

# MELAMINE FROM BRAZIL

Determination of the Commission in Investigation  
No. 731-TA-107 (Preliminary) Under  
the Tariff Act of 1930, Together with the  
Information Obtained in the Investigation

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**UNITED STATES INTERNATIONAL TRADE COMMISSION**

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Note.--Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C. 20436

Investigation No. 731-TA-107 (Preliminary)

MELAMINE FROM BRAZIL

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-107 (Preliminary), the Commission 2/ determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil of melamine provided for in item 425.10 of the Tariff Schedules of the United States which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On September 14, 1982, the U.S. International Trade Commission and the U.S. Department of Commerce received a petition from counsel on behalf of Melamine Chemicals, Inc., a U.S. producer of melamine, alleging that an industry in the United States was being injured by imports of melamine from Brazil which were alleged to be sold at LTFV. Accordingly, the Commission instituted this preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury or the establishment of an industry in the United States

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1/ The record is defined in section 207.2(i) of the Commission's Rules of Practice and Procedure (47 F.R. 6190, Feb. 10, 1982).

2/ Commissioner Frank not participating.

is materially retarded by reason of the imports of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or in this case by October 28, 1982.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C. and by publishing the notice in the Federal Register on September 22, 1982 (47 F.R. 41884). The public conference was held in Washington, D.C. on October 6, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

## VIEWS OF THE COMMISSION

In this investigation, the Commission unanimously determined 1/ that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry is being materially retarded 2/ by reason of imports of melamine from Brazil which are allegedly sold at less than fair value. The reasons for the Commission's determination are discussed below.

The domestic industry

Section 771(4) of the Tariff Act of 1930 defines the term "industry" as, "the domestic producers as a whole of the like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." The term "like product" is defined in section 771(10) of the Act as, "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title."

The imported product that is the subject of this investigation is melamine from Brazil which is allegedly being sold in the United States at less than fair value (LTFV). Melamine, whether imported or produced domestically, is a fine white crystalline powder. Virtually all of the melamine produced in the United States and Brazil is consumed in the manufacture of melamine-formaldehyde resins which, in turn, are used for high-pressure

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1/ Commissioner Frank did not participate.

2/ Material retardation of the establishment of an industry is not an issue in this case.

laminates, 3/ surface coatings, molding compounds, and paper and textile treating and coating.

The record indicates that the melamine produced domestically and that imported from Brazil are the same. Therefore, the like product is melamine and the domestic industry consists of those facilities in the United States devoted to the production of melamine. There are currently two domestic producers of melamine: Melamine Chemicals, Inc. (MCI), the petitioner, and American Cyanamid Co.

MCI produces melamine only for merchant sales. 4/ American Cyanamid consumes a great amount of its melamine production internally. During the investigation, petitioner argued that the portion of American Cyanamid's melamine-producing facilities devoted to the production of melamine for internal or captive use should not be included as part of the domestic industry. The identification of the domestic product which is like the imported article in terms of characteristics and uses is not affected by distinguishing between captive and non-captive sales. Therefore, our industry definition as noted above consists of all production by the two domestic producers. 5/

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3/ These are used in the production of decorative countertops, furniture and cabinet panels, tabletops, and partitions in commercial buildings.

4/ The merchant or commercial market includes arms-length transactions with unrelated domestic parties, as well as export sales to unrelated parties.

5/ Nevertheless, in assessing the injury question, we have considered the impact of the alleged LTFV imports on both the overall market and, where possible, on the merchant market. Commissioner Stern refers readers to her additional views in Melamine in Crystal Form from Italy and Austria, Invs. Nos. 731-TA-13 and 14 (Final), at 10, USITC Pub. No. 1065 (May 1980).



No reasonable indication of material injury by reason of LTFV imports.

Under section 733(a) of the Tariff Act of 1930, 7/ the Commission is required to determine whether there is a reasonable indication that an industry in the United States is materially injured by reason of imports of merchandise which are allegedly being sold at less than fair value. To make its determination, the Commission must consider, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of imports of such merchandise on domestic producers of the like product. 8/ 9/

A negligible volume of imports of melamine from Brazil entered the United States in 1979; no imports from Brazil were recorded in 1980. In 1981, imports from Brazil amounted to 990,000 pounds, and for January-July 1982 totaled 3.1 million pounds. 10/ This increase was in part a result of U.S. purchasers searching for alternative sources of supply when one of the U.S. producers encountered production difficulties. 11/ Furthermore, while Brazil's share of the market increased in January-July 1982 over January-July 1981, U.S. producers' share of the market also rose. 12/

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7/ 19 U.S.C. § 1673(a).

8/ Tariff Act of 1930, § 771(7), 19 U.S.C. § 1677(7)(B) and (C).

9/ There are only two domestic producers of melamine. We are severely limited in providing a detailed analysis of the numerous economic indicators which were considered in reaching our determination because of our obligation to safeguard business confidential information. Business confidential information is defined in the Commission's Rules of Practice and Procedure, Section 201.6.

10/ Commissioner Stern notes that Brazil's share of the U.S. market was nil or negligible from 1979-1981.

11/ See report at pages 17-19.

12/ Report at A-16. Apparent U.S. consumption and, therefore, import penetration levels are confidential.

U.S. producers cited lost sales or price reductions to several customers. The purchasers who were contacted accounted for 100 percent of total imports from Brazil during January 1981-July 1982. Purchasers accounting for about 95 percent of such imports indicated that they bought Brazilian melamine for reasons other than price, such as the need for a secondary supplier. 13/

According to some purchasers, it is essential to have more than one source of melamine supply. Reliance on a single source of supply is not a sound business practice in this market because melamine-producing plants are subject to unpredictable breakdowns. Also, the uncertainty in the supply of melamine from specific producers resulting from such breakdowns can have an effect on sourcing patterns of purchasers and on the pricing policies of suppliers. Such production difficulties have been experienced by domestic suppliers during the period of this investigation. 14/

Information on the record leads to the conclusion that fluctuations in the difference between Brazilian and domestic prices represent changing conditions of domestic supply rather than price undercutting. There has been no significant price undercutting by the Brazilian importer. 15/ The total pricing pattern shows the Brazilian product to be priced to meet prevailing market prices. 16/

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13/ One purchaser, accounting for only a small portion of imports from Brazil, bought the Brazilian product on the basis of price.

