June 11, 1998

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON WAYS AND MEANS OF THE UNITED STATES HOUSE OF REPRESENTATIVES ON PROPOSED TARIFF LEGISLATION[1]

Bill no.,sponsor, and sponsor's state: H. R. 3480 (105th Congress), Representative Mollohan (WV).

Companion bill: None.

Title as introduced: To reduce temporarily the duty on ethylene/tetrafluoroethylene copolymer (ETFE).

Summary of bill:[2]

This bill would reduce temporarily the most favored nation (MFN) duty on imports of ethylene/tetrafluoroethylene copolymer (ETFE), as provided for in subheading HTS 3904.69.50.00, through December 31, 2000.

Effective date: The 15th day after enactment.

Retroactive effect: None.

Statement of purpose:

No comment was published in the *Congressional Record* by the sponsor at the time the bill was introduced.[3] Spokespersons for the proponent, DuPont, stated that the firm produces this product in the United States, but in recent years has been required to import ETFE because of a supply deficit in domestic product. Also, they state that DuPont has been forced to close a portion of its domestic capacity due to environmental legislation promulgated under provisions of the Clean Air Act. They state that there is one other known producer of ETFE in the United States, and that DuPont imports ETFE from this firm’s parent enterprise in Japan to make up for its supply shortfall.[4]

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[1] Industry analyst: Raymond Cantrell (205-3362); attorney: Leo Webb (205-2599).
[2] See appendix A for definitions of tariff and trade agreement terms.
[3] *Congressional Record,* H. R. 3480, Mar. 17, 1998, p. H1236.
[4] Messrs. Bob Heine, Washington, DC, and Charley Dietz, Wilmington, DE.

Product description and uses:

Ethylene-tetrafluoroethylene copolymer (ETFE):	ETFE is a thermoplastic fluorocopolymer resulting from the polymerization of ethylene with tetrafluoroethylene. Fluoropolymers are noted for their chemically inert properties, temperature resistance, toughness and flexibility, properties ideally suited for end-use applications in electrical wire and cable, and tubing in the automotive and aerospace industries. ETFE is ideal for coating electrical wires, acting as sheathing or insulation in aircraft fuel tanks and hydraulic systems where chemical inertness and flexibility are mandatory. In the automotive industry, ETFE is coextruded as an inner layer within rubber hose for gasoline lines where it acts as a chemically inert, vapor barrier to volatile organic carbon materials (VOC's), as mandated under provisions of the Clean Air Act.

Tariff treatment:[5]

Product	HTS subheading	Col. 1-general rate of duty[6]
Ethylene-tetrafluoroethylene copolymer (ETFE)......................	3904.69.50.00	0.4¢/kg + 6.7%

Structure of domestic industry (including competing products):

Ethylene-tetrafluoroethylene copolymer (ETFE):	During 1995-97, DuPont Co., Parkersburg, WV, was the major domestic producer, and Daikin America, Decatur, AL, a Japanese affiliate, were the two known domestic producers. Each firm produces competing ETFE copolymer products as powder, pellets or film; DuPont, under the trademark Tefzel®; Daikin, under the trademark Neoflon®. There are other fluoropolymer products in the United States that may compete with ETFE copolymer in selected applications such as 3M-Dyneon's line of fluoroterpolymers (THV), currently imported and pelletized at Decatur, AL. The firm plans to produce this material at Decatur, AL, in the future. Also, Asahi Glass of Japan is believed to export ETFE copolymer to the United States.

[5] See appendix B for column 1-special and column 2 duty rates.
[6] This product is scheduled to reach a floor limit of 6.5% in 1999, under the provisions of the Uruguay Round GATT.

Private-sector views:

The Commission contacted two firms believed to produce ETFE copolymer or competing fluoropolymer products.[7] Written comments were received from two companies.[8]

U.S. consumption:

Ethylene-tetrafluoroethylene copolymer (ETFE):[1]	1995	1996	1997
	($Million)		
U.S. production	([1])	([1])	([1])
U.S. imports[2]	6.5	17.5	13.0
U.S. exports	([3])	([3])	([3])
Apparent U.S. consumption	22.0	26.5	28.5

[1]Data are individual company confidential information.
[2]Industry estimates.
[3]Exports believed to be minor, according to industry sources.

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

Effect on customs revenues:[9]

Future (1998-2000) effect: According to industry sources, the estimated average revenue loss is expected to be about $300,000 annually.[10]

Retroactive effect: None.

Technical comments:

The Commission recommends the chemical nomenclature be changed to conform with that used for CAS No. 25038-71-5: Ethylene, tetrafluoro-polymer with ethylene. Also, it is recommended the expiration date for termination of duty suspension be changed to reflect the complete date: 12/31/2000.

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[7] Mr. Cliff Adams, Daikin America, Decatur, AL; Mr. Thomas Maijala, 3M-Dyneon, Decatur, AL.
[8] See appendix C.
[9] Actual revenue loss may be understated if a significant increase in imports occurs during the duty suspension period.
[10] Commission estimates based on information provided by the industry. The estimated revenue loss is based on the difference between the currently effective duty rates, and the 3.3% rate requested under chapter 99.

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.)

APPENDIX C

OTHER ATTACHMENTS

(Appendix not included in the electronic version of this report.)

I

105TH CONGRESS
2D SESSION

H. R. 3480

To reduce temporarily the duty on ethylene/tetrafluoroethylene copolymer (ETFE).

IN THE HOUSE OF REPRESENTATIVES

MARCH 17, 1998

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

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A BILL

To reduce temporarily the duty on ethylene/tetrafluoroethylene copolymer (ETFE).

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

SECTION 1. TEMPORARY SUSPENSION OF DUTY.

(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:

“	9902.29.50	Ethylene/tetrafluoroethylene copolymer (ETFE) (provided for in subheading 3904.69.5000)	3.3%	No change	No change	On or before 12/31/00	”.

(b) Effective Date.—The amendment made by this section applies with respect to goods entered, or withdrawn from warehouse for consumption, on or after the 15th day of enactment of this Act.

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