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. 3431 (105th Congress), Representative, Roukema (NJ).

Companion bill: S. 1801 (105th Congress), Senator Lautenberg (NJ).[2]

Title as introduced: To suspend until December 31, 2000, the duty on Benzenepropanal, 4-(1,1-Dimethylethyl)-Methyl-.

Summary of bill:[3]

This bill would temporarily reduce MFN import duties from 9% to 6% until on or before Dec. 31, 2000, on Benzenepropanal, 4-(1,1-dimethylethyl)methyl- (CAS No. 80--54-6).[4]

Effective date: 15th day after enactment.[5]

Retroactive effect: None.

Statement of purpose:

The sponsor made no comments in the *Congressional Record* at the time this bill was introduced.[6] Background information was provided by the petitioner in writing to Congresswoman Roukema's office[7] and to the Commission.[8] The petitioner (Bush Boake Allen) and more than ten other U.S. firms are known to import this product from three countries in the European Union (EU) plus Japan, an aroma chemical from which fragrance chemicals are manufactured for use in fabric softeners, laundry and bath soaps, shampoos, perfumes, etc. The only U.S. producer of this chemical, Givaudan Corp., has announced the scheduled permanent closure of its plant at Clifton, NJ, effective June, 1998, and will make up the shortfall through increasing imports from a subsidiary in Switzerland.

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[1] Industry analyst: Raymond Cantrell (205-3362); attorney: Leo Webb (205-2599).
[2] *Congressional Record*, S. 1801, Mar. 19, 1998, p. S2296.
[3] See appendix A for definitions of tariff and trade agreement terms.
[4] See technical comments
[5] Companion bill S. 1801 has been modified to include July 15, 1998, as date of enactment to avoid potential conflict with the closure of Givaudan Corp., the only U.S. producer, in June 1998.
[6] *Congressional Record*, H. R. 3431, Mar. 10, 1998, p. H1021.
[7] Mr. Meany, V.P., General Counsel & Secretary, Bush Boake Allen Inc., Montvale, N.J., Mar. 3, 1998.
[8] Letter from Messrs. J. W. Rauber, Jr., of Union Camp Corp., Washington, DC, and Dennis M. Meany of Bush Boake Allen Inc., Montvale, NJ, Apr. 16, 1998.

The petitioner claims the tariff has become a kind of "nuisance tariff" over time that penalizes U.S. manufacturers and U.S. consumers alike, without "protecting" any U.S. industry in any way. Accordingly, a request was made to temporarily reduce the current duty of 9% on this chemical to 6%, the floor limit to be reached by the year 2004 in a staged tariff reduction under the auspices of the Uruguay Round GATT negotiations, pursuant to U.S. commitments under the World Trade Organization Agreement. There is no known opposition to this proposal by industry competitors, as the petitioner believes improved cost-effectiveness will benefit primary manufacturers as well as the ultimate consumers of finished products in the United States.

Product description and uses:

Benzenepropanal ,4-(1,1-dimethylethyl)-methyl-: This unique synthetic organic chemical exhibits a fresh, light, green floral odor reminiscent of lily, which is strongly diffusive, with excellent substantivity. The chemical is identified under Chemical Abstract Services Registry (CAS) No. 80-54-6. This aroma chemical is used principally as a raw material in the manufacture of fragrances having a lily-like floral aroma, which are found in fabric softeners, detergents, bath soaps, shampoo, perfumes, and in certain agrichemicals.

Tariff treatment:[9]

Product	HTS subheading	Col. 1-general rate of duty
Benzenepropanal ,4-(1,1-dimethylethyl)-methyl-................	2912.29.60	9.0% ad valorem.

