

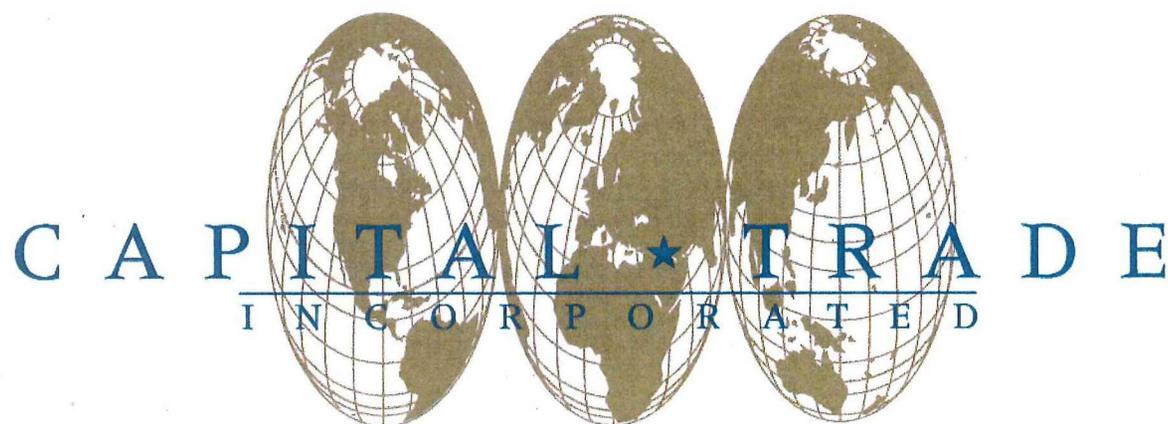
Narrow Woven Ribbons with Woven Selvedge from China and Taiwan

Inv. No. 701-TA-467 and 731-TA-1164-1165 (Review)

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PUBLIC VERSION



Dr. Seth T. Kaplan

skaplan@captrade.com

202-955-6814

Overview

Effect of the Orders

Conditions of Competition

Vulnerability

Harmful Effects of Revocation

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Harmful Effects of Revocation

Overview

- The orders improved the condition of the domestic industry.
- The conditions of competition make the industry highly susceptible to injury and many have worsened since the original investigations.
- The domestic industry is highly vulnerable.
- Subject import volumes will increase and prices will fall if the orders are revoked.

Overview

Effects of the Orders

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Effects of Orders

The Orders Improved the Condition of the Domestic Industry

- Subject import volumes decreased as a result of the orders.
- Subject import prices increased as a result of the orders.
- The volume of production and shipments from U.S. production increased as a result of the orders.
- The price of U.S. producers' shipments improved significantly.
- U.S. producers experienced significant improvement in profitability, efficiency, and return on assets.

Effects of Orders

Subject Imports

Subject Import Volumes Decreased Following the Orders



Source: Prehearing Staff Report Table I-1. Shipment quantities adjusted based on Commission staff's estimates of reporting (see Petitioner's Prehearing Brief Exhibit 4).

Effects of Orders

Subject Imports

Subject Import Prices Increased Following the Orders



Source: Prehearing Staff Report Table I-1.

Effects of Orders

Volume

The Volume of U.S. Producers' Production and Shipments Increased Following the Orders

Source: U.S. Producers' Questionnaire response of [], at II-8. See Petitioner's Prehearing Brief Exhibit 3.

Price

The Orders Stopped the Collapse in U.S. Producers' Prices



Source: Prehearing Staff Report Table I-1.

Effects of Orders

Financials

The Orders Allowed for Higher Profits for U.S. Producers



Source: Prehearing Staff Report Table I-1.

Effects of Orders

Financials

U.S. Producers' Return on Assets Improved Following the Orders



Source: Prehearing Staff Report III-8. POI not shown because Return on Assets was not consistently reported between POI and POR.

