

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 108th Congress ¹**

[Date approved: August 6, 2004]²

Bill No. and sponsor: H.R. 3516 (Mr. Waxman).

Proponent name, location: Paint Resources International, Santa Monica, CA.

Other bills on product (108th Congress only): None.

Nature of bill: Temporary Duty suspension through December 31, 2008.

Retroactive effect: None.

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

Mixtures of organic colorants in an aqueous dispersion of vinyl acetate (provided for in subheading 3204.19.50).

Check one: Same as that in bill as introduced
 Different from that in bill as introduced (explain differences in the Technical comments section)

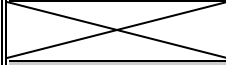
Product information, including uses/applications and source(s) of imports:

The products that are the subject of the proposed bill are mixtures of colored pigments in an aqueous dispersion of vinyl acetate. These mixtures are used as coloring agents in certain specialty coatings. They are imported from Sweden and Italy.

¹ Industry analyst preparing report: Larry Johnson (202-205-3351); Tariff Affairs contact: David Beck (202-205-2603).

² Access to an electronic copy of this memorandum is available at <http://www.usitc.gov/billrpts.htm> Access to a paper copy is available at the Commission's Law Library (202-205-3287) or at the Commission's Main Library (202-205-2630).

Estimated effect on customs revenue:

HTS subheading: 3204.19.50					
	2004	2005	2006	2007	2008
Col. 1-General rate of duty (AVE) <u>1/</u>	6.5%	6.5%	6.5%	6.5%	6.5%
Estimated value <i>dutiable</i> imports	\$9,407,000	\$11,289,000	\$13,546,000	\$16,256,000	\$19,507,000
Customs revenue loss	\$611,455	\$733,785	\$880,490	\$1,056,640	\$1,267,955

1/ The AVE is the ad valorem equivalent of a specific or compound duty rate expressed as a percent, using the most recent import data available.

Source of estimated dutiable import data: The product description in this bill is general enough that it could apply to all imports in this HTS subheading. Therefore, the revenue loss estimates are calculated from estimates of total imports entering under this rate line item. The estimates for total imports are based on official statistics of the U.S. Department of Commerce and information provided by members of the industry. Revenue losses may be higher if imports increase more than the estimates.

Contacts with domestic firms/organizations (including the proponent):

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
		(Yes/No)		
Paint Resources International	4/27/2004 ¹	No	Yes	No
Fanwood Chemicals Inc	4/27/2004 ¹	Yes	Yes	No, but seeks info.
National Paint and Coatings Association	5/3/2004 ^{1,2}	No	Yes	No
Color Pigments Manufacturers Association	5/7/2004 ^{1,2}	No	No	No
Air Products and Chemicals, Inc., Chemicals Group, Polymer Chemicals Div.	02/09/04	No	No	No
Kelly-Moore Paint Co.	02/09/04	No	No	No

¹ Contacted multiple times. Date listed is the date of the most recent contact.

² Additional submissions from members of the trade associations are possible.

Technical comments:³

The staff recommends that the numeric prefix, “586,” be deleted, as it denotes a brand name.

The description of the product in the proposed bill is vague, and the classification of the product in HTS subheading 3905.12.00 appears to be incorrect. That subheading covers aqueous dispersions of poly(vinyl acetate), but precludes the addition of coloring matter. Following discussions with the proponent and other industry experts, it would appear that the product is more properly classifiable in subheading 3204.19.50, as a variety of mixtures of organic colorants in an aqueous dispersion of vinyl acetate. The proponent declined to specify the organic colors and their ratios included in the mixtures, so staff can narrow the article description only as follows:

Mixtures of organic colorants in an aqueous dispersion of vinyl acetate (provided for in subheading 3204.19.50)

That being said, the Bureau of Customs and Border Protection may find such a vague description difficult to administer for purposes of applying a temporary duty suspension.

³ The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

From: Jim DeLisi [JDeLisi@fanwoodchemical.com]

Sent: Tuesday, April 27, 2004 10:51 AM

To: Johnson, Lawrence

Cc: Wanser, Stephen

Subject: HR 3516

Dear Larry:

Thanks for your telephone call.

As discussed, I am the vice chairman of ITAC 3 and am involved with carefully review temporary duty suspension bills that effect our Industry, especially in regard to colorants. HR 3516 caught my eye.

I am very concerned about the way the product is described. "586 intermediate blended colorants in aqueous solution" is an inadequate description to allow us to understand what is being requested. It is hard to believe that the material is actually a blend of 586 unique chemical identities. If it is, then it there should be a trade name and a producers name attached to the bill so that its impact can be properly understood.

It also appears to me that it is being improperly classified. Colorants are usually classified in Chapter 32, with organic intermediates in chapter 29, and inorganic intermediates in chapter 28. The fact that it is an aqueous solution should not effect the classification. If it is a true mixture of both inorganic and organic colorants in an aqueous solution it appears to me it should be in 3206.49.50 since 3212 is specifically related to materials in a nonaqueous media. If only organic colorants are involved it probably fits into 3204.19.

There are many US producers of colorants. It is important that we understand what the petitioner is requesting so that we can be sure that it does not impinge on the rights of a US producers. Without an adequate description of the product, this assessment is impossible to make.

I'd appreciate your help in properly identifying both the material in question and the proper classification so that this investigation can be made.

You can feel free to pass this message along to the requester if you think it would be helpful.

Thanks,

Best regards,

V. M. (Jim) DeLisi

Fanwood Chemical Inc. jdelisi@fanwoodchemical.com

Phone: 908-322-8440 fax: 908-322-8494

From: Liz Johnston [ljohnston@paint.org]
Sent: Friday, February 20, 2004 3:56 PM
To: Johnson, Lawrence
Cc: Steve Sides
Subject: Temp Duty Suspension

Dear Larry-

On behalf of NPCA, we wanted to thank the ITC for contacting us as a point of reference for the pending temporary duty legislation regarding two-tone antique paint. Unfortunately, at this time we are not able to make a determination of how this legislation will impact our industry and make a determination on behalf of our entire membership.

I have relayed the attached basic message to our membership.

<<Antique Paint Duty.doc>>

We hope to be of assistance to the ITC with future issues. If you have any additional comments or trade related questions, I will be happy to talk to you.

Thanks,
Liz A. Johnston
Manager Special Projects
National Paint and Coatings Association
1500 Rhode Island Ave. NW
Washington, DC 20005
Phone: +1 (202) 462-6272 ext. 232
Fax: +1 (202) 462-8549

108TH CONGRESS
1ST SESSION

H. R. 3516

To suspend temporarily the duty on 586 intermediate blended colorants in aqueous solution.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 2003

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

A BILL

To suspend temporarily the duty on 586 intermediate blended colorants in aqueous solution.

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. 586 INTERMEDIATE BLENDED COLORANTS IN**
4 **AQUEOUS SOLUTION.**

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

“	9902.33.22	586 intermediate blended colorants in aqueous solution (provided for in subheading 3905.12.00)	Free	No change	No change	On or before 12/31/2008	”.
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1 (b) **EFFECTIVE DATE.**—The amendment made by
2 subsection (a) applies with respect to goods entered, or
3 withdrawn from warehouse for consumption, on or after
4 the 15th day after the date of the enactment of this Act.

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