14/ Further discussion of this subject is not possible due to the confidentiality of the information. See report at pages 11, 17-19.

15/ Although Brazilian melamine was priced below the domestic product, during some months of 1981 and 1982 there were also months when Brazilian imports were priced above the domestic product. According to statements made at the Conference, after American Cyanamid withdrew from parts of the merchant market, apparently in early 1981, MCI raised its prices and Brazil entered the U.S. market due to purchasers need for an additional source of supply. (Transcript of Conference at pages 46, 49, and 51.)

16/ See report at pages 17-19.

In the recent period, when imports from Brazil increased, there appears to be some weakness in the trends for the domestic industry for shipments, capacity utilization, and inventories. 17/ Other important factors, however, are positive, such as the level of profitability, employment, and domestic market share. 18/

To make an affirmative finding, the Commission must be satisfied that "in the light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury." 19/ We determine that there is no causal relationship between imports from Brazil and the difficulties the domestic industry is experiencing or has experienced. 20/ Other factors have affected the domestic industry, notably the decline in the demand for melamine and domestic supply problems. 21/

No reasonable indication of threat of material injury by reason of LTFV imports.

To find a reasonable indication of threat of material injury, the Commission must find a reasonable indication of a threat that is real and

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17/ Also, during the period of this investigation, domestic capacity increased.

18/ See report at pages 9-13, 16. Specific levels and trends are confidential.

19/ H.R. Rep. No. 249, 96th Cong., 1st Sess. 75 (1979).

20/ Commissioner Stern notes, moreover, that the record indicates that this is not an industry in distress or even an industry suffering the modicum of injury necessary for an affirmative finding. In particular, the financial performance of the two U.S. producers of melamine is satisfactory by the current standards of the chemical industry as a whole.

21/ While "[t]he law does not . . . contemplate that injury from such imports be weighted against other factors . . ., in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the [alleged] dumped imports is attributable to such other factors." H. R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

imminent, not a mere possibility that injury might occur at some remote future time. 22/

The record provides no reasonable indication that Brazil presents a real and imminent threat to the U.S. melamine industry. Brazil's total annual capacity to produce melamine is approximately 16 million pounds and is utilized at high levels. Fifty percent of Brazilian production is consumed domestically. The other fifty percent of melamine produced in Brazil is exported, but a substantial portion of these exports are to other Latin American countries. 23/ Brazil is the only Latin American producer of melamine and receives preferential treatment from these countries. 24/ Also, the Brazilian producer is willing to sell under the barter system, which is attractive to Latin American countries. 25/ There is no information on the record regarding any plans for expansion of Brazilian production of melamine.

The petitioner raises two points concerning the question of a reasonable indication of threat of material injury: 1) the loss in 1986 of a low cost contract for urea, the feedstock used in the production of melamine, and 2) the possible removal of an antitrust order against American Cyanamid, which requires that American Cyanamid purchase melamine from MCI.

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22/ S. Rep. No. 249, 96th Cong., 1st Sess. 88, 89 (1979); H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979); S. Rep. No. 1298, 93rd Cong., 2d Sess. 180 (1974). Chlorine from Canada, Inv. No. 731-TA-90 (Preliminary), Views of Chairman Bill Alberger, Vice Chairman Michael J. Calhoun, and Commissioners Paula Stern, Alfred E. Eckes, and Veronica A. Haggart at 12, 13, USITC Pub. 1249 (May 1982).

23/ Transcript of the Conference at 57-59. In addition to the United States and Latin America, the Brazilian producer exports to Africa, Europe, and the Far East.

24/ Transcript of the Conference at 57.

25/ Transcript of the Conference at 57-58.

Loss of a contract as distant as 1986 does not constitute a real and imminent threat to this industry. At this time, only a conjectural argument could be made that the loss of the contract would result in harm caused by imports from Brazil. 26/ Likewise, only a conjectural argument could be made that the possible removal of the antitrust order would result in harm by reason of imports from Brazil.

#### Conclusion

Based on the record in this investigation, we conclude that there is no reasonable indication of material injury, or threat of material injury to an industry in the United States by reason of imports of melamine from Brazil which are allegedly sold at less than fair value.

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26/ A determination of threat of material injury is not to be based on "a mere supposition or conjecture." S. Rep. No. 249, 96th Cong., 1st Sess. 89 (1979).



## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On September 13, 1982, Melamine Chemicals, Inc. (MCI) filed a petition with the U.S. International Trade Commission and the Department of Commerce alleging that an industry in the United States is materially injured and is threatened with material injury by reason of imports from Brazil of melamine, provided for in item 425.1020 of the Tariff Schedules of the United States Annotated (TSUSA), which are allegedly sold at less than fair value (LTFV). Accordingly, effective September 13, 1982, the Commission instituted a preliminary investigation under section 731 of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or in this case, by October 28, 1982.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on September 22, 1982 (47 F.R. 41884). 1/ The conference was held in Washington, D.C. on October 6, 1982. 2/ The Commission's vote in this investigation was held on October 20, 1982.

## Previous Investigations Concerning Melamine

There have been four previous investigations concerning imports of melamine from Japan, the Netherlands, Austria, and Italy. MCI, the petitioner in the current investigation before the Commission, was also the petitioner in the previous investigations.

In November 1976, the Commission determined that an industry in the United States was being injured by reason of imports of melamine from Japan that were being or were likely to be sold at LTFV. 3/ A dumping order concerning imports of this product from Japan was published on February 2, 1977 (42 F.R. 6866); this order is still in effect. Commerce conducted two annual administrative reviews of this antidumping finding for the period February 1, 1980-January 31, 1982. During this period, no imports of melamine entered the United States from Japan. Because no party to the review submitted comments to Commerce concerning the level of LTFV sales, the original dumping margins which ranged from 60 to 70 percent are still in effect.

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1/ Copies of the Commission's notice and the Department of Commerce's notice are presented in app. A.

2/ A list of witnesses appearing at the conference is presented in app. B.

3/ Melamine in Crystal Form From Japan: Determination of Injury and Likelihood Thereof in Investigation No. AA1921-162 . . ., USITC Publication 796, December 1976.

