September 9, 1997

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON WAYS AND MEANS OF THE UNITED STATES HOUSE OF REPRESENTATIVES ON PROPOSED TARIFF LEGISLATION[1]

Bill no.,sponsor, and sponsor's state: H.R. 1852 (105th Congress), Representative Myrick (NC)

Companion bill: None.

Title as introduced:

To reduce the duty on a polymer of alkanediols, monocyclic dicarboxylic acid dimethyl ester, monocyclic monosulfonated dicarboxylic acid dimethyl ester monosodium salt and hydroxy alkoxyalkanesulfonic acid sodium salt.

Summary of bill:[2]

This bill would reduce the duty from the current rate[3] of 2.2¢/kg + 8.2% to a permanent rate of 3.5% for a polymer of alkanediols, monocyclic dicarboxylic acid dimethyl ester, monocyclic monosulfonated dicarboxylic acid dimethyl ester monosodium salt and hydroxy alkoxyalkanesulfonic acid sodium salt.

Effective date: The 15th day after enactment.

Retroactive effect: None.

Statement of purpose

An abstract of background information on H.R. 1852 was provided by representatives of Hoechst Corporation, Washington, DC, and by the International Business-Government Counsellors, Inc. (IBC), Washington, DC.[4] Representative Myrick's staff provided documentation of background information to the Commission staff.[5] The bill was referred to the Committee on Ways and Means without sponsor comment as published in the Congressional Record:[6]

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[1] Industry analyst: Raymond Cantrell (205-3362); attorney: Leo Webb (205-2599).
[2] See appendix A for definitions of tariff and trade agreement terms.
[3] Provisions negotiated in the Uruguay Round would lower duties over a ten-year period.
[4] Mr. Tony Shaw, Hoechst Corp., and Ms. Janet Hunter, IBC.
[5] Mr. Walter Price, Dep. Admin. Asst., Representative Sue Myrick, NC.
[6] Congressional Record, H.R. 1852, p. H3659, Jun. 10, 1997.

The Specialty Chemicals Group of Hoechst Celanese Corporation located in Charlotte, NC, petitioned Representative Myrick, requesting that a bill be introduced to reduce to 3.5 percent ad valorem on a specific chemical product imported from Germany. The imported product is reportedly sold to a single formulator of household/chemical products. There is no U.S. production. The product was not identified except in generic terms, as stated in H.R. 1852. As of this date, the customer has informed Hoechst representatives that it is reluctant to have the identify of this specific polymeric compound disclosed as public information because of the competitive edge that the compound imparts to its product line relative to other U.S. producers of similar products. A lowering of the duty rate would be cost effective from a competitiveness standpoint for both the domestic importer and consumer. Hoechst Celanese estimates the current value of duties on this unidentified product at about $1 million, with a net revenue loss of $480,000,[7] assuming that the duty is lowered to 3.5% under the provisions of H.R. 1852.

Product description and uses:

A polymer of alkanediols, monocyclic dicarboxylic acid dimethyl ester, monocyclic monosulfonated dicarboxylic acid, dimethyl ester monosodium salt and hydroxy alkoxyalkanesulfonic acid sodium salt:

This product is described as a synthetic organic polymeric material having a specific composition that is sold by Hoechst Celanese to an unidentified firm,[8] which uses the material as a proprietary ingredient in formulating household/chemical products. Since information is neither available for the polymeric material, nor the name of the firm, it was not possible to develop any meaningful background information on the product description. The product is currently imported under HTS 3907.99.00.--, other polyester products, polybutylene terephthalate (3907.99.00.10) and other polyesters (3907.99.00.50). The current HTS classification for this compound is believed to be HTS 3907.99.00.50.

[7] H.R. 1852 would lower the duty on the unidentified compound to a floor of 3.5% vs. the present duty of 2.2¢/kg + 8.2%. Staged tariff reductions are in force pursuant to the provisions in the Uruguay Round GATT treaty.

[8] The customer, to date, does not wish to be identified, or reveal the chemical nomenclature or properties of this polymer.

Tariff treatment:[9]

Product	HTS subheading	Col. 1-general rate of duty
Polymer of alkanediols, monocyclic dicarboxylic acid dimethyl ester, monocyclic monosulfonated dicarboxylic acid dimethyl ester monosodium salt and hydroxy-alkoxyalkanesulfonic acid, sodium salt.................	3907.99.00	2.2¢/kg + 8.2%

Structure of domestic industry (including competing products):

Polymer of alkanediols, monocyclic dicarboxylic acid dimethyl ester, monocyclic monosulfonated dicarboxylic acid dimethyl ester mono-sodium salt and hydroxy-alkoxyalkanesulfonic acid, sodium salt:

The polymeric compound in question has been held as proprietary by the importer, and unidentified domestic consumer, which reportedly formulates household/chemical products. Thus, it is not possible to define the structure of the domestic industry or any competing products manufactured in the United States.

Private-sector views:

The Commission contacted Hoechst Corp.,[10] and its consulting firm,[11]as well as two trade associations.[12] At this time, no written responses have been received. The consuming firm could not be contacted because of reluctance on the part of Hoechst and its consulting firm to disclose its identity.

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[9] See appendix B for column 1-special and column 2 duty rates.

[10] Mr. Tony Shaw, Manager Regulatory Affairs, Hoechst Corp., Washington, DC, Jul 21-Aug. 6, 1997.

[11] Ms. Janet Hunter, International Business-Government Counsellors, Inc., Washington, DC, Jul. 17 - Aug. 4, 1997.