Overview

Effect of the Orders

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The Conditions of Competition Make the Industry Highly Susceptible to Injury and Many Have Worsened since the Original Investigations

- Subject imports and the domestic product are highly substitutable.
- Competition is based primarily on price.
- Subject imports and the domestic industry compete head-to-head in all segments.
- Major U.S. retailers have enhanced buying power.
- Demand is stagnant and has likely declined since the original investigations.

The Domestic Product & Subject Imports Are Highly Substitutable

Current Reviews

- Prehearing Staff report finds “a *high degree* of substitutability.”
 - 14 of 16 importers and 6 of 8 purchasers report that the domestic product and imports from China are always or frequently interchangeable.
 - 12 of 15 imports and 4 of 6 purchasers report that the domestic product and imports from Taiwan are always or frequently interchangeable.

Original Investigations

- The Commission found domestic NWR and subject imports to be “*moderately* substitutable.”

Substitutability Has Increased Over the POR

- In the questionnaire responses, a large majority of U.S. producers, importers, and purchasers stated that the domestic product is “always or frequently interchangeable” with subject imports from both China and Taiwan.
- The ease with which [] demonstrates a high degree of substitutability.
- Retailers increasingly import directly while U.S. producers increasingly rely on their expanded U.S. production, enhancing the overlap in competition.

The Commission Determined that Competition is Based Primarily on Price

- “There is considerable evidence on the record that the decision by purchasers whether to import from subject countries or to continue to purchase narrow woven ribbons from domestic producers **hinges on obtaining the lowest priced narrow woven ribbons.**
- Thus, evidence from these contemporaneous emails and correspondence indicates that **price is the main factor in purchasers’ decision** whether to import subject merchandise or purchase domestically produced narrow woven ribbons.”

Price Competition Has Grown More Intense since the Original Investigations

- Subject producers have expanded their sales and marketing operations in the U.S. market.
 - Yama has opened facilities in Ridgefield, New Jersey, and Rogers, Arkansas.
 - Subject producers market their products directly to U.S. consumers through various Internet websites such as Alibaba.com.
- Internet sales are of growing importance, making price discovery faster and easier.
- Major U.S. retailers are increasingly concentrated.

CoC**Overlap**

Subject Imports and the Domestic Industry Compete Head-to-Head in All Segments

The domestic industry and subject imports from both China and Taiwan:

- Compete in all channels of distribution
- Sell the same products to the same customers
- Are active during all seasons of the year and in all geographic markets in the United States

CoC**Demand**

Demand is Stagnant and Likely Declined since the Original Investigations

- A conservative estimate suggests a [] percent decline in U.S. apparent consumption from the POI to the POR.
- Additional evidence suggests that demand has declined to an even greater extent.

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The Domestic Industry is Highly Vulnerable

- The bankruptcy of Lawrence Schiff Silk Mills, the [] U.S. producer in the original investigations, is clear evidence of the domestic industry's vulnerability.
- The remaining domestic industry demonstrates low and deteriorating profitability.
- Labor is highly vulnerable to revocation.
- Due to changes in the conditions of competition, the domestic industry is increasingly susceptible to increased unfairly traded imports.

Vulnerability

Bankruptcy

The Bankruptcy of Lawrence Schiff Silk Mills Demonstrates Vulnerability

- Chapter 11 Bankruptcy Filing for Lawrence Schiff Silk Mills:

21. As of April 8, 2016, Debtor terminated substantially all of its employees. Debtor retained certain key individuals as non-employee independent contractors to preserve Debtor's assets. Debtor has no other operations and, absent substantial capital infusion or post-petition financing, Debtor does not intend to continue as a going concern.

Vulnerability**Financial Distress**

The Remaining Domestic Industry's Financial Condition Demonstrates Vulnerability

- The remaining domestic industry has experienced declines in profitability [].
- The remaining domestic industry's 2015 operating margin of [].
- The profitability of the domestic industry in 2015 is [], when the Commission found that “the industry is vulnerable to material injury.”
- The domestic industry's 2015 return on assets was [].