On April 25, 1980, Commerce unanimously determined that imports of melamine from the Netherlands were not being sold at LTFV. Later that month, the Commission determined that an industry in the United States was not being materially injured and was not threatened with material injury by reason of the importation of such merchandise from Austria and Italy, which were being sold at LTFV. 1/ The Commerce decision concerning imports from the Netherlands and the Commission's decisions concerning imports from Austria and Italy have been appealed to the Court of International Trade by the petitioner. 2/

#### Description and Uses

Melamine (2, 4, 6-triamino-sym-triazine) is a fine white crystalline powder. Virtually all melamine produced in the United States and abroad is consumed in the manufacture of melamine-formaldehyde resins; consumption of the resins determines the demand for the crystals. U.S. consumption of melamine-formaldehyde resins in 1981, by end uses, is estimated as follows: high-pressure laminates, 29 percent of the total; surface coatings, 23 percent; molding compounds, 16 percent; paper treating and paper coating, 15 percent; textile treating and textile coating, 5 percent; and other (including adhesives), 12 percent.

Typical of the uses of high-pressure laminates are decorative counter-tops, furniture and cabinet panels, tabletops, and partitions in commercial buildings. Competition in this market comes from acrylic, diallyl phthalate, and unsaturated polyester resin, and from polyvinyl-chloride-impregnated fabric, but melamine resin products are considered to be superior in combining appearance with resistance to abrasion, heat, and staining. The principal user of melamine for the production of high-pressure laminates is American Cyanamid's subsidiary, Formica Corp.

Surface-coating resins differ from laminating and molding resins in that they are further treated with additional chemicals. The resulting product is soluble in organic solvents and thus is suitable for use in appliance finishes, automotive topcoats, metal furniture finishes, and beverage can coatings. American Cyanamid and Monsanto Chemical Co. manufacture the bulk of U.S.-made surface-coating resins.

More than 80 percent of all melamine-formaldehyde molding compounds are consumed in the manufacture of dinnerware which varies in quality from picnic disposables to advanced-state-of-the-art products which compete with fine chinaware. Other molded products include ashtrays, automotive distributor

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1/ Melamine in Crystal Form From Austria and Italy: Determination of No Material Injury or Threat Thereof in Investigations Nos. 731-TA-13 (Final) and 731-TA-14 (Final) . . . , USITC Publication 1065, May 1980.

2/ Melamine Chemicals Inc. v. the United States, CIT Civil Action No. 80-6-00879 concerns the litigation regarding imports from Italy; Melamine Chemicals Inc. v. the United States, CIT Civil Action No. 80-6-00880 concerns the litigation regarding imports from Austria; and Melamine Chemicals Inc. v. the United States, CIT Civil Action No. 80-6-00878, concerns the litigation regarding imports from the Netherlands.

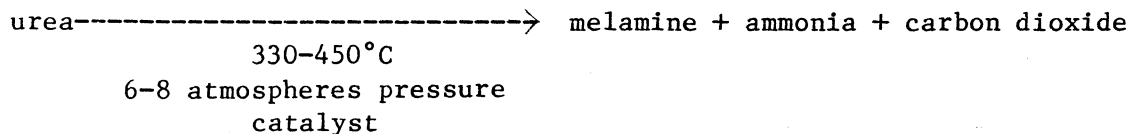


caps, buttons, and school and office furniture. The principal manufacturers of molding compounds are American Cyanamid and Plastics Manufacturing Co.

Paper-treating and paper-coating applications include imparting wet-rub resistance, wet and dry strength, and stiffness to paper stock. Textile-treating and textile-coating resins are used primarily to impart wrinkle-resistance to cotton and cotton-synthetic fibers; they are also used in mildew-proofing and water-repellency applications, dye fixatives, and as a binder for fire retardants, pigments, and latex backings. Other applications include adhesives for wood products, leather-tanning agents, tire cord adhesives, fluorescent pigments, cross-linking agents for epoxy resins, plaster of paris fortification, and ion-exchange resins. American Cyanamid, Sun Chemical Corp., and Monsanto are the principal manufacturers of textile-treating resins. The major users of melamine for the production of paper-treating resins are American Cyanamid, Monsanto, and Reichhold Chemicals, Inc.

There are two basic commercial processes for producing melamine: (1) the urea process and (2) the dicyandiamide process. Virtually all melamine produced worldwide utilizes the newer and more economical urea process. The advantages of the urea process include lower production costs, more readily available raw materials and recyclable byproducts. A third process using hydrogen cyanide has been patented but not commercialized.

Both U.S. producers of melamine employ the urea-based technology originally licensed from NV Nederlandse Staatsmijnen--Dutch State Mines (DSM). This is a continuous process that requires little change in manpower when the level of output changes. A highly simplified net reaction for the process is summarized as follows:



Ammonia and carbon dioxide are feedstocks used in the production of urea. The DSM process is most economical when used in conjunction with urea manufacture, permitting the off gases to be usefully recycled. With the recycle step (which both U.S. producers employ), the quantity of urea necessary to produce 1 pound of melamine is reduced by about 50 percent. The melamine vapor is separated, cooled to a liquid, filtered, recovered by crystallization, centrifuged, dried, pulverized, and stored for later shipment. Some of the melamine crystals are ground to produce a smaller particle size. Melamine for bulk shipment in hopper cars, however, is not ground, because the ground crystals tend to adhere to one another. It is virtually impossible to unload such ground crystals from hopper cars.

## U.S. Tariff Treatment

Imported melamine is classifiable under item 425.10 of the Tariff Schedules of the United States (TSUS). As a result of the agreements made during the Tokyo round of trade negotiations, the most-favored-nation (MFN) (col. 1) 1/ rate of duty for this item was reduced in stages from 5.0 percent ad valorem, on December 31, 1979, to 4.4 percent ad valorem, effective January 1, 1982. This rate is scheduled to be further reduced in stages to 3.5 percent ad valorem, effective January 1, 1987. The rate of duty for imports under this item from least developed developing countries (LDDC's) 2/ is 3.5 percent ad valorem. The column 2 rate 3/ of duty is 25.0 percent ad valorem.

