

March 13, 1998

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON FINANCE OF THE UNITED STATES
SENATE ON PROPOSED TARIFF LEGISLATION¹

Bill no., sponsor, and sponsor's state: S. 1537 (105th Congress), Senator Chafee (RI).

Companion bill: None.

Title as introduced: To suspend until December 31, 2002, the duty on Benzoic acid, 2-[[1-[(2,3-dihydro-2-oxo-1H-benzimidazol-5-yl)amino]carbonyl]-2-oxopropyl]azo]benzoic acid.³

Summary of bill:²

The bill would suspend through December 31, 2002, the column 1-general rate of duty on, 2-[[1-[(2,3-dihydro-2-oxo-1H-benzimidazol-5-yl)amino]carbonyl]-2-oxopropyl]azo]benzoic acid.³

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

Retroactive effect: None.

Statement of purpose:

The sponsor, Senator Chafee, stated in the *Congressional Record* that he was introducing this bill along with 12 other duty suspension bills:

The products in question are organic replacements for colorants that use heavy metals - such as lead, molybdenum, chrome, and cadmium - in the plastics and coatings industries... None of these organic substitutes are produced in the United States, and therefore lifting the current duties will not result in harm to any domestic industry. Rather, suspending the duties will allow our domestic manufacturers to reduce costs, thus maintaining U.S. competitiveness and safeguarding Rhode Island jobs... These bills will help contribute to a productive manufacturing sector in Rhode Island, and aid our employers in keeping their costs down and their sales and employment up.⁴

¹Industry analyst: Cynthia Trainor (205-3354); attorney: Leo Webb (205-2599).

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

³See technical comments section.

⁴Statement of Senator Chafee, *Congressional Record*, Nov. 13, 1997, p. S12596.

Product description and uses:

Benzoic acid, 2-[[1-[[[(2,3-dihydro-2-oxo-1H-benzimidazol-5-yl)amino]carbonyl]-2-oxopropyl]azo]-,:

The subject chemical (also known by the company trade name 11-3020 HOSTAPERM YELLOW H4G and as Color Index Pigment Yellow 151) 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 an organic pigment primarily used in the automotive coatings industry. This pigment is a high-performance product which resists fading and decomposition in extreme conditions. This pigment is particularly important because it is an environmentally benign substitute for comparable inorganic pigments using heavy metal chemicals such as cadmium, chrome, lead, and molybdenum, which are considered toxic.

Tariff treatment:⁵

<u>Product</u>	<u>HTS subheading</u>	<u>Col. 1-general rate of duty</u>
Benzoic acid, 2-[[1-[[[(2,3-dihydro-2-oxo-1H-benzimidazol-5-yl)amino]carbonyl]-2-oxopropyl]azo]-.....	3204.17.60	11.6% ad valorem

Structure of domestic industry (including competing products):

Benzoic acid, 2-[[1-[[[(2,3-dihydro-2-oxo-1H-benzimidazol-5-yl)amino]carbonyl]-2-oxopropyl]azo]-,:

According to Commission records and industry sources, there was no U.S. production of the subject chemical during 1994-96. However, other pigments manufactured or formulated in the United States are, to some extent and in certain circumstances, competitive with this pigment.

Competing products:

C. I. Pigment Yellow 109--an isoindolinone colorant compound used in the production of coatings, fibers, specialty printing inks, and plastics. Imported from Switzerland, both as a pigment and formulated colorant product, by Ciba Specialty Chemicals Corp.

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

Private-sector views:

The Commission contacted one company which produces a competing product.⁶ The company had not submitted any written comments as of the date of preparation of this report.

U.S. consumption:

Benzoic acid, 2-[[1-[[[(2,3-dihydro-2-oxo-1H-benzimidazol-5-yl)amino]carbonyl]-2-oxopropyl]azo]-,:	<u>1994</u>	<u>1995</u>	<u>1996</u>
	-----(\$1,000)-----		
U.S. production.....	0	0	0
U.S. imports ¹	(¹)	(¹)	(¹)
U.S. exports.....	0	0	0
Apparent U.S. consumption.....	(¹)	(¹)	(¹)

Principal import sources: Germany.

Principal export markets: None.

¹Not publicly available. This chemical is classified in a residual, or “basket,” HTS subheading.

Effect on customs revenue:⁷

Future (1998-2002) effect: Actual dutiable import values for this product are not publicly available. However, according to a representative of Clariant,⁸ the estimated average annual revenue loss is expected to be less than \$900,000 during the period.

Retroactive effect: None.

Technical comments:

The Commission suggests that the Chemical Abstracts Service (CAS) nomenclature for the subject chemical, benzoic acid, 2-[[1-[[[(2,3-dihydro-2-oxo-1H-benzimidazol-5-yl)amino]carbonyl]-2-oxopropyl]azo]-, be included in the article description. The Commission further suggests that the Customs classification of the subject chemical, HTS subheading 3204.17.60, be inserted in the bill’s article description. Additionally, the Commission suggests that inserting the subject chemical’s CAS registry number (CAS 031837-42-0) followed by the Color Index name (C. I. Pigment Yellow

⁶Telephone conversations with Ms. Michelle Forte, International Trade Counsel, Ciba Specialty Chemicals, on Feb. 12, 13, and 17, 1998.

⁷Estimated average annual revenue loss was calculated from information provided by Mr. William T. Lyons representing Clariant Corp. Actual revenue loss may be understated in the event of a significant increase in imports over the duty suspension period.

⁸Telephone conversation between Mr. Lyons of Clariant and Commission staff on Feb. 10, 1998.

151) in the bill's article description would 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.)

105TH CONGRESS
1ST SESSION

S. 1537

To suspend until December 31, 2002, the duty on Benzoic acid, 2-[[1-
[[[(2,3-dihydro-2-oxo-1H-benzimidazol-5-yl) amino].

IN THE SENATE OF THE UNITED STATES

NOVEMBER 13, 1997

Mr. CHAFEE introduced the following bill; which was read twice and referred
to the Committee on Finance

A BILL

To suspend until December 31, 2002, the duty on Benzoic
acid, 2-[[1-[[[(2,3-dihydro-2-oxo-1H-benzimidazol-5-yl)
amino].

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 ON BENZOIC ACID,**

4 **2-[[1-[[[(2,3-DIHYDRO-2-OXO-1H-BENZIMIDAZOL-**

5 **5-YL) AMINO].**

6 Subchapter II of chapter 99 of the Harmonized Tar-
7 iff Schedule of the United States is amended by inserting
8 in numerical sequence the following new subheading:

“	9902.32.XX	Benzoic acid, 2- [[1-[(2,3-dihydro- 2-oxo-1H- benzimidazol-5-yl) amino] provided for in subheading 3204.17.90	Free	No change	No change	On or before 12/31/2002	”.
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1 SEC. 2. EFFECTIVE DATE.

2 The amendment made by section 1 applies with re-
3 spect to goods entered, or withdrawn from warehouse for
4 consumption, on or after the 15th day after the date of
5 the enactment of this Act.

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