March 24, 1998

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. 2521 (105th Congress), Representative English (PA).

Companion bill: None.

Title as introduced: To suspend the duty on modified secondary and modified secondary-tertiary amine phenol/formaldehyde copolymers until January 1, 2001.

Summary of bill:[2]

Temporarily suspends the most-favored-nation (MFN) rate of duty on imports of modified secondary and modified secondary-tertiary amine phenol/formaldehyde copolymers (anion exchange resins), until January 1, 2001.

Effective date: The 15th day after enactment.

Retroactive effect: None.

Statement of purpose:

Representative English made no statement at the time this bill was introduced.[3] The Commission was provided background information by Representative English's office,[4] and by the Rohm and Haas Company.[5] This bill would temporarily suspend the duty on modified secondary and modified secondary-tertiary amine phenol/formaldehyde copolymers, a unique family of anion exchange resins specific to the removal of excess acid from food, pharmaceutical and chemical product streams. To the knowledge of the Rohm and Haas Co., there are no ion exchange resins manufactured in the United States which are directly competitive with phenolic anion exchange resins (Phenolic IER), or similar in chemical composition. These resins are imported from a foreign affiliate in France.

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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] *Congressional Record*, Sept. 23, 1997, p.H7729.
[4] Fax Memorandum, Ms. Karin John, Legislative Director for Rep. English, to the Commission on January 30, 1998.
[5] Mr. Henry P. Stoebenau, Manager, International Trade Affairs, Rohm and Haas, Philadelphia, PA, provided fact sheets, material safety data sheets, and other technical literature on Phenolic IER, to the Commission.

Product description and uses:

Anion exchange resins based on copolymers of phenol/formaldehyde in primary form: These particular resins are based on a crosslinked skeleton of phenol-formaldehyde polycondensate, whose ion exchange activity is due almost entirely to chemically attached and weakly basic secondary or tertiary amine functional groups. Phenolic weak base anion exchange resins are unique in that they possess a combination of properties, including a large degree of hydration and porosity. The subject anion exchange resins are imported and sold in the form of hydrated porous, granular or spherical polymeric particles under the Rohm and Haas trade name DUOLITE®.

DUOLITE® resins function effectively under a wide range of pH values, from highly acidic, to alkaline solutions, and are resistant to physical attrition. Although the most common uses are found in deacidifying foods, pharmaceuticals and chemical process streams through ion exchange mechanisms, the resins also function to adsorb impurities like color and suspended solids in beverages and food additives without plugging, and are easily regenerated and desorbed with aqueous solutions of caustic soda or weak bases like sodium carbonate and ammonia.

Tariff treatment:[6]

Product	HTS subheading[7]	Col. 1-general rate of duty
Anion exchange resins based on copolymers of phenol/formaldehyde in primary form	3914.00.60	3.9% ad. val.

Structure of domestic industry (including competing products):

Anion exchange resins based on copolymers of phenol/formaldehyde in primary form: According to the importer of DUOLITE® phenolic anion exchange resins, Rohm and Haas Co., there has been no known production in the United States to date. Furthermore, the Rohm and Haas Co. claims that resins based on other polymeric compositions are not competitive with the unique properties of phenolic resins associated with the removal of impurities and other undesirable constituents in the food, pharmaceutical and chemical processing industries. Rohm and Haas imports these products from a wholly-owned subsidiary in France. There are four known producers of ion exchange resins in the Unites States, including the Rohm and Haas Co., and all four are believed to produce resins based solely on styrene or acrylics, but not phenolics.

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

[7] Fax memorandum to the Commission from Mr. Henry P. Stoebenau, Rohm and Haas Co., Feb. 13, 1998.

Private-sector views:

The Commission contacted three U.S. firms believed to potentially produce and/or import products competitive with phenolic anion exchange resins.[8] Written comments received as of the date of this report are attached.

U.S. consumption:

Anion exchange resins based on copolymers of phenol/formaldehyde in primary form:	1994	1995	1996
	($1,000)		
U.S. production	0	0	0
U.S. imports[9]	1,025	975	1,155
U.S. exports	0	0	0
Apparent U.S. consumption	0	0	0

Principal import sources: France
Principal export markets: None.

Effect on customs revenue:[10]

Future (1998-2000) effect:

	Estimated average annual revenue loss[11]		
	1998	1999	2000
	($1,000)		
Anion exchange resins based on copolymers of phenol/formaldehyde in primary form:	85	95	105

Retroactive effect: None.

Technical comments: None.

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[8] Mr. Bryant Rappuhn, Dow Chemical Customer Information Group, Ion Exchange Resins, Midland, MI, Feb. 13, 1998; Mr. Dave Daley, Sybron Chemical, NJ, Feb. 13, 1998; Mr. Steve Brodie, Purolite Ion Exchange Resins, Cynwyd, PA, Feb. 13, 1998.

[9] Data as reported to the Commission by Mr. Henry B. Stoebenau, Rohm and Haas Co., February 18, 1998.

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

[11] Estimates of revenue loss based on data supplied by Representative English's office, and by Rohm and Haas Co.

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.)

APPENDIX C

OTHER ATTACHMENTS

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

105TH CONGRESS
1ST SESSION

H. R. 2521

To suspend the duty on modified secondary and modified secondary-tertiary amine phenol/formaldehyde copolymers until January 1, 2001.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 23, 1997

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

A BILL

To suspend the duty on modified secondary and modified secondary-tertiary amine phenol/formaldehyde copolymers until January 1, 2001.

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

SECTION 1. TEMPORARY SUSPENSION OF DUTY ON MODIFIED SECONDARY AND MODIFIED SECONDARY-TERTIARY AMINE PHENOL/FORMALDEHYDE COPOLYMERS.

Subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States is amended by inserting in numerical sequence the following new heading:

“	9902.39.14	Anion exchange resins based on copolymers of phenol/formaldehyde in primary form (provided for in subheading 3914.00.60)	Free	No change	No change	On or before 12/31/2000	”.

SEC. 2. EFFECTIVE DATE.

The amendment made by this Act 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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