Title V of the Trade Act of 1974 authorized the President to extend duty-free treatment to eligible articles from designated beneficiary developing countries after consideration of (1) the effect such action will have on furthering the economic development of developing countries; (2) the extent to which other major developed countries are undertaking a comparable effort to assist developing countries by granting generalized preferences with respect to imports of products of such countries; and (3) the anticipated impact of such action on U.S. producers of like or directly competitive products. 4/ Imports of melamine from designated beneficiary developing countries, including Brazil, are entitled to duty-free treatment.

## Nature and Extent of Alleged Sales at LTFV

According to MCI, in May 1982, the Brazilian producer sold melamine in the United States at prices which were 84 percent below the prices at which it sold the product in Brazil. In 1981, according to data in the petition, the LTFV margins were about 75 percent.

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1/ Col. 1 rates of duty are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA. However, these rates would not apply to products of developing countries where such articles are eligible for preferential tariff treatment provided under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

2/ The preferential rates of duty in the "LDDC" column reflect the full U.S. Multilateral Trade Negotiations concession rates implemented without staging for particular items which are the products of LDDC's enumerated in general headnote 3(d) of the TSUSA.

3/ Col. 2 rates of duty apply to products imported from those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA.

4/ GSP, implemented in Executive Order No. 11888, of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

## The U.S. Market

U.S. consumption of melamine \* \* \* (table 1). \* \* \*.

Table 1.--Melamine: U.S. consumption, 1978-81, January-July 1981, and January-July 1982

\* \* \* \* \*

Captive use of melamine by one of the two U.S. producers accounts for about \* \* \* percent of annual U.S. production. The remaining output is sold by the producers directly to \* \* \* manufacturers of melamine-formaldehyde resins.

## U.S. Producers

Two companies produce melamine in the United States--Melamine Chemicals, Inc. and American Cyanamid Co. Two other firms, Allied Chemical Co. and Premier Protochemical Co. ceased production in 1978 and 1973, respectively. The current producers and their shares of shipments in 1981 are listed in table 2.

Table 2.--Melamine: U.S. producers' plant locations, year production began, and share of shipments in 1981

Firm	Plant location	Year production began	Share of 1981 shipments
			Percent
American Cyanamid Co-----	Fortier, La.	1/ 1971	***
Melamine Chemicals, Inc---	Donaldsonville, La.	1971	***
Total-----	-	-	100.0

1/ This is the year the company's newest plant opened.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

MCI

The complainant, MCI, is a 50-50 joint venture of First Mississippi Corp. (FMC) and Ashland Chemical Co. (a large horizontally diversified chemical company). The firm has produced melamine at its plant in Donaldsonville, La., since 1971; melamine is its only product. MCI purchases feedstock urea and ammonia under a long-term contract with First Mississippi.

MCI originally produced melamine through a licensing agreement with DSM. Although MCI's plant was designed to produce \* \* \* million pounds of melamine per year, it was not until several years after its construction that the plant could operate at its designed level. In the early years the plant sustained a substantial amount of downtime, and the melamine produced reportedly was often contaminated with materials used in the process (e.g., catalyst and filter aid). According to the company, virtually every portion of the plant required modification; some sections required complete redesign. As a consequence, MCI filed a lawsuit against DSM for fraud. The lawsuit was settled out of court. 1/ In 1981, MCI increased its plant's capacity by about \* \* \* million pounds per year by \* \* \*. All of MCI's production is sold on the commercial market, usually directly to end users. 2/

#### American Cyanamid

American Cyanamid, a large horizontally diversified and vertically integrated chemical company headquartered in Wayne, N.J., has operated its melamine plant in Fortier, La., since 1971. From 1964 through 1971, American Cyanamid produced melamine at Wallingford, Conn.; prior to 1964, American Cyanamid had also produced melamine at Willow Island, W. Va. This plant used the old dicyandiamide process and was eventually acquired by Ashland, which closed the plant in 1971. American Cyanamid's Fortier plant uses DSM technology, which is virtually identical to that used by MCI. American Cyanamid experienced startup problems similar to those experienced by MCI. These problems led American Cyanamid to bring suit against DSM. Details of its settlement with DSM in 1977 are not available. More information on this company is provided in the section on American Cyanamid's Antitrust Settlement.

\* \* \*. The company uses melamine to produce high-pressure laminates, surface coatings, molding compounds, and textile-treating and paper-treating resins. The firm obtains melamine from its own production, from imports from the Netherlands and West Germany, and from purchases from MCI. In addition to using melamine in its own operations, American Cyanamid also sells melamine on the commercial market. Such sales accounted for about \* \* \* percent of its production in 1981.

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1/ As a part of that settlement, MCI \* \* \*. Other details of the settlement are not known.

2/ The commercial market includes arm's-length transactions with unrelated domestic parties, as well as export sales to unrelated parties.

Allied

Allied Corp., a large diversified chemical company headquartered in Morristown, N.J., produced melamine at its South Point, Ohio, facility from 1962 through 1978, using its own process technology and its own feedstock urea from an integrated unit. Allied terminated production of melamine in December 1978 and subsequently cannibalized the melamine producing equipment and sold the plant to Ashland Oil. During 1976-78, Allied accounted for \* \* \* percent of total U.S. production; American Cyanamid accounted for \* \* \* percent of the total; and MCI, for \* \* \* percent.

## American Cyanamid's Antitrust Settlement

On October 5, 1960, the U.S. Department of Justice filed a civil antitrust action against American Cyanamid alleging that the company "engaged in an unlawful combination and conspiracy to restrain and to monopolize interstate and foreign commerce in melamine and melamine containing products." According to the charges, American Cyanamid accounted for all U.S. production of dicyandiamide, which was then the principal raw material used in the production of melamine.

On August 4, 1964, the U.S. District Court of the Southern District of New York approved a consent decree under which American Cyanamid agreed, among other things, to sell its melamine plant in West Virginia. The plant was sold in November 1964. The decree further imposed limitations, until November 1974, on the company's production of melamine in its other plants. The agreement also required that American Cyanamid purchase from other producers, giving preference to domestic producers, as much melamine as it used in the United States to produce plastic laminates in the previous year. American Cyanamid also uses melamine to produce a variety of other products. The melamine used in the production of these other products is not covered by the consent decree. American Cyanamid's purchases from MCI, the only other U.S. producer, accounted for \* \* \* percent of the melamine American Cyanamid used in 1981. Furthermore, these purchases accounted for \* \* \* percent of MCI's total sales in that year.

