October 5, signed by Mr. Frey) requesting our views on H.R. 2177, an enrolled bill dealing with the dutiable status of United States components and materials in certain aircraft of foreign manufacture.

The Department of State has no objection to the enactment of the proposed legislation from the standpoint of the foreign relations of the United States. We note that certain previously exported aircraft of foreign manufacture (containing domestically produced components and materials incorporated in the aircraft in the United States prior to exportation) when returned to the United States are subject to duty at full value. Full value includes the value of United States components and materials. The proposed legislation provides that the aircraft covered by the bill would be subject to duty only on the basis of the full value of the plane less the cost of United States components and materials at the time of installation in the United States, including the cost of installation.

Sincerely yours,

A handwritten signature in black ink that reads "Kempton B. Jenkins".

Kempton B. Jenkins  
Acting Assistant Secretary  
for Congressional Relations

**Department of Justice**  
**Washington, D.C. 20530**

October 8, 1976

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill H.R. 2177, "To exempt from duty certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad."

H.R. 2177 provides that certain aircraft previously exported and composed at the time of such exportation, in part, of components and materials which are products of the United States, and which were installed while the aircraft was within the United States, will be dutiable at the regular rate of duty appropriate to such aircraft provided for in item 694.40 of the Tariff Schedule and assessed on the full value of such aircraft less the cost of United States components and materials at the time of installation including the case of such installation.

The provisions of H.R. 2177 will only apply this tariff treatment to such aircraft previously exported and returned to the United States without having been advanced in value or improved in condition while abroad and which was entered for consumption before 1970 pursuant to an entry which is unliquidated as of the date of enactment of H.R. 2177.

The Department of Justice defers to the Department of the Treasury as to whether this bill should receive Executive approval.

Sincerely,  


MICHAEL M. UHLMANN  
Assistant Attorney General

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

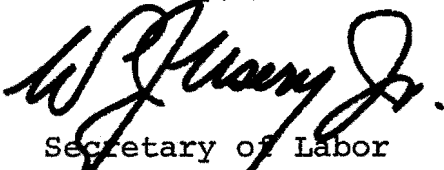
OCT 8 1970

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Executive Office of the President  
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for the views of the Department of Labor on the enrolled enactment of H.R. 2177, "To exempt from duty certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad." The Department of Labor would have no objection to the President's approval of this measure.

Sincerely,



Secretary of Labor

# Calendar No. 1279

94TH CONGRESS }  
2d Session }

SENATE }

REPORT  
No. 94-1349

## AIRCRAFT COMPONENTS

SEPTEMBER 29, 1976.—Ordered to be printed

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

### REPORT

[To accompany H.R. 2177]

The Committee on Finance, to which was referred the bill (H.R. 2177) to exempt from duty certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad, having considered the same, reports favorably thereon with an amendment, and an amendment to the title and recommends that the bill as amended do pass.

### DESCRIPTION OF PROVISIONS

Section 1 of H.R. 2177 would provide that certain aircraft previously exported and composed at the time of such exportation in part of components and materials which are products of the United States and which were installed while the aircraft was within the United States, will be dutiable at the regular rate of duty appropriate to such aircraft provided for in item 694.40 of the Tariff Schedules and assessed on the full value of such aircraft less the cost of U.S. components and materials at the time of installation including the cost of such installation.

The provisions of H.R. 2177 would apply the tariff treatment to such aircraft previously exported and returned to the United States without having been advanced in value or improved in condition while abroad and which was entered for consumption before 1970 pursuant to an entry which is unliquidated as of the date of enactment of H.R. 2177.

As reported, the provisions of H.R. 2177 would require that an appropriate request for liquidation of any entry under the bill must be filed on or before the 30th day after date of enactment.