[12] Chemical Manufacturers Association (CMA), Arlington, VA, Ms. Mary Beth Kelliher--subject referred to the CMA International Trade Committee, Jul. 21, 1997; The Society of the Plastics Industry, Mr. C.A. Lippincott, Director of Statistics, Jul. 21, 1997.

U.S. consumption:

Polymer of alkanediols, monocyclic dicarboxylic acid dimethyl ester, monocyclic monosulfonated dicarboxylic acid dimethyl ester, monosodium salt and hydroxy-alkoxyalkanesulfonic acid, sodium salt:

	1994	1995	1996
	($millions)		
U.S. production[1]	0	0	0
U.S. imports[1]	([2])	14.0	27.0
U.S. exports	([2])	([2])	([2])
Apparent U.S. consumption	([3])	([3])	([3])

[1]Commission estimates based on information provided by the domestic industry.
[2]Data are not available.
[3]Not applicable.

Principal import sources: Germany.
Principal export markets:[2]

Effect on customs revenues:

Future (1997-1999) effect: From an estimated import base of $36.0 million in 1997, the Commission study indicates that total imports from Germany under HTS 3907.99.00.50 will likely rise $9.0 million , or 25%, to $45.0 million by the end of 1999. The effect of the proposed duty reduction will be tempered by staged tariff reductions mandated under the Uruguay Round GATT provisions, together with the level specified in this bill (3.5%).[13] The annual estimated loss of revenues to the Government are as follows:

1997: [5.5 million kg x 2.2¢/kg] + [$36 million x 8.3%] = $3.1 million
[$36.0 million x 3.5%] = $1.3 million
Estimated net loss: [$3.1 million - $1.3 million] = **$1.8 million**

1998: [6.2 million g x 1.9¢/kg] + [$40.5 million x 8.0%] = $3.4 million
[$40.5 million x 3.5%] = $1.4 million
Estimated net loss: [$3.4 million - $1.4 million] = **$2.0 million**

1999: [6.9 million kg x 1.6¢/kg] + [$45.0 million x 7.8%] = $3.6 million
[$45 million x 3.5%] = $1.6 million
Estimated net loss: [$3.6 million - $1.6 million] = **$2.0 million**

Retroactive effective: None.

Technical comments:

None.

[13] Staged tariff reductions under the Uruguay Round GATT provisions for this material will reach floor limits during the 10-year period ending in the year 2003. In 2004, the current GATT rate schedule will be 6.5%.

APPENDIX A

TARIFF AND TRADE AGREEMENT TERMS

In the **Harmonized Tariff Schedule of the United States** (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the Tariff Schedules of the United States (TSUS) effective January 1, 1989.

Duty rates in the **general** subcolumn of HTS column 1 are most-favored-nation (MFN) rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those enumerated in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam), which are subject to the statutory rates set forth in **column 2**. Specified goods from designated MFN-eligible countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the **special** subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The **Generalized System of Preferences** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of June 30, 1998. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The **Caribbean Basin Economic Recovery Act** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the **United States-Israel Free Trade Area Implementation Act** of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the **Andean Trade Preference Act** (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential or free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the **North American Free Trade Agreement**, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular **products of insular possessions** (general note 3(a)(iv)), **products of the West Bank and Gaza Strip** (general note 3(a)(v)), goods covered by the **Automotive Products Trade Act** (APTA) (general note 5) and the **Agreement on Trade in Civil Aircraft** (ATCA) (general note 6), **articles imported from freely associated states** (general note 10), **pharmaceutical products** (general note 13), and **intermediate chemicals for dyes** (general note 14).

The **General Agreement on Tariffs and Trade 1994** (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX.

Pursuant to the **Agreement on Textiles and Clothing** (ATC) of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement** (MFA)). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

Rev. 8/12/97

APPENDIX B

SELECTED PORTIONS OF THE
HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES

(Appendix not included in the electronic version of this report.)

I

105TH CONGRESS
1ST SESSION

H. R. 1852

To reduce the duty on a polymer of alkanediols, monocyclic dicarboxylic acid dimethyl ester, monocyclic monosulfonated dicarboxylic acid dimethyl ester monosodium salt and hydroxy alkoxyalkanesulfonic acid sodium salt.

IN THE HOUSE OF REPRESENTATIVES

JUNE 10, 1997

Mrs. MYRICK introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To reduce the duty on a polymer of alkanediols, monocyclic dicarboxylic acid dimethyl ester, monocyclic monosulfonated dicarboxylic acid dimethyl ester monosodium salt and hydroxy alkoxyalkanesulfonic acid sodium salt.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. REDUCTION OF DUTY ON CERTAIN CHEMICALS.

(a) REDUCTION OF DUTY.—Chapter 39 of the Harmonized Tariff Schedule of the United States is amended by striking subheading 3907.99.00 and inserting the following new subheadings, with the article description for subheading 3907.99 having the same degree of indentation as the article description for subheading 3907.91:

“	3907.99	Other:				
	3907.99.10	Polymer of alkanediols, monocyclic dicaraboxylic acid dimethyl ester, monocyclic monosulfonated dicarboxylic acid dimethyl ester monosodium salt and hydroxy alkoxyalkanesulfonic acid sodium salt	3.5%	Free (A, CA, E, IL, J, K, MX)	15.4¢/kg + 45%	
	3907.99.90	Other	2.2¢/kg + 8.2%	Free (A, CA, E, IL, J, K, MX)	15.4¢/kg + 45%	”.

(b) EFFECTIVE DATE.—The amendment made by this section applies with respect to goods entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of the enactment of this Act.

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