June 2, 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. 3416 (105th Congress), Representative English (PA).

Companion bill: S. 1815 (105th Congress), Senator Specter (PA).

Title as introduced: To suspend until January 1, 2001, the duty on tebufenozide.

Summary of bill:[2]

The bill would suspend through December 31, 2000, the column 1-general rate of duty on tebufenozide, with no effect on the special and column 2 rates of duty for this product, and amend subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States (HTS) by inserting a new number in numerical sequence.

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

Retroactive effect: None.

Statement of purpose:

The sponsor, Representative English, made no statement concerning the bill in the *Congressional Record*. A representative of Rohm and Haas Company, the proponent firm, stated generally that temporarily suspending the duty on tebufenozide permits growers to vary their insecticide treatment program for lepidopterous insects and thus avoid completely, or minimize to a great extent, insect resistance which could occur from repeated use of a one-chemistry insecticide. Tebufenozide is different from, complimentary to, and not directly competitive with other insecticides.[3]

[1]Industry analyst: Cynthia Trainor (205-3354); attorney: Leo Webb (205-2599).
[2]See appendix A for definitions of tariff and trade agreement terms.
[3]Written submission and educational background materials from Mr. Henry P. Stoebenau, Manager, International Trade Affairs, Rohm and Haas Co., Philadelphia, PA, dated Mar. 4, 1998.

Product description and uses:[4]

N-tert-butyl-N'-(4-ethylbenzoyl)-
3,5-dimethylbenzoylhydrazide: The subject chemical (also known by the common name tebufenozide and by the product name CONFIRM®2F) is a synthetic organic chemical produced through a series of complex chemical reactions using various starting materials, including aromatic (benzenoid) chemicals. The subject chemical is a narrow spectrum insecticide which targets lepidopterous insects -- those whose larvae are caterpillars (e.g., moths). It is used by the U.S. agricultural industry on crops such as cotton, sugarbeet, sugarcane, cole crops, and leafy and fruiting vegetables.

Tariff treatment:[5]

Product	HTS subheading	Col. 1-general rate of duty
N-tert-butyl-N'-(4-ethylbenzoyl)-3,5-dimethylbenzoylhydrazide....	2928.00.25	6.6% ad valorem

Structure of domestic industry (including competing products):

N-tert-butyl-N'-(4-ethylbenzoyl)-
3,5-dimethylbenzoylhydrazide: According to Commission records and information provided by industry sources, there was no U.S. production of the subject chemical during 1995-97. However, other U.S. insecticide producers make insecticide products that are, to some extent and in certain circumstances, competitive with this insecticide product.

Competing products: Over 100 insecticides are produced by more than 20 U.S. companies. Evolution in product selection is rapid, because insects develop resistance to old products, new chemicals are developed with fewer environmental problems, and other new chemicals are developed that attain the same or greater insect-killing power with lower application levels.

[4]See technical comments section.
[5]See appendix B for column 1-special and column 2 duty rates.

Private-sector views:

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

U.S. consumption:

N-tert-butyl-N'-(4-ethylbenzoyl)-3,5-dimethylbenzoylhydrazide:	1995	1996	1997
	($1,000)		
U.S. production...............................	0	0	0
U.S. imports...................................	([1])	([1])	([1])
U.S. exports....................................	0	0	0
Apparent U.S. consumption...........	([1])	([1])	([1])

[1]Not publicly available. This chemical is classified in a residual, or "basket," HTS subheading.

Principal import sources: Italy.
Principal export markets: None.

Effect on customs revenue:[7]

Future (1998-2000) effect: Actual dutiable import values for this product are not publicly available. However, according to a representative of Rohm and Haas Co.,[8] the estimated average annual revenue loss is expected to be less than $100,000.

Retroactive effect: None.

Technical comments:

The Commission suggests that the chemical name for tebufenozide be presented as N-tert-butyl-N'-(4-ethylbenzoyl)-3,5-dimethylbenzoylhydrazide to reflect industry nomenclature (as set forth in the 12th Edition *Merck Index* (1996)) followed by the chemical's common name (tebufenozide) in the

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[6]Telephone conversations with Dr. Edgar L. Ready, III, Manager Environmental and Scientific Affairs, Zeneca Ag Products, Wilmington, DE, on Apr. 24, 1998; with Mr. Robert Heine, Director, International Trade and Investment, E.I. duPont de Nemours and Co., Inc., Washington, DC, Apr. 24, 1998; and with Mr. Thomas Campbell, Manager, Federal Government Relations, DowElanco, Washington, DC, on Apr. 24, 1998.
[7]Estimated average annual revenue loss was provided by Mr. Henry P. Stoebenau representing Rohm and Haas Co. Actual revenue loss may be understated in the event of a significant increase in imports over the duty suspension period.
[8]Written submission from Mr. Stoebenau dated Mar. 4, 1998.

bill's article description in order to ease the burden on Customs officials examining import documentation.

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
2D SESSION

H. R. 3416

To suspend until January 1, 2001, the duty on tebufenozide.

IN THE HOUSE OF REPRESENTATIVES

MARCH 10, 1998

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

A BILL

To suspend until January 1, 2001, the duty on tebufenozide.

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

SECTION 1. SUSPENSION OF DUTY ON TEBUFENOZIDE.

(a) IN GENERAL.—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:

"	9902.29.51	benzoic acid, 3,5-dimethyl-,1-(1,1-dimethylethyl)-2-(4-ethylbenzoylhydrazide (CAS No. 112410–23–8) (provided for in subheading 2928.00.25)	Free	No change	No change	On or before 12/31/2000	".

(b) APPLICABILITY.—The amendment made by this section shall apply 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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