Section 2 of H.R. 2177, as amended, contains a second Committee amendment relating to the present system of classification under the Tariff Schedules of the United States (TSUS) of certain imports of fabrics and apparel composed of blends of cotton and man-made fiber. Under present law, imports of fabrics and apparel composed of blends of cotton and man-made fibers are classified according to the chief value of their components. The Committee amendment would amend the General Headnote of the TSUS to provide that such imports would be classified according to the chief weight of their components.

Section 3 of H.R. 2177, as reported, contains a Committee amendment relating to the categories of countries currently excluded from treatment as beneficiary developing countries under the Generalized System of Preferences under the Trade Act of 1974 (Public Law 93-618). The Committee amendment would provide that countries which are members of the Organization of Petroleum Exporting Countries (or any other producing-country arrangement) and which did not participate in the oil embargo or withhold supplies of vital commodity resources from international trade may be designated beneficiary developing countries eligible for preferential tariff treatment. The amendment would also provide that any country which, in the future, participates in an embargo would be automatically removed from eligibility for preferential treatment in the U.S. market.

#### GENERAL STATEMENT

*Section 1.*—Headnote 1 of part 1 (articles exported and returned of schedule 8 of the Tariff Schedules of the United States provides that “in the absence of a specific provision to the contrary, the tariff status of an article is not affected by the fact it was previously imported into the customs territory of the United States and cleared through customs whether or not a duty was paid upon such previous importation”. Subpart A of part 1 of schedule 8 subsequently sets forth a number of specific provisions (item numbers 800.00 through 802.40) under which articles previously exported may be imported free of duty if not advanced in value or improved in condition while abroad. For example, item 800.00 provides that “products of the United States when returned after having been exported, without having been advanced in value or improved in condition by a process of manufacture or other means while abroad” may enter free of duty.

H.R. 2177 as reported would provide for an exemption from duty for certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad.

Although of possible broader implications as originally introduced in the House, the bill involves the entry of a foreign aircraft which was imported into the United States and the appropriate duties were paid. This original duty paid entry of the aircraft involved ferrying it to the United States with temporary instrumentation and controls. These temporary controls were removed and replaced by avionics systems and other equipment and furnishings of American manufacture. The aircraft was then sold to a foreign corporation and exported. Sub-

sequently, the aircraft was purchased by an American firm and reimported.

It is claimed that such reimportation involving an article previously exported from the United States and not advanced in value abroad should have been permitted duty-free entry under item 800.00 of the tariff schedules. Such duty-free entry was denied by the Bureau of Customs. The Bureau also ruled that the instrumentation of American manufacture could not be separately identified and granted duty-free treatment under item 800.00.

Public hearings were held by the Committee on Finance on August 24, 1976, on tax and tariff bills. During these hearings, no objections to the aircraft components provisions of this bill from the Administration or any other source.

*Section 2.* Under the headnotes to Part 3 of Schedule 3 of the Tariff Schedules of the United States, the import duty on fabrics which are a blend of cotton and man-made fibers is determined on the basis of the component of the blend which is of chief value. Thus, with a blended fabric containing 50% cotton and 50% man-made fiber, the fabric or garment will be entered with a duty reflecting the component with a greater value. In such a blend, if the cotton is more valuable, the blended fabric or garment would be entered at the applicable rate of duty on cotton. In general, the duties on man-made fabrics and garments are roughly double the duties on similar cotton fabrics and garments.

Because the price of cotton has risen dramatically in the last year and the price of man-made fibers has remained relatively steady, the value of cotton by weight now exceeds the value of man made fibers by weight. As a result of the reversal in value ratios of cotton to man-made fibers, textile articles imported into the United States have are now dutiable at the lower rates applicable to cotton.

The amendment is intended to restore the duty treatment in effect prior to the price rise in cotton.

The Committee also believes that the chief value method of classifying blends has many difficulties. Sharp fluctuations in the prices of materials may have the effect unilateral changes in the rates of duty charged. Chief value depends, for example, on the place and time of purchase, as well as prices and grades of fibers. The amendment removes much of the classification difficulty by providing for a chief weight, rather than a chief value, tariff assessment.