On August 6, 1982, American Cyanamid filed a notice with the court stating that on October 27, 1982, it will request that the court approve a motion to terminate the consent decree. Justice tentatively has approved the termination of the consent decree, and in a memorandum it filed in support of the termination, Justice stated that--

Today, the circumstances under which the markets for melamine and melamine-containing products operate are completely different from those which obtained in the precomplaint period. Cyanamid no longer controls the basic raw material from which melamine is made and it no longer has the power to dictate to whom and how foreign suppliers of melamine itself will sell. Even more significantly, it is no longer the sole domestic seller of melamine for the merchant market.

In the meantime, Justice has invited the public to comment on the proposed termination. Such comments are due by October 17, 1982. MCI stated that it \* \* \*.

Foreign Producers

There are 17 melamine producers outside the United States--6 in Western Europe, 3 in Eastern Europe and the U.S.S.R., 3 in Japan, and 1 each in Brazil, India, Kuwait, Taiwan, and the Republic of Korea. World production capacity in 1982, by regions, is presented in the following tabulation (in percent):

<u>Region</u>	<u>Production capacity</u>
Western Europe-----	40
Japan-----	23
United States-----	15
Eastern Europe and the U.S.S.R.---	12
Brazil-----	2
Other countries-----	8
Total-----	<u>100</u>

Total world capacity to produce melamine increased from 886 million pounds in 1979 to 981 million pounds in 1982, or by 11 percent. The People's Republic of China is expected to open a melamine plant with annual capacity of 26 million pounds by the end of 1983.

Information on the Brazilian producer, Melamina Ultra SA, is presented in the following tabulation:

\* \* \* \* \*

The Importer

Ultragroup Overseas Corp. accounted for all U.S. imports of melamine from Brazil during January 1980-July 1982. This firm is a subsidiary of Cobrapar, which is the parent firm of the Brazilian producer. Most of the firm's sales of melamine \* \* \*. Information on these company's purchases is presented in the section on changes of purchasing patterns. Data on the company's imports, shipments, and inventories are presented in table 3.

Table 3.--Melamine: Ultragroup Overseas Corp.'s imports, shipments, and inventories, 1980 and 1981, January-July 1981, and January-July 1982

\* \* \* \* \*

## The Question of Alleged Material Injury

To obtain information for this section of the report, the Commission sent questionnaires to the two U.S. producers of melamine. In addition, data for 1978 obtained from questionnaires in prior investigations are also presented.

U.S. producers' capacity and production

U.S. producers' capacity to produce melamine \* \* \* from 148 million pounds in 1978 \* \* \* (table 4). MCI, the petitioner \* \* \*.

Table 4.--Melamine: U.S. production, capacity, and capacity utilization, 1978, and by firms 1979-81, January-July 1981, and January-July 1982

Period and firm	Production 1,000 pounds	Capacity <u>1/</u> pounds	Capacity utilization Percent
1978-----	113,633	148,000	77
1979:			
American Cyanamid-----	***	***	***
MCI-----	***	***	***
Total/average-----	***	***	***
1980:			
American Cyanamid-----	***	***	***
MCI-----	***	***	***
Total/average-----	***	***	***
1981:			
American Cyanamid-----	***	***	***
MCI-----	***	***	***
Total/average-----	***	***	***
January-July 1981:			
American Cyanamid-----	***	***	***
MCI-----	***	***	***
Total/average-----	***	***	***
January-July 1982:			
American Cyanamid-----	***	***	***
MCI-----	***	***	***
Total/average-----	***	***	***

1/ Practical rated capacity, is defined as the normal sustained production that can be achieved on an annual basis, making allowances for normal maintenance and downtime, and is based on a 24-hour-a-day, 7-day-a-week operation.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. production of melamine \* \* \* from 114 million pounds in 1978 to \* \* \*.

Utilization of U.S. capacity to produce melamine \* \* \* to 77 percent in 1978, \* \* \*.

Since 1979, MCI, the petitioner, \* \* \*. 1/

American Cyanamid \* \* \*.

U.S. producers' shipments

U.S. producers' shipments \* \* \* (table 5). \* \* \*.

American Cyanamid's captive shipments \* \* \*.

MCI projects that it will sell \* \* \*.

\* \* \* \* \*

Export shipments \* \* \*.

Table 5.--Melamine: U.S. producers' shipments, by firms, 1979-81, January-July 1981, and January-July 1982

\* \* \* \* \*

American Cyanamid's purchases of melamine from MCI, \* \* \*, are presented in the following tabulation (in thousands of pounds):

<u>Period</u>	<u>Quantity</u>
1979-----	***
1980-----	***
1981-----	***
January-July--	
1981-----	***
1982-----	***

---

1/ Compiled from data supplied by MCI in response to questionnaires of the U.S. International Trade Commission.



American Cyanamid's purchases accounted for \* \* \* percent of MCI's total shipments in 1979, \* \* \* percent in 1980, and \* \* \* percent in 1981. The petitioner asserts that it--

believes that the purchases by American Cyanamid of MCI melamine are made pursuant to this [antitrust consent] decree and, hence, should be regarded as part of the captive market. 1/

\* \* \* \* \*

U.S. producers' inventories

U.S. producers' yearend inventories \* \* \* (table 6). \* \* \*.

Table 6.--Melamine: U.S. producers' inventories and shipments, by firms, 1979-81, January-July 1981, and January-July 1982

\* \* \* \* \*

Employment

Data on U.S. employment in the melamine industry are presented in table 7. \* \* \*.

Table 7.--Average number of production and related workers engaged in the manufacture of melamine, hours worked by such workers, wages paid, and total compensation, by firms, 1979-81, January-July 1981, and January-July 1982

\* \* \* \* \*

The data on employment, as reported by MCI, \* \* \*.

\* \* \* \* \*

Financial experience of U.S. producers

American Cyanamid reported data to the Commission for 1979-81 on a calendar-year basis. MCI reported such data on a July 1-June 30 fiscal-year basis. The individual company data are presented in table 8. However, since there are only two reporting companies, the totals have not been aggregated, since such totals would be misleading.

