

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. 1940 (105th Congress), Representative Nussle (IA).

Companion bill: None.

Title as introduced: A bill to suspend temporarily the duty on the chemical P-nitrobenzoic

Summary of bill:^{2,3}

The bill would temporarily suspend the duty on U.S. imports of p-nitrobenzoic acid entered on or before December 31, 1999.

Effective date: The 15th day after enactment of the Act.

Retroactive effect: None

Statement of purpose:

Representative Nussle made no statement in the Congressional Record concerning this bill. However, Mr. Glen Wiltgen of Salsbury Chemical/ Cambrex, Inc., (Salsbury) of Charles City, Iowa, the proponent company, stated that there is currently no domestic production of this product. He further states that the present duty assessed on this product is counterproductive because it unnecessarily raises the price of downstream products made in the United States thereby making these downstream products less competitive in the marketplace.⁴

¹ Industry analyst: Larry Johnson (205-3351); attorney: Leo Webb (205-2599).

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

³ See technical comments.

⁴ Based on information contained in a letter from Mr. Wiltgen of Salsbury to Congressman Nussle which was forwarded to the Commission on July 24, 1997, and a telephone conversation between Mr. Wiltgen and Mr. Johnson of the Commission staff on July 30, 1997.

Product description and uses:

p-Nitrobenzoic acid: para-Nitrobenzoic acid is an organic chemical intermediate used in the manufacture of other organic chemicals that are used to make such things as sunscreens, printing inks, anesthetics, vitamin formulations, oil field chemicals, and chemicals used in metal plating applications.

Tariff treatment:⁵

<u>Product</u>	<u>Col. 1-general HTS subheading</u>	<u>rate of duty</u>
p-Nitrobenzoic acid..... 11.4 % ad valorem		2916.39.45

Structure of domestic industry (including competing products):

p-Nitrobenzoic acid: According to DuPont Specialty Chemicals (DuPont) in Deepwater, NJ, which manufactured this product until the beginning of 1997, there are currently no U.S. producers of this material, a situation not likely to change during the period covered by this bill⁶. Industry sources indicate that there are no commercially viable substitutes for this product in downstream applications.

Private-sector views:

The Commission contacted two firms that have produced or imported this material during the past three years.⁷ Salsbury, the proponent, forwarded a copy of a letter they sent to Congressman Nussle's office stating their views⁸. The other firm has not submitted any written comments as of the date of the preparation of this report.

⁵ See appendix B for column 1-special and column 2 duty rates.

⁶ Telephone conversation between Mr. Heine of DuPont and Mr. Johnson of the Commission staff on August 1, 1997.

⁷ Mr. Heine of DuPont and Mr. Wiltgen of Salsbury on July 22, 1997.

⁸ See Appendix C.

U.S. consumption:

p-Nitrobenzoic acid:	<u>1994</u>	<u>1995</u>	<u>1996</u>
	-----(\$million)-----		
U.S. production.....	(¹)	(¹)	(¹)
U.S. imports.....	(¹)	(¹)	(¹)
U.S. exports.....	(²)	(²)	(²)
Apparent U.S. consumption.....	(¹)	(¹)	(¹)

Principal import sources: Sweden

Principal export markets: None⁹

¹Not publicly available because only one U.S. firm manufactured this product during these years.

²Estimated to be negligible or nil.

Effect on customs revenue:¹⁰

Future (1998-1999) effect: Actual imports of this product are not publicly available. However, according to industry sources, the estimated average revenue loss is expected to be less than \$600,000 annually during the period.¹¹

Retroactive effect: None.

Technical comments:

It is recommended that the complete chemical name be used. The letter "p" in the chemical name indicates the ring position of the nitro group and is not capitalized. Also, the word "acid" should be inserted after "p-nitrobenzoic". Thus, the chemical name of the subject product is properly spelled as follows: "p-Nitrobenzoic acid." The termination date should read "On or before 12/31/99".

⁹ Telephone conversation between Mr. Wiltgen of Salsbury and Mr. Johnson of the Commission staff on July 30, 1997.

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

¹¹ Telephone conversation between Mr. Wiltgen of Salsbury and Mr. Johnson of the Commission staff on July 30, 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.

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. 1940

To suspend temporarily the duty on the chemical P-nitrobenzoic.

IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1997

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

A BILL

To suspend temporarily the duty on the chemical P-nitrobenzoic.

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. 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:

“	9902.32.14	P-nitrobenzoic (CAS No. 62-23-7) (provided for in sub-heading 2916.39.45)	Free	No change	No change	On or before December 31, 1999	”.
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1 (b) **EFFECTIVE DATE.**—The amendment made by
2 this section applies to articles entered, or withdrawn from
3 warehouse for consumption, on or after the 15th day after
4 the date of the enactment of this Act.

