

September 10, 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 LEGISLATION¹

Bill no., sponsor, and sponsor's state: H.R. 2059 (105th Congress), Representative Hoekstra (MI).

Companion bill: None.

Title as introduced: To suspend temporarily the duty on ethofumesate.

Summary of bill:²

The bill would suspend through December 31, 1999, the column 1-general rate of duty on ethofumesate, with no effect on the special and column 2 rates of duty for this product.

Effective date: 15 days after the bill's date of enactment.

Retroactive effect: None.

Statement of purpose:

The sponsor, Representative Hoekstra, made no statement concerning the bill in the Congressional Record. An official of AgrEvo USA Co. (AgrEvo), the proponent firm, stated that temporarily suspending the duty on ethofumesate would improve AgrEvo's ability to compete in the marketplace by reducing the company's cost of production. Additionally, according to the AgrEvo official, this bill has also been submitted to the U.S. Trade Representative in order to make a public record of the importance of continued multilateral trade negotiations in the agrichemical area.³

¹Industry analyst: Cynthia Trainor (205-3354); attorney: Leo Webb (205-2599).

²See appendix A for definitions of tariff and trade agreement terms.

³Written submission and educational background materials from Mr. Kenneth D. Morris, General Counsel and Secretary, AgrEvo USA Co., Wilmington, DE, dated Jul. 30, 1997.

Product description and uses:

2-Ethoxy-2,3-dihydro-3,3-dimethyl-5-benzofuranylmethanesulfonate:

The product (also known as ethofumesate) is a synthetic organic chemical produced through a series of complex chemical reactions. The subject chemical is the active ingredient in certain AgrEvo herbicides used to control grassy and broadleaf weeds in a variety of applications.

Tariff treatment:⁴

<u>Product</u>	<u>HTS subheading</u>	Col. 1-general <u>rate of duty</u>
2-Ethoxy-2,3-dihydro-3,3-dimethyl-5-benzofuranylmethanesulfonate.2932.99.08 3808.30.15	6.6% ad valorem 0.7¢/kg + 7.8%

Structure of domestic industry (including competing products):

2-Ethoxy-2,3-dihydro-3,3-dimethyl-5-benzofuranylmethanesulfonate:

According to Commission records, there was no U.S. production of the subject chemical during 1994-96. Although there is no chemical directly competitive with the subject chemical when it is used to produce the end-use products, other U.S. herbicide producers make herbicide products that compete with the AgrEvo end-use herbicide product lines which incorporate ethofumesate.

Competing products:

Ro-Neet®--this product contains an active ingredient with the common name of cycloate and is a registered trademark preplant selective herbicide for controlling grassy and broadleaf weeds in a variety of crops including sugar beets, table beets, and spinach; formulated by Zeneca Ag Products (Cold Creek, AR).

UpBeet®--this product contains an active ingredient with the common name triflurosulfuron methyl and is a registered trademark postemergence herbicide used for weed control in sugar beets; produced and formulated in France by Dupont Agricultural Products and imported as a final herbicide product.⁵

⁴See appendix B for column 1-special and column 2 duty rates.
⁵E.I. duPont de Nemours and Co., Inc., temporary duty suspension for triflurosulfuron methyl request: H.R. 1879 (105th Congress).

Stinger®--this product contains an active ingredient with the common name of clopyralid and is a registered trademark postemergence selective herbicide for broadleaf weed control in a variety of crops including sugar beets; produced and formulated by DowElanco (Pittsburgh, CA).

Private-sector views:

The Commission contacted three companies which produce competing products.⁶ The companies had not submitted any written comments as of the date of preparation of this report.

U.S. consumption:

2-Ethoxy-2,3-dihydro-3,3-dimethyl-5-benzo-furanylmethanesulfonate:

	<u>1994</u>	<u>1995</u>	<u>1996</u>
	-----(\$1,000)-----		
U.S. production.....	0	0	0
U.S. imports ¹	(1)	(1)	(1)
U.S. exports.....	0	0	0
Apparent U.S. consumption.....	(1)	(1)	(1)

¹Not publicly available; reported by AgrEvo USA Co.

Principal import sources: United Kingdom.
Principal export markets: None.

Effect on customs revenue:⁷

Future (1998-1999) effect: Actual dutiable import values for this product are not publicly available. However, according to a representative of AgrEvo,⁸ the estimated average annual revenue loss is expected to be less than \$70,000 annually during the period.

Retroactive effect: Not applicable.

⁶Telephone conversations with Dr. Edgar L. Ready, III, Manager Environmental and Scientific Affairs, Zeneca Ag Products, Wilmington, DE, on July 22 and Aug. 7, 1997; with Mr. Robert Heine, Director, International Trade and Investment, E.I. duPont de Nemours and Co., Inc., Washington, DC, Aug. 12, 1997; with Mr. Thomas Campbell, Manager, Federal Government Relations, DowElanco, Washington, DC, on July 23 and Aug. 8 and 12, 1997.

⁷Actual revenue loss may be understated in the event of a significant increase in imports over the duty suspension period.

⁸Telephone conversation between Mr. Morris of AgrEvo and Ms. Trainor of Commission staff on Aug. 12, 1997.

Technical comments:

The HTS subheading 3808.30.15 refers to mixtures and/or products put up in forms or packings for retail sales. As written, the bill refers to a specific chemical, with the common name of ethofumesate, which is correctly classified under 2932.99.08. Conversations with officials of AgrEvo, the proponent firm,⁹ confirm that temporary duty suspension is sought for the finished formulated product produced by incorporating ethofumesate as the active ingredient, as well as for the active ingredient alone. The Commission suggests that the bill title be modified to include the finished product, e.g., "...ethofumesate singularly or in mixture with application adjuvants." The Commission further suggests the Section I article description also be modified to reflect the finished product, e.g., "2-ethoxy-2,3-dihydro-3,3-dimethyl-5-benzofuranylmethanesulfonate (ethofumesate) singularly or in mixture with application adjuvants..." The Commission also suggests that the Chemical Abstracts Service (CAS) registry number for the subject chemical be presented as 26225-79-6 in the bill's article description.

⁹Telephone conversation between Mr. Morris of AgrEvo and Ms. Trainor of Commission staff on Aug. 14, 1997.

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.

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APPENDIX B

**SELECTED PORTIONS OF THE
HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES**

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

105TH CONGRESS
1ST SESSION

H. R. 2059

To suspend temporarily the duty on ethofumesate.

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 1997

Mr. HOEKSTRA introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To suspend temporarily the duty on ethofumesate.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TEMPORARY SUSPENSION OF DUTY.**

4 (a) IN GENERAL.—Subchapter II of chapter 99 of
5 the Harmonized Tariff Schedule of the United States is
6 amended by inserting in numerical sequence the following
7 new heading:

“	9902.31.12	2-ethoxy-2,3-dihydro-3,3-dimethyl-5-benzofuranyl methanesulfonate (ethofumesate) (CAS No. 26255-79-6) (provided for in subheadings 2932.99.08 and 3808.30.15)	Free	No change	No change	On or before 12/31/99	”.
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1 (b) **EFFECTIVE DATE.**—The amendment made by
2 this section applies with respect to goods entered, or with-
3 drawn from warehouse for consumption, on or after the
4 15th day after the date of the enactment of this Act.

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