Enactment of the amendment does not change the rates of tariff imposed by the Tariff Schedules of the United States, but reclassifies the products subject to those duties. The Committee notes that at the time when the current duty rates were established by the Congress, the value of polyester staple in foreign countries exceeded cotton's value many times over. Consequently, polyester/cotton textiles would have been chief value of polyester if only a fraction of the blend were polyester. The Committee believes this amendment will restore the rates of duty to levels which existed prior to the unanticipated price advance of cotton.

Enactment of the proposed legislation would change tariff classification at the present time for relatively few products since most imported polyester/cotton blends are a 65/35 percentage by weight ratio polyester/cotton and these products would continue to be subject to the rate of duty applicable to man-made fiber textiles. However,



it is anticipated that in the future as much as 30 percent of imported apparel will be polyester/cotton blends in chief value of cotton because of increasing cotton/prices and relatively stable polyester prices. If this amendment is not passed, the duties on polyester/cotton blended apparel would, in effect, be cut in half. As a consequence, a large portion of the U.S. apparel industry, already seriously affected by imports could be wiped out.

*Section 3.* Section 3 is a Committee amendment amending section 502(b) of the Trade Act of 1974. Title V of that Act authorizes the President to extend duty-free treatment to certain eligible products imported into the United States from beneficiary developing countries for a 10-year period. The essential features of the program are as follows:

- The President is authorized to extend duty free treatment to specified products imported from developing countries;
- The President designates beneficiary developing countries; 26 countries are expressly excluded;
- Eligible articles must be imported directly from the developing country; the value added in that country must be at least a minimum percentage (35%) of the value of the article, except in those cases where the country is a member of a free trade association in which case the local content from two or more associated countries must be 50%;
- Articles subject to import relief or national security relief actions are excluded;
- Articles imported from any one country are excluded if the imports of the article from that country exceed \$25 million or 50% of total U.S. imports of that article, with certain limited exceptions;
- The system will be reviewed in a report to Congress after five years and will expire after ten years.

Present law excludes countries within the following categories from eligibility to receive generalized preferences:

a. All communist countries, except those which receive MFN treatment, which are members of the GATT and the IMF, and which are not dominated by international communism.

b. Any country which is a member of OPEC or has entered into any other cartel-type arrangement, and acts to withhold supplies of vital materials or to charge a monopolistic price which creates serious disequilibrium in the world economy. Countries which are members of such cartels or OPEC and which act to withhold supplies or charge unreasonable prices may qualify for preferential treatment in the U.S. market if they entered into an agreement with the United States or an agreement to which the United States is a party, which assures U.S. access to essential articles at reasonable prices.

c. Any country which has expropriated the property of a U.S. national without provision for prompt, adequate, and effective compensation or without submitting the dispute to arbitration or carrying on good-faith negotiations.

d. Any country which has not taken adequate steps to cooperate with the United States to prevent narcotics and other controlled substances from unlawfully entering the United States.

e. Countries which do not eliminate reverse preferences by January 1, 1976, or do not take steps to assure that such preferences do not have a significant adverse effect on U.S. commerce by January 1, 1976.

f. Countries which do not recognize arbitral awards to U.S. citizens issued by arbitral bodies to which the parties have submitted their dispute.

In the case of items d., e. and f., the President may make an exception for particular countries when he deems it to be in the national economic interest and reports such determination to Congress.

The Committee amendment would delete from Section 502(b) (2) of the Trade Act of 1974 all references to price increases or serious disruption of the world economy. The effect of the committee amendment is to draw a distinction between OPEC countries or countries belonging to similar arrangements which withhold supplies of vital commodity resources from international trade and certain other countries which do not participate in such actions. Countries which withheld supplies during the oil embargo in 1973 would still not be eligible for tariff preferences, whereas countries which did not participate in the embargo would become eligible to be designated by the President as of September 1, 1976.

