

DUTY-FREE TREATMENT OF DICYANDIAMIDE

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Mr. SMATHERS, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 286]

The Committee on Finance, to which was referred the bill (H.R. 286) to permit duty-free treatment of dicyandiamide pursuant to the Trade Expansion Act of 1962, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

PURPOSE

The purpose of H.R. 286 is to delegate authority to the President to eliminate the duty on imports of dicyandiamide pursuant to a reciprocal trade agreement.

GENERAL STATEMENT

A rate of duty of 10½ percent ad valorem is presently imposed on imports of dicyandiamide. Imports of dicyandiamide are not separately classified and are dutiable under the provisions of item 425:40 of the tariff schedules for "Dicyandiamide, guanidine salts and other acyclic amidines." This rate of duty has been in effect since June 30, 1958, pursuant to a concession granted by the United States in the General Agreement on Tariffs and Trade.

Under present law, the maximum that the rate of duty on dicyandiamide could be reduced by the President pursuant to his trade agreement authority under the Trade Expansion Act of 1962 would be 5 percent ad valorem in gradual stages over a period of 4 years.

Your committee is advised that dicyandiamide is used mostly to make melamine, which in turn is reacted with formaldehyde to make plastic used principally in the manufacture of moldings (mainly tableware), laminates, and coatings. A smaller amount of dicyandiamide is used for various industrial applications in the paper, textile, construction, and rubber industries.

Your committee is further advised that dicyandiamide is not produced in the United States, but is obtained principally from a Canadian plant which is the only producer of dicyandiamide in North America. It is estimated that imports of dicyandiamide, which come mostly from Canada, but also from Japan and Norway, exceeded 90 million pounds, valued at \$9 million, in both 1964 and 1965.

There are four producers of melamine in the United States and that, while statistics are not available for U.S. production (partly captive) of melamine, sales by U.S. producers totaled 25 million pounds, valued at \$6 million in 1964.

It is estimated that U.S. imports of melamine (dutiable under the basket provision in item 425.10 of the Tariff Schedules of the United States for triazine compounds) probably exceeded 3 million pounds in 1964 and 8 million pounds in 1965.

H.R. 286 as passed by the House provides that section 201(b)(1) (relating to limit on decrease in duty) and section 253 (relating to staging requirements) of the Trade Expansion Act of 1962 shall be inapplicable with respect to dicyandiamide provided for in item 425.40 of Tariff Schedules of the United States.

In essence this authorizes the elimination of the duty (or reduction to a rate under 50 percent of the July 1, 1962 rate) without staging.

EXPLANATION OF COMMITTEE AMENDMENT

The Committee on Finance agrees with the House Committee on Ways and Means as to the desirability of delegating authority to the President to negotiate a zero rate on this raw material, in return for reciprocal concessions for U.S. exports. It will aid in reducing U.S. costs, thereby making domestic producers of melamine more competitive with foreign manufacturers.

In addition it will conform the tariff treatment of this product to the present treatment of urea, the principal competing raw material in making melamine.

However, because of the passage of time, the committee does not believe it would be possible for our negotiators to exercise the authority to negotiate a zero rate on dicyandiamide if all the prenegotiation administrative procedures required by the Trade Expansion Act of 1962 must be followed. For this reason the committee has amended the bill to waive the time-consuming hearing process and certain other prenegotiation procedures with respect to dicyandiamide so a reciprocal arrangement might be concluded as part of the Kennedy round of trade talks now coming to an end at Geneva.