

June 15, 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. 1840 (105th Congress), Senator Helms (NC).

Companion bill: H.R. 3362 (105th Congress), Representative Coble (NC).

Title as introduced: To suspend temporarily the duty on chloroacetone.

Summary of bill:²

The most-favored-nation (MFN) rate of duty would be temporarily suspended through December 31, 2002.

Effective date: 15th day after enactment.

Retroactive effect: None.

Statement of purpose:

Senator Helms made no statement in the *Congressional Record* at the time the legislation was introduced. However, in a letter to Commission staff, Mr. Adventosa, General Counsel for Novartis Crop Protection, Inc., stated that the duty suspension was needed to improve competitiveness in U.S. and world markets. End-use herbicides are exported in significant quantities.”³

Product description and uses:

Chloroacetone: Chloroacetone is a raw material used in the production of a chemical intermediate for production of a herbicide (weed-killer) used for various crops.

¹ Industry analyst: Aimison Jonnard (205-3350); attorney: Leo Webb (205-2599).

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

³ Letter from Novartis, Mar. 24, 1998.

Tariff treatment:⁴

<u>Product</u>	<u>HTS subheading</u>	Col. 1-general <u>Rate of duty</u>
Chloroacetone ⁵	2914.19.00 ⁶	4%

Structure of domestic industry (including competing products):

Chloroacetone: This chemical is a raw material for a herbicide, or weed killer. About 75 or 80 herbicides are produced domestically by more than 30 companies. One such domestic producer, Novartis Crop Protection, Inc., in Greensboro, NC (subsidiary of Novartis Corp.), was recently formed by the merger of two Swiss-affiliated concerns--Sandoz Agro, Inc. and the Ciba Crop Protection unit of Ciba Geigy Corp.--and is the firm that has requested this legislation.

Private-sector views:

The Commission contacted 5 companies which produce what may be competing herbicides.⁷ None of these companies had submitted any written comments as of the date of preparation of this report.

U.S. consumption:

Chloroacetone:	<u>1995</u>	<u>1996</u>	<u>1997</u>
U.S. production.....	0	0	0
U.S. imports ¹	0	0	0
U.S. exports.....	0	0	0
Apparent U.S. consumption ¹	0	0	0

¹U.S. imports of this product are classified in a residual or "basket" HTS subheading. As such, import data are not available. However, chloroactone is already supplied to the U.S. market by 4 firms, mostly European affiliates, for other applications in limited quantities.

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

⁴See appendix B for column 1-special and column 2 duty rates.

⁵Chemical Abstracts Service Registry No. 78-95-5.

⁶See technical comments section.

⁷Faxes were sent to Dow Chemical Co., Midland, MI; E.I. du Pont de Nemours and Co., Wilmington, DE; Monsanto Co., St. Louis, MO; Riverdale Chemical Co., Gillenwood, IL; and Zeneca Corp., Wilmington, DE, on Apr 14, 1998.

Effect on customs revenue:⁸

Future (1998-2002) effect: According to information provided by a representative of Novartis, the average annual revenue loss during 1998-2002 is expected to be about \$130,000.⁹

Retroactive effect: None.

Technical comments:

HTS subheading 2914.11.50 is cited in the bill as being applicable in this case, but that subheading applies to acetone itself, rather than to its chlorinated derivative. The latter is covered by HTS subheading 2914.19.00.

The duty suspension period ends on 12/31/2002. The date in the House companion bill, H.R. 3362, is 12/31/2000. One or the other must be changed to be consistent.

⁸ Actual revenue loss may be understated if a significant increase in imports occurs during the duty suspension period.

⁹ Fax to Commission staff, dated Apr. 22, 1998.

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

S. 1840

To suspend temporarily the duty on chloroacetone.

IN THE SENATE OF THE UNITED STATES

MARCH 24, 1998

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

A BILL

To suspend temporarily the duty on chloroacetone.

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. CHLOROACETONE.**

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:

“	9902.29.11	Chloroacetone (CAS No. 78-95-5) (provided for in sub-heading 2914.11.50)	Free	No change	No change	On or before 12/31/02	”.
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8 (b) EFFECTIVE DATE.—The amendment made by
9 subsection (a) applies with respect to articles entered, or

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- 1 withdrawn from warehouse for consumption, on or after
- 2 the 15th day after the date of enactment of this Act.

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