Countries which are members of OPEC but which apparently did not embargo the United States during the oil embargo include Iran, Indonesia, Ecuador, Venezuela, and Nigeria.

The amendment also would require that a country which is a member of a cartel and in the future withholds supplies of vital materials from the world economy be removed from the list of beneficiary developing countries.

The Administration strongly supports the changes in the Generalized System of Preferences embodied in section 3 of the bill.

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

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect on the revenues of the bill. The Committee estimates that the tariff change with respect to certain aircraft components and materials curtail a customs revenue loss on a one-time basis of not more than \$24,640 in 1976. There will be some loss of revenues as a result of the amendment dealing with OPEC nations but the amount is not believed to be large and depends on Presidential action. The amendment relating to textile fibers will increase customs revenues by an undetermined amount.

#### VOTE OF COMMITTEE IN REPORTING THE BILL

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

## CHANGES IN EXISTING LAW

In compliance with subsection (4) of Rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

## TARIFF SCHEDULES OF THE UNITED STATES

\* \* \* \* \*

## SCHEDULE 3.—TEXTILE FIBERS AND TEXTILE PRODUCTS

\* \* \* \* \*

*Schedule 3 headnotes:*

\* \* \* \* \*

8. *Notwithstanding any other provision of law, for the purposes of the tariff schedules an article to which this schedule applies, 90 percent or more of the total fiber content of which consists, by weight, of cotton and man-made fibers—*

(a) *shall be treated as if it were in chief value of cotton if 65 percent or more of the total fiber content of the article consists, by weight, of cotton (whether the article is in chief value of cotton or not), and*

(b) *shall be treated as if it were in chief value of man-made fiber if less than 65 percent of the total fiber content of the article consists by weight, of cotton (whether the article is in chief value of man-made fiber or not).*

## TRADE ACT OF 1974

\* \* \* \* \*

## TITLE V—GENERALIZED SYSTEM OF PREFERENCES

\* \* \* \* \*

## SEC. 502. BENEFICIARY DEVELOPING COUNTRY.—

\* \* \* \* \*

(b) No designation shall be made under this section with respect to any of the following:

Australia	Japan
Austria	Monaco
Canada	New Zealand
Czechoslovakia	Norway
European Economic Community member states	Poland
Finland	Republic of South Africa
Germany (East)	Sweden
Hungary	Switzerland
Iceland	Union of Soviet Socialist Republics

In addition, the President shall not designate any country a beneficiary developing country under this section—

(1) if such country is a Communist country, unless (A) the products of such country receive nondiscriminatory treatment, (B) such country is a contracting party to the General Agreement on Tariffs and Trade and a member of the International Monetary Fund, and (C) such country is not dominated or controlled by international communism;

(2) if such country is a member of the Organization of Petroleum Exporting Countries, or a party to any other arrangement of foreign countries, and such country **[participates]** *participates or has participated* in any action pursuant to such arrangement the effect of which is to withhold supplies of vital commodity resources from international trade **[or to raise the price of such commodities to an unreasonable level and to cause serious disruption of the world economy; withhold supplies of vital commodity resources from international trade or to raise the price of such commodities to an unreasonable level which causes serious disruption of the world economy;]** ;

\* \* \* \* \*

○

EXEMPTION FROM DUTY OF CERTAIN COMPONENTS  
AND MATERIALS INSTALLED IN AIRCRAFT PREVI-  
OUSLY EXPORTED FROM THE UNITED STATES

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APRIL 29, 1976.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

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Mr. ULLMAN, from the Committee on Ways and Means,  
submitted the following

REPORT

[To accompany H.R. 2177]

The Committee on Ways and Means, to whom was referred the bill (H.R. 2177) to amend the Tariff Schedules of the United States to provide for a partial exemption from duty for articles previously exported from the United States composed in part of fabricated components the products of the United States, when returned after having been exported, without having been advanced in value or improved in condition while abroad, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