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1/ Petition at p. 15.

American Cyanamid.--Total net sales, as reported by American Cyanamid on its melamine operations, \* \* \*.

American Cyanamid \* \* \*.

American Cyanamid's net operating profit margins \* \* \*.

MCI.--MCI's net sales on its melamine operations \* \* \*.

The ratio of net operating profit to net sales for MCI \* \* \*.

According to the company, its profits are high because it has a long-term low-cost contract for the supply of the urea and ammonia feedstocks. \* \* \*.

\* \* \* \* \*

Table 8.--Profit-and-loss experience of U.S. producers on their melamine operations, by firms, 1979-81, January-June 1981, and January-June 1982

\* \* \* \* \*

Information on MCI's profits using First Mississippi's average market prices for feedstocks is presented in footnote 2 of table 8. The use of actual prices paid for the urea and ammonia, however, more accurately reflect the income received by MCI from its melamine operations.

Return on investment.--Data on U.S. producers' investment in their facilities used in the production of melamine are presented in table 9. \* \* \*.

Table 9.--Investments in fixed assets used in productive facilities by U.S. producers of melamine, by firms, as of Dec. 31 of 1979-81, January-June 1981, and January-June 1982

\* \* \* \* \*

Cash flow from operations.--Cash flow generated from U.S. producers' operations on melamine are shown in table 10. \* \* \*.

Table 10.--Cash flow from U.S. producers' operations producing melamine, by firms, 1979-81, January-June 1981, and January-June 1982

\* \* \* \* \*

Research and development and capital expenditures

\* \* \* \* \*

Table 11.--Melamine: U.S. producers' research and development and capital expenditures, by firms, 1979-81, January-June 1981, and January-June 1982

\* \* \* \* \*

U.S. producers of melamine spent a total of \* \* \* on capital expenditures during January 1979-June 1982. \* \* \*.

The Question of the Causal Relationship Between  
Alleged LTFV Sales and the Alleged Injury

U.S. imports

In 1978, total U.S. imports of melamine from all sources were 26.9 million pounds, a year of record melamine consumption in the United States (table 12). The Netherlands, Italy, and Austria were the principal sources of imports in that year. Total U.S. imports of melamine decreased to 20.7 million pounds in 1979 and to 13.7 million pounds in 1980. In 1981, imports increased again to 29.4 million pounds. This increase can be attributed, in part, to the 12.0 million pound increase in combined imports from the Netherlands and Austria.

Imports of melamine from Brazil first entered the United States in 1979 when 121,000 pounds were imported. No melamine entered the United States from Brazil in 1980. In 1981, there were 990,000 pounds of melamine imported from Brazil, accounting for 3 percent of total imports. In January-July 1982, 3.1 million pounds of melamine entered the United States from Brazil, accounting for 25 percent of total imports.

Table 13 presents data on U.S. consumption of melamine and table 14 presents data on the U.S. commercial market for melamine. \* \* \*.

Imports from Brazil as a share of U.S. consumption \* \* \* (table 15). Data on the shares of the U.S. commercial market held by Brazilian and U.S. producers are also presented in table 16.

Table 12.--Melamine: U.S. imports for consumption, 1978, and by selected countries, 1979-81, January-July 1981, and January-July 1982

Item	Quantity	Value	Item	Quantity	Value
	1,000 pounds	1,000 dollars		1,000 pounds	1,000 dollars
1978-----	26,932	8,330	January-July 1981:		
1979:			Brazil-----	112	42
Brazil-----	121	39	Netherlands-----	12,115	5,060
Netherlands-----	12,940	4,978	Austria-----	2,937	1,063
Austria-----	2,039	654	West Germany-----	1,538	749
West Germany-----	3,106	1,318	Kuwait-----	952	356
Kuwait-----	0	-	Other countries--	2,158	875
Other countries--	2,536	866	Total-----	19,812	8,145
Total-----	20,742	7,855	January-July 1982:		
1980:			Brazil-----	3,129	1,054
Brazil-----	0	-	Netherlands-----	6,359	2,741
Netherlands-----	10,034	4,170	Austria-----	1,894	728
Austria-----	470	177	West Germany-----	305	205
West Germany-----	1,386	618	Kuwait-----	364	131
Kuwait-----	873	289	Other countries--	328	136
Other countries--	961	386	Total-----	12,379	4,995
Total-----	13,724	5,640			
1981:					
Brazil-----	990	358			
Netherlands-----	17,470	7,360			
Austria-----	5,000	1,876			
West Germany-----	1,704	870			
Kuwait-----	1,845	673			
Other countries--	2,401	978			
Total-----	29,410	12,115			

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 13.--Melamine: U.S. producers' shipments, exports, imports, and consumption, 1978-81, January-July 1981, and January-July 1982

(In thousands of pounds)

Period	Shipments <sup>1/</sup>	Exports	Imports	Consumption
1978-----	113,633	***	26,932	***
1979-----	***	***	20,742	***
1980-----	***	***	13,724	***
1981-----	***	***	29,410	***
January-July--				
1981-----	***	***	19,812	***
1982-----	***	***	12,379	***

<sup>1/</sup> Data on shipments for 1978 are not available. Production data are used instead.

Source: U.S. producers' shipments and exports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports, compiled from official statistics of the U.S. Department of Commerce.

Table 14.--Melamine: U.S. producers' commercial shipments, exports, imports, and the U.S. commercial market, 1978-81, January-July 1981, and January-July 1982

(In thousands of pounds)

Period	U.S. producers' commercial sales	Exports	Imports	U.S. commercial market
1978-----	76,349	***	26,932	***
1979-----	***	***	20,742	***
1980-----	***	***	13,724	***
1981-----	***	***	29,410	***
January-July--				
1981-----	***	***	19,812	***
1982-----	***	***	12,379	***

Source: U.S. producers' commercial sales and exports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Imports, compiled from official statistics of the U.S. Department of Commerce.

