

June 4, 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 LEGISLATION¹

Bill no., sponsor, and sponsor's state²: H.R. 3425 (105th Congress), Representative LaHood (IL).

Companion bill: None.

Title as introduced: To provide for reductions in duty for carbamic acid (U-9069).

Summary of bill:³

Temporarily provides for the following reductions in duty for carbamic acid (U-9069) (1) 9.0% during calendar year 1998; (2) 8.3% during calendar year 1999; and (3) 7.6% during calendar year 2000. These duty reductions correspond to a 1.7% reduction relative to the column-1 rate applicable for each year during 1998-2000.

Effective date: 15th day after enactment.

Retroactive effect: None.

Statement of purpose:

Representative LaHood made no statement in the *Congressional Record* at the time this legislation was introduced. However, according to a spokesman for E.I. duPont de Nemours & Co., Inc. ("DuPont"), the proponent of this legislation, the purpose is to reduce duty on a chemical intermediate not made in the United States, so DuPont can make an herbicide product more economically.⁴

¹ Industry analysts: Jack Greenblatt (205-3353) and Rob Randall (205-3366); attorney: Leo Webb (205-2599).

² This bill is similar in scope and content to H.R. 1606 introduced by Representative LaHood in the 105th Congress.

³ See appendix A for definitions of tariff and trade agreement terms.

⁴ Staff telephone conversation with Robert Heine, Director of International Trade and Investment, E.I. duPont de Nemours & Co., Inc., July 25, 1997.

Product description and uses:⁵

((3-((dimethylamino)carbonyl)-2-pyridinyl)sulfonyl)carbamic acid, phenyl ester:

This chemical, whose common name is U-9069, carbamic acid, is used by DuPont as an intermediate in the manufacture of an herbicide active ingredient (Nicosulfuron, Technical). This active ingredient is formulated into DuPont's ACCENT® SP, registered with EPA as a postemergent corn herbicide for controlling grasses. Nicosulfuron is also used to formulate the Dupont corn herbicides Basis Gold and Accent Gold which were commercialized in 1997 and 1998, respectively. Other formulations, possibly in combination with other active ingredients, may be produced later, after obtaining EPA registration approval for these herbicide products.

Tariff treatment:⁶

<u>Product</u>	Col. 1-general	
	<u>HTS subheading</u>	<u>rate of duty</u>
((3-((dimethylamino)carbonyl)-2-pyridinyl)sulfonyl)carbamic acid, phenyl ester.....	2935.00.75	10.7%

Structure of domestic industry (including competing products):

((3-((dimethylamino)carbonyl)-2-pyridinyl)sulfonyl)carbamic acid, phenyl ester:

Specialty chemical intermediates, such as the subject chemical, are custom manufactured at the request of the user of the intermediate, in this case, DuPont. There is no domestic production of this intermediate, so all necessary amounts are imported from a Japanese supplier under a cross-licensing agreement. In turn, the Japanese supplier will be sold the upgraded product produced by Dupont for use in markets outside the United States.

There are pre-emergent herbicides that compete with DuPont's post-emergent herbicide, ACCENT SP. Principal producers of these other, pre-emergent herbicides include Ciba-Geigy (now part of Novartis), Monsanto, Zeneca, and American Cyanamid.

⁵ See technical comments section.

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

Private-sector views:

The Commission contacted four companies that produce competing herbicides (the product category made from the subject chemical intermediate).⁷ No written comments had been received by the Commission at the time of preparation of this report.

U.S. consumption:

((3-((dimethylamino)carbonyl)-2-pyridinyl)sulfonyl)carbamic acid, phenyl ester:¹

	<u>1995</u>	<u>1996</u>	<u>1997</u>
	-----(\$million)-----		
U.S. production.....	0	0	0
U.S. imports.....	15-20	15-20	18-23
U.S. exports.....	0	0	0
Apparent U.S. consumption.....	15-20	15-20	18-23

¹ All information in this section was provided by the proponent.

Principal import sources: Japan.

Principal export markets: None.

Effect on customs revenue:⁸

Future (1998) effect:⁹ \$27.5 million x (10.7%-9.0%) = \$468,000 revenue loss.

Future (1999) effect: \$27.5 million x (10.0%-8.3%) = \$468,000 revenue loss.

Future (2000) effect: \$27.5 million x (9.3%-7.6%) = \$468,000 revenue loss.

Retroactive effect: None.

Technical comments:

The chemical name of the product should be corrected in the text of the legislation. The correct chemical name is ((3-((dimethylamino)carbonyl)-2-pyridinyl)sulfonyl)carbamic acid, phenyl ester. Its CAS registry number is 112006-94-7. The bill, if reported favorably by the Committee, should be drafted as an amendment to subchapter II of chapter 99 of the HTS.

⁷ Staff telephone calls on July 29, 1997, to Ms. Marge Lyons, Novartis; Mr. Jim Enyart, Monsanto; Mr. George Yuro, Cytec Industries (a business successor to American Cyanamid); and Dr. Ed Ready, Zeneca, Inc.

⁸ Actual revenue loss may be understated during 1998-2000 in the event of a significant increase in imports over the duty suspension period.

⁹ The proponent says about 20 percent of the herbicide technical grade is exported to the Japanese supplier of this intermediate and might be subject to duty drawback.

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.)

105TH CONGRESS
2D SESSION

H. R. 3425

To provide for reductions in duty for carbamic acid (U-9069).

IN THE HOUSE OF REPRESENTATIVES

MARCH 10, 1998

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

A BILL

To provide for reductions in duty for carbamic acid (U-9069).

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. REDUCTION IN DUTIES FOR CARBAMIC ACID**
4 **(U-9069).**

5 (a) REDUCTION IN DUTIES.—Notwithstanding any
6 other provision of law, the general column rate of duty
7 for the article described in subsection (b) shall be—

8 (1) 9.0% for goods entered, or withdrawn from
9 warehouse for consumption, during the period begin-
10 ning on the 15th day after the date of the enactment
11 of this Act and ending December 31, 1998;

1 (2) 8.3% for goods entered, or withdrawn from
2 warehouse for consumption, during calendar year
3 1999; and

4 (3) 7.6% for goods entered, or withdrawn from
5 warehouse for consumption, during calendar year
6 2000.

7 (b) DESCRIPTION OF ARTICLE.—The article to which
8 subsection (a) applies is Carbamic Acid, [3-
9 ((dimethylamino)carbonyl)-2-pyridinyl sulfonyl]-, phenyl
10 ester (CAS No. 112006–94–7), provided for in subheading
11 2935.00.75 of the Harmonized Tariff Schedule of the
12 United States.

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