UNITED STATES INTERNATIONAL TRADE COMMISSION

MEMORANDUM ON PROPOSED TARIFF LEGISLATION of the 112th Congress

Date approved: June 11, 2012

I. Background

Bill number: H.R. 1503

Sponsor name: Mr. John Yarmuth

Sponsor state: KY

Interested entity:

Name: Zeon Chemicals L.P.

City: Louisville

State: KY

Other bills on product (112th Congress only): None

Nature of bill: Temporary duty suspension

Expiration date: December 31, 2014

Current or previous chapter 99 heading: None

Retroactive date: None

CAS number (if applicable): 881025-72-5; 503442-46-4; and 503298-02-0

Industry analyst: Ray Cantrell

Telephone: 202-205-3362

Tariff Affairs contact: David Michels

Telephone: 202-205-3440

Note:
1. Access to an electronic copy of this memorandum is available at http://www.usitc.gov/tariff_affairs/congress_reports/.
2. In regard to the country(ies) of origin listed in section III, this report focuses on dutiable imports and does not take into account any tariff preference programs or special rates of duty.

II. Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

1,4:5,8-Dimethanonaphthalene, 2-ethylidene-1,2,3,4,4a,5,8,8a-octahydro-, polymer with 3a,4,7,7a-tetrahydro-4,7-methano-1H-indene, hydrogenated (CAS No. 881025–72–5); 1,4-methano-1H-fluorene, 4,4a,9,9a-tetrahydro-, polymer with 1,2,3,4,4a,5,8,8a-octahydro-1,4:5,8-dimethanonaphthalene and 3a,4,7,7a-tetrahydro-4,7-methano-1H-indene, hydrogenated (CAS No. 503442–46–4); and 1,4-methano-1H-fluorene, 4,4a,9,9a-tetrahydro-, polymer with 1,2,3,4,4a,5,8,8a-octahydro-1,4:5,8-dimethanonaphthalene, hydrogenated (CAS No. 503298–02–0); (provided for in subheading 3911.90.25).

Description above compared with bill as introduced:

☐ Same

☒ Different (see Technical Comments section)

III. Other product information, including uses/applications and source(s) of imports

The subject products may be described generically as cyclo-olefin polymers (COPs). These polymers are classified as high-performance engineering thermoplastics characterized by high transparency and heat resistance, good chemical and breakage resistance, and low moisture absorption. These properties give rise to their use in specialty optical component and lens applications, light-emitting diode (LED) applications, and medical applications for break-resistant vials, bottles, and syringes for bio-pharmaceutical and high-viscosity drugs. Other applications include bio-diagnostic plates, optical films, and molds used in the manufacture of contact lenses. The products are imported in pellet form from Japan.

IV. Estimated effect on customs revenue

Subject product HTS subheading(s)	3911.90.25				
Item	2013	2014	2015	2016	2017
Col.1-general rate of duty (%)	6.1	6.1	6.1	6.1	6.1
Estimated value of *dutiable* imports ($)	4,500,000	5,000,000	6,000,000	6,500,000	7,000,000
Customs revenue loss ($)	274,500	305,000	366,000	396,500	427,000

Note: Customs revenue loss is provided for 5 years, although the effective period of the proposed legislation may differ. Regarding the HTS subheading listed in the article description of the bill, the Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only U.S. Customs and Border Protection is authorized to issue a binding ruling on this matter. The Commission believes that Customs should be consulted prior to enactment of the bill.

Dutiable imports were based on (more than one may apply):

☒ Official statistics of the U.S. Department of Commerce

☐ Provided by industry sources

☐ Industry information

☒ Commission estimates

Duty reduction notes:

☒ This bill is not a duty reduction

☐ This bill is a temporary duty reduction. Rates are shown below.

Col.1-general duty rate (%) ☐ Temporary rate (%) ☐ Percentage point reduction (%) ☐

V. Technical comments

The Commission staff suggests that the article description on page 2 of this report be used in the proposed new heading in order to provide the correct HTS number (see statement in continuation section VI).

VI. Continuation

Based on Commission staff consultation with Frank Cantone, National Import Specialist, Customs and Border Protection, New York, NY, April 26, 2012.

If enacted, the tariff relief provided for in this bill would be available to any entity that imports the product that is covered by the bill.