Table 15.--Melamine: Ratios of U.S. producers' domestic shipments and imports from Brazil to U.S. consumption, and U.S. producers' domestic commercial shipments and imports from Brazil to the U.S. commercial market, 1978-81, January-July 1981, and January-July 1982

(In percent)					
Period	As a share of U.S. consumption			As a share of the U.S. commercial market	
	U.S. producers' domestic shipments	Imports from Brazil	Imports from Brazil	U.S. producers' domestic commercial shipments	Imports from Brazil
1978-----	***	0	***	***	0
1979-----	***	<u>1/</u>	***	***	<u>1/</u> ***
1980-----	***	0	***	***	0
1981-----	***	***	***	***	***
January-July--					
1981-----	***	<u>1/</u>	***	***	<u>1/</u> ***
1982-----	***	***	***	***	***

1/ \* \* \*.

Source: Based on data in tables 12, 13, and 14.

### Prices

Demand for melamine and price trends for such a product depend on the levels of production in the construction, furniture, and other industries that use melamine as an input for production. These industries, in turn, are influenced by the business cycle, and are sensitive to interest rates.

Domestic melamine prices generally are quoted on an f.o.b. plant of manufacture basis. Price lists are published by MCI for shipments in bulk or in bag. Shipments in bulk of at least truckload lots of 40,000 pounds are 1.5 cents per pound cheaper than shipments of bags in truckload lots. MCI uses both bag and bulk packaging, whereas American Cyanamid and the Brazilian importer use bags only. Terms of payment are net 30 days. Both domestic producers indicate that they sell melamine at negotiated prices that are less than list prices.

Brazilian melamine is sold through an exclusive importer \* \* \*.

Transaction prices.--American Cyanamid \* \* \*. Only shipments of melamine sold in the open market are examined in this section.

Transaction price data on U.S.-produced melamine were supplied to the Commission by each domestic producer for shipments to each company's three largest customers in the United States (table 16). \* \* \*.

Margins of underselling.--Weighted average prices for Brazilian and U.S.-produced melamine, and margins of underselling for January 1981-July 1982 are presented in table 17. \* \* \*.

Table 16.--Melamine: U.S. producers' weighted average selling prices to customers in the United States, by producers, and by specified periods, January 1978-July 1982

\* \* \* \* \*

Table 17.--Melamine: Weighted average net selling prices to U.S. purchasers of Brazilian and U.S.-produced melamine, by months, January 1981-July 1982

\* \* \* \* \*

Changes in purchasing patterns

The Commission requested the U.S. producers to supply information concerning sales they lost to imports of melamine from Brazil and information on instances in which they were forced to reduce prices because of competition from Brazil. U.S. producers cited \* \* \* customers to whom they lost sales or reduced prices. These customers and another customer cited by the importer were contacted by the Commission's staff. Their purchases of melamine are discussed in the following sections.

Plastics Manufacturing Co.--Plastics Manufacturing Co., located in Dallas Tex., produces melamine molding compounds and laminating resins. The company is one of the largest purchasers of melamine in the United States, and accounted for \* \* \* percent of Ultragroup's sales of melamine to the United States during January 1981-July 1982.

In January 1981, Plastics Manufacturing had two suppliers of melamine--American Cyanamid and MCI. In \* \* \* 1981, the American Cyanamid salesman told Plastics Manufacturing that it was raising its price of melamine by about 5 cents per pound, or \* \* \* percent higher than the price Plastics Manufacturing paid in \* \* \*. In addition, the salesman told Plastics Manufacturing that American Cyanamid would not be able to supply it with melamine for a while. Purchases from American Cyanamid ceased and Plastics Manufacturing was left with one supplier. 1/ .

The remaining supplier, MCI, \* \* \*. 2/

1/ Transcript of the conference, p. 49.

2/ Memorandum to the confidential file, from Abigail Eltzroth, Melamine from Brazil: Notes from a conversation with Mr. James H. Miller of Plastics Manufacturing Co., 10/6/82.

When American Cyanamid ceased supplying Plastics Manufacturing with melamine, Plastics Manufacturing began to search for a second source of melamine. It approached the Netherlands' producer which offered to sell melamine at a price which was \* \* \*. Plastics Manufacturing submitted a counteroffer for a price which was a couple of cents per pound below the Netherlands' original offer \* \* \*. The Netherlands' producer then withdrew its offer and Plastics Manufacturing thinks that another firm may have bought the melamine. Plastics Manufacturing also had no success in securing melamine from Italy. 1/

According to Plastics Manufacturing, it is essential for it to have more than one source of melamine supply. Melamine-producing plants are subject to unpredictable breakdowns and are often closed for long periods for repairs. 2/ After American Cyanamid ceased supplying melamine to Plastics Manufacturing, the remaining supplier, MCI, could not supply all of Plastics Manufacturing's melamine requirements. As a consequence, the melamine inventory held by Plastics Manufacturing \* \* \*. The company uses about \* \* \* pounds of melamine a month \* \* \*. Plastics Manufacturing inventories as of the first of each month from February-August 1981, are presented in the following tabulation (in pounds): 3/

<u>Inventories</u>	
February-----	***
March-----	***
April-----	***
May-----	***
June-----	***
July-----	***
August-----	***

The company states that there were times in 1981 when it had only one or two days of inventory available. 4/ While the firm did not cease production, it was forced to cut back on its production because of the lack of supply of melamine.

By April 1981, MCI \* \* \* (table 18). Plastics Manufacturing's purchases of melamine are presented in table 19.

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1/ Transcript of the conference, p. 50.

2/ Transcript of the conference, p. 53.

3/ Compiled from data submitted by Plastics Manufacturing Co.

4/ Transcript of the conference, pp. 53-54.



Table 18.--Melamine: Delivered prices paid by Plastics Manufacturing Co., by suppliers, and by months, January 1981-August 1982.

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Table 19.--Plastics Manufacturing Co.'s purchases of melamine, by suppliers, 1981, and January-August 1982

\* \* \* \* \*  
\* \* \* \* \*

Table 20.--\* \* \* purchases of melamine, by suppliers, 1981, January-September 1982, and estimated for full year 1982

\* \* \* \* \*



APPENDIX A  
THE FEDERAL REGISTER NOTICES

threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil of melamine, provided for an item 425.10 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value.

