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 LEGISLATION[1]

Bill no., sponsor, and sponsor's state: S. 1843 (105th Congress), Senator Helms (NC).

Companion bill: H.R. 3359 (105th Congress), Representative Coble (NC).

Title as introduced: To suspend temporarily the duty on acetic acid, [(5-chloro-8-quinolinyl)oxy]-, 1-methyhexyl ester.

Summary of bill:[2,3]

Temporarily suspends the most-favored-nation (MFN) rate of duty on imports of acetic acid, [(5-chloro-8-quinolinyl)oxy]-, 1-methylhexyl ester through December 31, 2002.

Effective date: The 15th day after enactment.

Retroactive effect: None.

Statement of purpose:

Senator Helms made no statement at the time the bill was introduced. According to background information provided by the proponent, Novartis, duty suspension for this product is necessary to improve competitiveness in the U.S. and world markets.[4]

Product description and uses:

Acetic acid, [(5-chloro-8-quinolinyl)-oxy]-, 1-methylhexyl ester:	This chemical is an intermediate used as a safener in the manufacture of a herbicide to control wild oats, foxtail and pigeon grass in wheat.

[1] Industry analyst: Jack Greenblatt (205-3353); attorney: Leo Webb (205-2599).
[2] See appendix A for definitions of tariff and trade agreement terms.
[3] See technical comments section.
[4] Fax memorandum, Novartis to Commission staff on March 20, 1998.

Tariff treatment:[5]

Product	HTS subheading	Col. 1-general rate of duty
Acetic acid, [(5-chloro-8-quinolinyl)-oxy]-, 1-methylhexyl ester........................	2933.90.82	12.3% ad. val.+2.2 cents/kilogram

Structure of domestic industry (including competing products):

Acetic acid, [(5-chloro-8-quinolinyl)-oxy]-, 1-methylhexyl ester:	According to Novartis, the herbicide it produces from the subject chemical, is used in the control of wild oats, foxtail and pigeon grass in wheat. The chemical intermediate is imported from Switzerland. Further, the herbicide is the only such product to control these weeds and grasses in wheat. Novartis does not believe that there are domestic competitors.[6] Until the end-use product is registered for use in the United States, all imports of the intermediate will be incorporated into herbicides for export to Canada.

Private-sector views:

The Commission contacted eight firms which may make, purchase or import herbicides in the United States.[7] No firm had submitted written comments as of the date of preparation of the report.

[5] See appendix B for column 1-special and column 2 duty rates.
[6] Fax memorandum, Novartis to Commission staff, Apr. 15, 1998.
[7] Mr. Morris, AgrEvo, Mr. Campbell, Dow Agrosciences, Ms. Ollson, DuPont Corp.; Mr. Hysell, BASF Corp.,;Mr. Helscher, Monsanto Corp.; Ms. McGrath, Zeneca Corp.; and Ms. Van Egmond, Bayer Corp., on Apr. 20, 1998; and Ms. Robinson, Valent U.S.A, on Apr. 28, 1998.

U.S. consumption:

Acetic acid, [(5-chloro-8-quinolinyl)-oxy]-, 1-methylhexyl ester:

	1995	1996	1997
	--------------------($1,000)------------------		
U.S. production...........................	0	0	0
U.S. imports[1]...............................	0	0	1,308
U.S. exports.................................	0	0	0
Apparent U.S. consumption.......	0	0	1,308

[1] U.S. imports of this product are classified in a residual, or "basket," HTS subheading. Data presented were provided by a representative of Novartis.

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

Effect on customs revenue:[8]

Future (1998-2000) effect:

Product	Estimated average annual revenue loss[9] 1998	1999	2000
	-------------------	($1,000)	-----------------
Acetic acid, [(5-chloro-8-quinolinyl)-oxy]-, 1-methylhexyl ester........................	20.0	18.0	16.2

Retroactive effect: None.

Technical comments:

The phrase “methy” in the bill should be replaced by “methyl”. The name of the bill in the title and in Section 1 should be modified to read as follows:

acetic acid, [(5-chloro-8-quinolinyl)oxy]-, 1-methylhexyl ester

The expiration date for this bill, December 31, 2002, is different from the version introduced in the U.S. House of Representatives by Congressman Coble, H.R. 3359, which, as drafted, is scheduled to expire on December 31, 2000. It is recommended that the expiration dates for these two bills be reconciled.

According to the U.S. Customs Service, the HTS subheading for this item is incorrect. The correct HTS number for this item is HTS 2933.40.30.[10]

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

[9] Estimates of revenue loss provided by Vincent Alventosa, Counsel to Novartis Crop Protection, Inc., to Commission staff. These revenue loss estimates are likely to be lowered by the change in the HTS subheading classification recommended by the U.S. Customs Service for this item (see technical comments) as the HTS subheading recommended by the U.S. Customs Service (2933.40.30) is staged at a lower rate than the subheading used in the bill (2933.90.82).

[10] Charles Huang, Chemist, U.S. Customs Laboratory, May 12, 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.)

II

105TH CONGRESS
2D SESSION

S. 1843

To suspend temporarily the duty on acetic acid, [(5-chloro-8-quinolinyl)oxy]-1-methyhexyl ester.

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 acetic acid, [(5-chloro-8-quinolinyl)oxy]-1-methyhexyl ester.

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

SECTION 1. ACETIC ACID, [(5-CHLORO-8-QUINOLINYL)OXY]-1-METHYHEXYL ESTER.

(a) IN GENERAL.—Subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States is amended by inserting in numerical sequence the following new heading:

"	9902.29.32	Acetic acid, [(5-chloro-8-quinolinyl)oxy]-1-methyhexyl ester (CAS No. 99607–70–2) (provided for in subheading 2933.90.82)	Free	No change	No change	On or before 12/31/02	".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies with respect to articles entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of enactment of this Act.