Structure of domestic industry (including competing products):

Benzenepropanal ,4-(1,1-dimethylethyl)-methyl-: During 1995-97 there was one known U.S. producer of this product, Givaudan Corp., Clifton, NJ; however, production of this product will be discontinued effective June 1998, according to Givaudan officials.[10] Givaudan also currently imports this product from a subsidiary in Switzerland, and will supplement declining domestic production with imports. In addition to the petitioner, Bush Boake Allen of Montvale, NJ, a division of Union Camp, there are more than ten U.S. importers of this unique aroma chemical, including Proctor & Gamble, Colgate Palmolive, and International Flavors & Fragrances (IFF). The product is known to be imported from Germany, Switzerland, the United Kingdom, and Japan.

[9] See appendix B for column 1-special and column 2 duty rates.
[10] By phone from the Commission to Messrs Soltis and Orton, Givaudan Corp., Clifton, NJ, Apr. 16, 1998.

Private-sector views:

In addition to the petitioner, the Commission contacted three U.S. firms known to import and/or use the subject chemical.[11] As of this date, one response has been received. See Appendix C.

U.S. consumption:

Benzenepropanal, 4-(1,1-dimethylethyl)-methyl-:	1995	1996	1997
	($Million)		
U.S. production	([1])	([1])	([1])
U.S. imports[2]	11.0	12.0	12.0
U.S. exports[2]	0.0	0.0	0.0
Apparent U.S. consumption	([3])	([3])	([3])

[1]Data are considered to be company proprietary information.
[2]Commission estimates based on information supplied by industry.
[3]Not available.

Principal import sources: Germany, Switzerland, United Kingdom, and Japan.
Principal export sources: None.

Effect on customs revenues:[12]

Future (1998-2000) effect: The estimated average annual revenue loss is expected to be about $380,000.[13]

Retroactive effect: None.

Technical comments:

The Commission recommends that the spelling of the chemical conform with that specified by Chemical Abstract Services Registry No. 80-54-6, as follows:

Benzenepropanal, 4-(1,1-dimethylethyl)-alpha-methyl-.

[11] Proctor & Gamble, Cincinnati, OH; Colgate Palmolive, New York, NY; and International Flavors & Fragrances, New York, NY.

[12] Actual revenue loss may be understated if a significant increase in imports occurs during the duty suspension period.

[13] A staged tariff reduction is currently in effect for this chemical under provisions of the Uruguay Round GATT, decreasing sequentially from 9% in 1998, to 5.5% by the year 2004. The revenue loss as shown is based on a 3% reduction of duty, from 9% to 6%. The total elimination of this tariff would result in a loss in revenues exceeding $500,000 annually.

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 **<u>products of insular possessions</u>** (general note 3(a)(iv)), **<u>products of the West Bank and Gaza Strip</u>** (general note 3(a)(v)), goods covered by the **<u>Automotive Products Trade Act</u>** (APTA) (general note 5) and the **<u>Agreement on Trade in Civil Aircraft</u>** (ATCA) (general note 6), **<u>articles imported from freely associated states</u>** (general note 10), **<u>pharmaceutical products</u>** (general note 13), and **<u>intermediate chemicals for dyes</u>** (general note 14).

The **<u>General Agreement on Tariffs and Trade 1994</u>** (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.)

I

105TH CONGRESS
2D SESSION

H. R. 3431

To suspend until December 31, 2000, the duty on Benzenepropanal, 4-(1,1-Dimethylethyl)-Methyl-.

IN THE HOUSE OF REPRESENTATIVES

MARCH 10, 1998

Mrs. ROUKEMA introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To suspend until December 31, 2000, the duty on Benzenepropanal, 4-(1,1-Dimethylethyl)-Methyl-.

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

SECTION 1. REDUCTION OF DUTY ON BENZENEPROPANAL, 4-(1,1-DIMETHYLETHYL)-METHYL-.

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

"	9902.29.57	Benzenepropanal, 4-(1,1-Dimethylethyl)-Methyl- (CAS No. 80–54–6 provided for in subheading 2912.29.60.00)	6%	No change	No change	On or before 12/31/2000	".

SEC. 2. APPLICABILITY.

The amendment made by section 1 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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