**EFFECTIVE DATE:** September 13, 1982.

**FOR FURTHER INFORMATION CONTACT:**

Ms. Abigail Eltzroth, Office of Investigations, U.S. International Trade Commission; telephone 202-523-0289.

**SUPPLEMENTARY INFORMATION:**

**Background.**—This investigation is being instituted following receipt of a petition filed by Melamine Chemicals, Inc. on September 13, 1982. Copies of the petition are available for public inspection in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. The Commission must make its determination in this investigation within 45 days after the date of the filing of a petition, or by October 28, 1982 (19 CFR § 207.17). This investigation will be subject to the provisions of part 207 of the Commission's Rules of Practice and Procedure (19 CFR § 207, 44 FR 76457 and 47 FR 6190), and particularly subpart B thereof. Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided for in section 201.11 of the Commission's Rules of Practice and Procedure (19 CFR § 201.11), not later than seven (7) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Director of Operations, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the notice.

**Service of documents.**—The Secretary will compile a service list from the entries of appearance filed in this investigation. Any party submitting a document in connection with the investigation shall, in addition to complying with section 201.8 of the Commission's rules (19 CFR § 201.8), serve a copy of each such document on all other parties to the investigation. Such service shall conform with the requirements set forth in section 201.16(b) of the rules (19 CFR § 201.16(b)).

**Written submissions.**—Any person may submit to the Commission on or before October 6, 1982, a written statement of information pertinent to the subject matter of this investigation. A signed original and three copies of such statement must be submitted.

Any business information which the submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

**Conference.**—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on October 6, 1982 at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Persons wishing to participate in the conference should contact the investigator for this investigation, Ms. Abigail Eltzroth, telephone 202-523-0289, not later than October 4, 1982, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

For further information concerning the conduct of this investigation and general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and B (19 CFR 207), and part 201, subparts through E (19 CFR 201). Further information concerning the conduct of the conference will be provided by Ms. Eltzroth.

This notice is published pursuant to section 207.12 of the Commission's Rules of Practice and Procedure (19 CFR 207.12).

Issued: September 15, 1982.

By order of the Commission,  
Kenneth R. Mason,  
Secretary.

U.S. GPO: 1982-261116-9-21-82 (45 em)  
A-118-1 CODE 7970-02-M

(Investigation No. 731-TA-107  
(Preliminary))

**Melamine From Brazil; Investigation  
and Conference**

Agency: United States International  
Trade Commission.

Abstract: Institution of a preliminary  
antidumping investigation and  
scheduling of a conference to be held in  
connection with the investigation.

**SUMMARY:** The U.S. International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-107 (Preliminary) under section 733(a) of the Tariff Act (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is

**International Trade Administration****Initiation of Antidumping Investigation;  
Melamine From Brazil**

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Initiation of antidumping investigation—Melamine from Brazil.

**SUMMARY:** On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping investigation to determine whether melamine from Brazil is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission ("ITC") of this action so that it may determine whether imports of this merchandise are materially injuring, or are threatening to materially injure, a United States industry. If the investigation proceeds normally, the ITC will make its preliminary determination on or before October 28, 1982, and we will make ours on or before February 21, 1983.

**EFFECTIVE DATE:** October 12, 1982.

**FOR FURTHER INFORMATION CONTACT:** Frank Crowe, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 377-3003.

**SUPPLEMENTARY INFORMATION:****The Petition**

On September 13, 1982 we received a petition from counsel on behalf of Melamine Chemicals, Inc. and the melamine industry. In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from Brazil are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or are threatening to materially injure, a United States industry. The allegation of sales at less than fair value is supported by

comparisons of a United States price (estimated by the petitioner and adjusted for credit costs, commissions, U.S. inland freight, ocean freight, foreign inland freight and insurance and all risks) on sales of the merchandise in the United States with Brazilian ex-factory home market price (based on price quotations) on sales made in Brazil.

**Initiation of Investigation**

Under section 732(c) of the Tariff Act of 1930, as amended (19 U.S.C. 1673a(c) ("the Act")), we must determine, within 20 days after the petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on melamine and we have found that it meets the requirements of section 732(b) of the Act. Therefore, we are initiating an antidumping investigation to determine whether melamine from Brazil is being, or is likely to be, sold at less than fair value in the United States. If our investigation proceeds normally, we will make our preliminary determination by February 21, 1983.

**Scope of the Investigation**

The merchandise covered by this investigation is melamine in crystal form. Melamine is a fine, white, crystalline powder, which is produced by U.S. manufacturers from a mixture of urea and ammonia and is used principally in the manufacture of melamine formaldehyde resins. Melamine is currently classifiable under item 425.1020 of the *Tariff Schedules of the United States Annotated (TSUSA)*. Pursuant to the Generalized System of Preferences, provided for in Title V of the Trade Act of 1974, as amended, Brazilian melamine enters the United States duty free.

**Notification to ITC**

Section 732(d) of the Act requires us to notify the United States International Trade Commission of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

**Preliminary Determination by ITC**

The ITC will determine by October 28, 1982, whether there is a reasonable indication that imports of melamine from Brazil are materially injuring, or are likely to materially injure, a United States industry. If its determination is negative, this investigation will terminate; otherwise, it will proceed according to the statutory procedures. October 4, 1982.

Gary N. Horlick,

*Deputy Assistant Secretary for Import Administration.*

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APPENDIX B

WITNESSES AT THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-107

MELAMINE FROM BRAZIL

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on October 6, 1982, in the Sunshine Room of the USIT Building, 701 E Street, NW., Washington, D.C.

In support of the imposition of  
antidumping duties

Baker & McKenzie  
Washington, D.C.  
on behalf of

Melamine Chemicals, Inc.

Bruce E. Clubb)  
David B. Vance ) --OF COUNSEL

In opposition to the imposition of  
antidumping duties

Moses & Singer  
New York, N.Y.  
on behalf of

Ultra Group Overseas Corp.

William Boydston, Vice President Marketing  
ICD Group  
New York, N.Y.

James H. Miller, President  
Plastics Manufacturing Co.  
Dallas, Tex.

Joao Sattamini, Director for Export Sales  
Ultra Group Overseas Corp.

Rogério Igel, Director  
Ultra Group Overseas Corp.

Richard W. Brewster --OF COUNSEL