That in the case of any aircraft which—

(1) was previously exported from the United States,

(2) was composed, at the time of such exportation, in part of components and materials which are products of the United States and which were installed—

(A) while such aircraft was within the United States, and

(B) after such aircraft was operational,

(3) is returned to the United States after being so exported without having been advanced in value or improved in condition by any process of manufacture or other means while abroad, and

(4) was entered for consumption before 1970 pursuant to an entry which is unliquidated as of the date of the enactment of this Act,

the rate of duty provided for in item 694.40 of the Tariff Schedules of the United States (19 U.S.C. 1202) on the date of such entry shall, notwithstanding any other provision of law, be assessed upon the full value of such aircraft less the value of such components and materials. For the purposes of this Act, the value of any such component or material is the cost of such component or material at the time of installation in the aircraft plus the cost of such installation.

SEC. 2. No entry may be liquidated as provided for in the first section of this Act unless request therefor is filed with the customs officer concerned on or before the thirtieth day after the date of the enactment of this Act.

Amend the title so as to read:

A bill to exempt from duty certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad.

#### DESCRIPTION OF PROVISIONS

Section 1 of H.R. 2177 as reported would provide that certain aircraft previously exported and composed at the time of such exportation in part of components and materials which are products of the United States and which were installed while the aircraft was within the United States, will be dutiable at the regular rate of duty appropriate to such aircraft provided for in item 694.40 of the Tariff Schedules and assessed on the full value of such aircraft less the cost of U.S. components and materials at the time of installation including the cost of such installation.

As reported, the provisions of H.R. 2177 would apply the tariff treatment to such aircraft previously exported and returned to the United States without having been advanced in value or improved in condition while abroad and which was entered for consumption before 1970 pursuant to an entry which is unliquidated as of the date of enactment of H.R. 2177.

Section 2 of H.R. 2177, as reported would require that an appropriate request for liquidation of any entry under the bill must be filed on or before the 30th day after date of enactment.

#### GENERAL STATEMENT

Headnote 1 of part 1 (articles exported and returned) of schedule 8 of the Tariff Schedules of the United States provides that "in the absence of a specific provision to the contrary, the tariff status of an article is not affected by the fact it was previously imported into the customs territory of the United States and cleared through customs whether or not a duty was paid upon such previous importation". Subpart A of part 1 of schedule 8 subsequently sets forth a number of specific provisions (item numbers 800.00 through 802.40) under which articles previously exported may be imported free of duty if not advanced in value or improved in condition while abroad. For example, item 800.00 provides that "products of the United States when returned after having been exported, without having been advanced in value or improved in condition by any process of manufacture or other means while abroad" may enter free of duty.

H.R. 2177 as reported would provide for an exemption from duty for certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad.

Although of possible broader implications as originally introduced, the bill involves the entry of a foreign aircraft which was imported into the United States and the appropriate duties were paid. This

original duty-paid entry of the aircraft involved ferrying it to the United States with temporary instrumentation and controls. These temporary controls were removed and replaced by avionics systems and other equipment and furnishings of American manufacture. The aircraft was then sold to a foreign corporation and exported. Subsequently, the aircraft was purchased by an American firm and reimported.

It is claimed that such reimportation involving an article previously exported from the United States and not advanced in value abroad should have been permitted duty-free entry under item 800.00 of the tariff schedules. Such duty-free entry was denied by the Bureau of Customs. The Bureau also ruled that the instrumentation of American manufacture could not be separately identified and granted duty-free treatment under item 800.00.

H.R. 2177 as originally introduced would have made a permanent change in the Tariff Schedules permitting a partial exemption from duty on articles which are composed in part of U.S. components and which have been exported from the United States but later returned to the United States without having been advanced in value while abroad.