VII. Contacts with domestic firms/organizations

	#	Firm/organization and contact name	Telephone number	Claims same or competing product made in the United States	Submission attached	Opposition noted
	1	Zeon Chemicals L.P. (Interested entity) David F. Olave	202-730-4960	No	No	No
	2	Bayer International Trade Services Corporation Steve Johnsen	412-777-5616	No	No	No
	3	Dow Chemical Co. Lisa Schroeter	202-429-3400	No	No	No
	4	DuPont Legal Brian Curtis	302-992-3223	No	No	No
	5	Efficient Global Trade Inc. Henry P. Stoebenau	215-628-4919	No	No	No
	6	Hexion Specialty Chemicals Inc. Paul W. Langemeier	832-366-2385	No	No	No
	7	LANXESS Corp. Jamie Schaeffer	412-809-3666	No	No	No
	8	PPG Industries Inc. William Ries	412-434-1717	No	No	No
	9	SABIC Innovative Plastics Danielle Cannata	202-621-2548	Yes	Yes	Yes
	10	TOPAS Advanced Polymers Inc. Timothy Kneale	859-746-6447	No	Yes	Yes

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Danielle Cannata
International Trade Counsel

Ray Cantrell
International Trade Analyst
Chemicals Division
U.S. International Trade Commission
500 E St., SW, Room 513-I
Washington, DC 20436

April 24, 2012

Dear Mr. Cantrell,

I am writing in reference to H.R. 1503 (To Suspend Temporarily the Duty on Certain Hydrogenated Polymers of Norbornene Derivatives). SABIC's Innovative Plastics business asks that cyclo olefin polymers (COP) imported under the brand name Zeonex/Zeonor by a company called Zeon Chemicals ***not*** be included in this year's Miscellaneous Tariff Bill. SABIC's Innovative Plastics business manufactures a competing product called LEXAN* resin here in the United States. LEXAN resin is used in several key application areas such as food and medical packaging, business machine housings, light management and optical media.

Both LEXAN resin and Zeon's COP have similar properties which make them candidates for many of the same types of applications. Overlapping applications may include: optical film, medical applications, silicon wafer transport and storage devices, LED applications, optical component and lens applications, light guides and diffusers for LCD screens, and injection or blow mold applications. When selecting a resin for a particular application, customers consider how well a resin's properties fulfill the application requirements together with the price of the resin

SABIC's Innovative Plastics business manufactures LEXAN resin in Indiana and Alabama. Our facility in Mt. Vernon, Indiana is the largest employer in its county with approximately 1150 employees. Its wages are some of the most competitive in its region with an annual payroll plus benefits of $125.7 million. Our facility in Burkville, Alabama employs approximately 350 people. Its wages are again some of the most competitive in that region with an annual payroll plus benefits of $33 million.

*LEXAN is a trademark of SABIC Innovative Plastics IP B.V.

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Saudi Basic Industries Corporation

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Accordingly, since there is domestic manufacture of a competing product, SABIC requests that the Zeon COP be excluded from the MTB. At a time when petrochemical feedstock costs have risen dramatically, SABIC's Innovative Plastics business cannot afford to have margins further reduced by lower-cost imports. The elimination of the tariff on imports of these competitor products would indeed be detrimental to SABIC's Innovative Plastics business and to the jobs that it provides in Indiana and Alabama.

Sincerely,

Danielle Cannata
International Trade Counsel

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Timothy Kneale
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26 April 2012

Dear Ray,

While lowering tariffs on COC/COP materials *as a class* is clearly a positive for the United States manufacturing sector and for my company, we must vigorously object to H. R. 1503 which, practically speaking, removes the tariff only on a specific subset of norbornene-based COC or COP materials that compete directly with our the COC products we market into packaging, healthcare, optical and other applications – in other words, virtually every market in which our company participates. The proposed legislation would simply favor one manufacturer over another, which is undesirable to us and may not be an appropriate use of tariff policy.

We would be pleased to support legislation that incorporates a broader scope to remove tariffs on the entire class of cyclic olefin resins. However, H. R. 1503 by itself is absolutely not acceptable to our firm and will undoubtedly lead to serious adverse business consequences for us.

Very truly yours,

Timothy Kneale
President
TOPAS Advanced Polymers, Inc.

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112TH CONGRESS
1ST SESSION

H. R. 1503

To suspend temporarily the duty on certain hydrogenated polymers of norbornene derivatives.

IN THE HOUSE OF REPRESENTATIVES

APRIL 12, 2011

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

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A BILL

To suspend temporarily the duty on certain hydrogenated polymers of norbornene derivatives.

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

SECTION 1. CERTAIN HYDROGENATED POLYMERS OF NORBORNENE DERIVATIVES.

(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:

“	9902.01.00	1,4:5,8-Dimethanonaphthalene, 2-ethylidene-1,2,3,4,4a,5,8,8a-octahydro-, polymer with 3a,4,7,7a-tetrahydro-4,7-methano-1H-indene, hydrogenated (CAS No. 881025–72–5); 1,4-methano-1H-fluorene, 4,4a,9,9a-tetrahydro-, polymer with 1,2,3,4,4a,5,8,8a-octahydro-1,4:5,8-dimethanonaphthalene and 3a,4,7,7a-tetrahydro-4,7-methano-1H-indene, hydrogenated (CAS No. 503442–46–4); and 1,4-methano-1H-fluorene, 4,4a,9,9a-tetrahydro-, polymer with 1,2,3,4,4a,5,8,8a-octahydro-1,4:5,8-dimethanonaphthalene, hydrogenated (CAS No. 503298–02–0); (all the foregoing provided for in subheading 3902.90.00) ...	Free	No change	No change	On or before 12/31/2014	”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies 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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