Your Committee in considering the equities involved in entries of this type concludes that the payment of duty on U.S. components and materials which are assembled into foreign articles while such articles are in the United States serves no purpose. However, the Committee also concludes that an amendment to the Tariff Schedules generally covering such entries would be unwise in the light of tariff avoidance practices that might develop.

Therefore, the Committee amended the bill to provide that only certain aircraft previously exported, and composed at the time of such exportation in part of components and materials installed in the United States which are products of the United States, will be dutiable at the regular rate of duty provided for in item 694.40 of the Tariff Schedules but assessed upon the full value of such aircraft less the cost of such components and materials at the time of installation including the cost of such installation.

The Departments of the Treasury, State and Commerce and the Office of the Special Representative for Trade Negotiations reported no objections to the enactment of the bill as reported.

Public hearings were held by the Subcommittee on Trade of the Committee on Ways and Means on February 19 and 20, 1976, on duty-free entry and temporary duty suspension bills. No objections to this legislation have been received by the committee from any source. A similar bill was reported to the House in the 92nd Congress. The House did not take action on the bill.

Your committee believes that under the time limitation and other safeguards provided in the bill, as amended, that the exemption from duty provided in H.R. 2177, is meritorious. Your committee is unanimous in recommending enactment of H.R. 2177.

#### EFFECT OF THE BILL ON THE REVENUE AND VOTE OF THE COMMITTEE

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the

effect on the revenues of this bill. Based on the known entries of aircraft to which H.R. 2177 would be applicable, the customs revenue loss on a one-time basis would be no more than \$24,640 in 1976.

In compliance with clause 2(1)(2)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made with respect to the vote by the Committee on the motion to report the bill. This bill was unanimously ordered favorably reported as amended by the Committee.

**OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER HOUSE RULES**

In compliance with clauses 2(1)(3) and 2(1)(4) of Rule XI of the Rules of the House of Representatives, the following statements are made.

With regard to subdivision (A) of clause 3 relating to oversight findings, your committee advises that in its review of the special circumstances with respect to certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad, it concluded it would be desirable to exempt from duty certain articles covered by this bill, by reason of the considerations outlined above in the General Statement.

With regard to subdivision (B) of clause 3, the Committee advises the bill involves no new budgetary authority or new increased tax expenditures.

With respect to subdivisions (C) and (D) of clause 3, the Committee advises that the Director of the Congressional Budget Office concurs in the estimate of a one-time customs revenue loss affected by this bill. The Committee on Government Operations has submitted no oversight findings or recommendations with respect to the subject matter contained in the bill.

In compliance with clause (2)(1)(4) of Rule XI, the Committee states that this bill would not have an inflationary impact on prices and costs in the operation of the general economy.



# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To exempt from duty certain aircraft components and materials installed in aircraft previously exported from the United States where the aircraft is returned without having been advanced in value or improved in condition while abroad.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That in the case of any aircraft which—

- (1) was previously exported from the United States,
- (2) was composed, at the time of such exportation in part of components and materials which are products of the United States and which were installed—
  - (A) while such aircraft was within the United States, and
  - (B) after such aircraft was operational,
- (3) is returned to the United States after being so exported without having been advanced in value or improved in condition by any process of manufacture or other means while abroad, and
- (4) was entered for consumption before 1970 pursuant to an entry which is unliquidated as of the date of the enactment of this Act,

the rate of duty provided for in item 694.40 of the Tariff Schedules of the United States (19 U.S.C. 1202) on the date of such entry shall, notwithstanding any other provision of law, be assessed upon the full value of such aircraft less the value of such components and materials. For the purposes of this Act, the value of any such component or material is the cost of such component or material at the time of installation in the aircraft plus the cost of such installation.

SEC. 2. No entry may be liquidated as provided for in the first section of this Act unless request therefor is filed with the customs officer concerned on or before the thirtieth day after the date of the enactment of this Act.

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*