Vulnerability

Labor

Labor is Highly Vulnerable to Subject Imports

- The 2016 bankruptcy of Lawrence Schiff caused the loss of [].
- Remaining production-related jobs in the United States are high-paying and many are unionized.

Vulnerability

Conditions of Competition

Worsening Conditions of Competition Enhance the Vulnerability of the Domestic Industry

- The Commission staff considers subject imports and the domestic product to be highly substitutable.
- Price competition has increased since the original investigations.
- The overlap in competition has expanded since the original investigations.
- Major U.S. retailers are increasingly concentrated have enhanced buying power.
- Demand is stagnant and has likely declined since the original investigation

Overview

Effect of the Orders

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Revocation

Subject Imports Will Return to the U.S. Market in High Volumes and at Low Prices If the Orders are Revoked

- Subject producers have large amounts of excess and divertible capacity.
- The United States is the preferred market for subject producers due to its large size and high prices.
- The volume of subject imports would increase significantly if the orders were revoked.
- The price of subject imports would be extremely low if the orders were revoked.
- Revocation would have a significant impact on U.S. producers' shipment volumes, unit values, profitability, return on assets, and investment.

Revocation

Subject Producers

Subject Producers Have Large Amounts of Excess and Divertible Capacity

- Subject producers in both China and Taiwan:
 - Are export-oriented
 - Have large amounts of excess capacity and low rates of capacity utilization
- Subject producers can respond to changes in demand in the U.S. market with large changes in their quantity of shipments.

Revocation**Subject Producers**

Subject Producers Are Highly Export-Oriented and Focused on the U.S. Market

Original Investigations

“Subject producers in China and Taiwan are export-oriented and the United States represents an important market for both countries.”

– Commission Determination at 45

Current Reviews

2015 Home-market shipments represented:

- [] percent of total shipments of subject producers in China
- [] percent of total shipments of subject producers in Taiwan

The export-orientation of subject producers in both countries has increased since the original investigations.

Revocation

Subject Producers

Subject Producers Have Significant Excess Capacity and Low Rates of Capacity Utilization

Source: Prehearing Staff Report at II-8, 10. *NWR From China and Taiwan*, USITC Pub. 4180, Tables VII-1 and VII-2.

Revocation**Subject Producers**

Subject Producers Can Respond to Changes in Demand with Large Changes in Volume

China

“Producers of narrow woven ribbons from China have the ability to respond to changes in demand with large changes in the quantity of shipments of narrow woven ribbons to the U.S. market.”

- Prehearing Staff Report at II-8

Taiwan

“Producers of narrow woven ribbons from Taiwan have the ability to respond to changes in demand with large changes in the quantity of shipments of narrow woven ribbons to the U.S. market. The main contributing factors to this degree of responsiveness of supply are substantial available capacity and high levels of inventories held in the United States.”

- Prehearing Staff Report at II-10

Revocation

U.S. Market

The United States is the Preferred Market for Subject Producers

Size

The United States is the largest importer of narrow woven fabrics, accounting for 15.8 percent of world imports in 2015.

Prices

U.S. prices are significantly higher than prices prevailing in other world markets.

Evidence of high U.S. prices are found in:

- The persistent and significant underselling by subject imports in these reviews.
- U.S. shipments AUVs
- AUVs from certain HS codes containing the subject product
- A comparison of U.S. producers' shipment AUVs in the United States and Canada

Revocation**U.S. Market**

Subject Imports Persistently and Significantly Undersold U.S. Producers

- Subject imports undersold the domestic industry in 240 of 246 quarterly comparisons.
 - Subject imports from China: undersold in 117 of 118 comparisons
 - Subject imports from Taiwan: undersold in 123 of 128 comparisons
- The average underselling margin of subject imports was 43.4 percent.
 - China: average underselling margin of 47.7 percent
 - Taiwan (subject): average underselling margin of 39.3 percent

Revocation

U.S. Market

**Subject Import AUVs are []
U.S. Producers'**

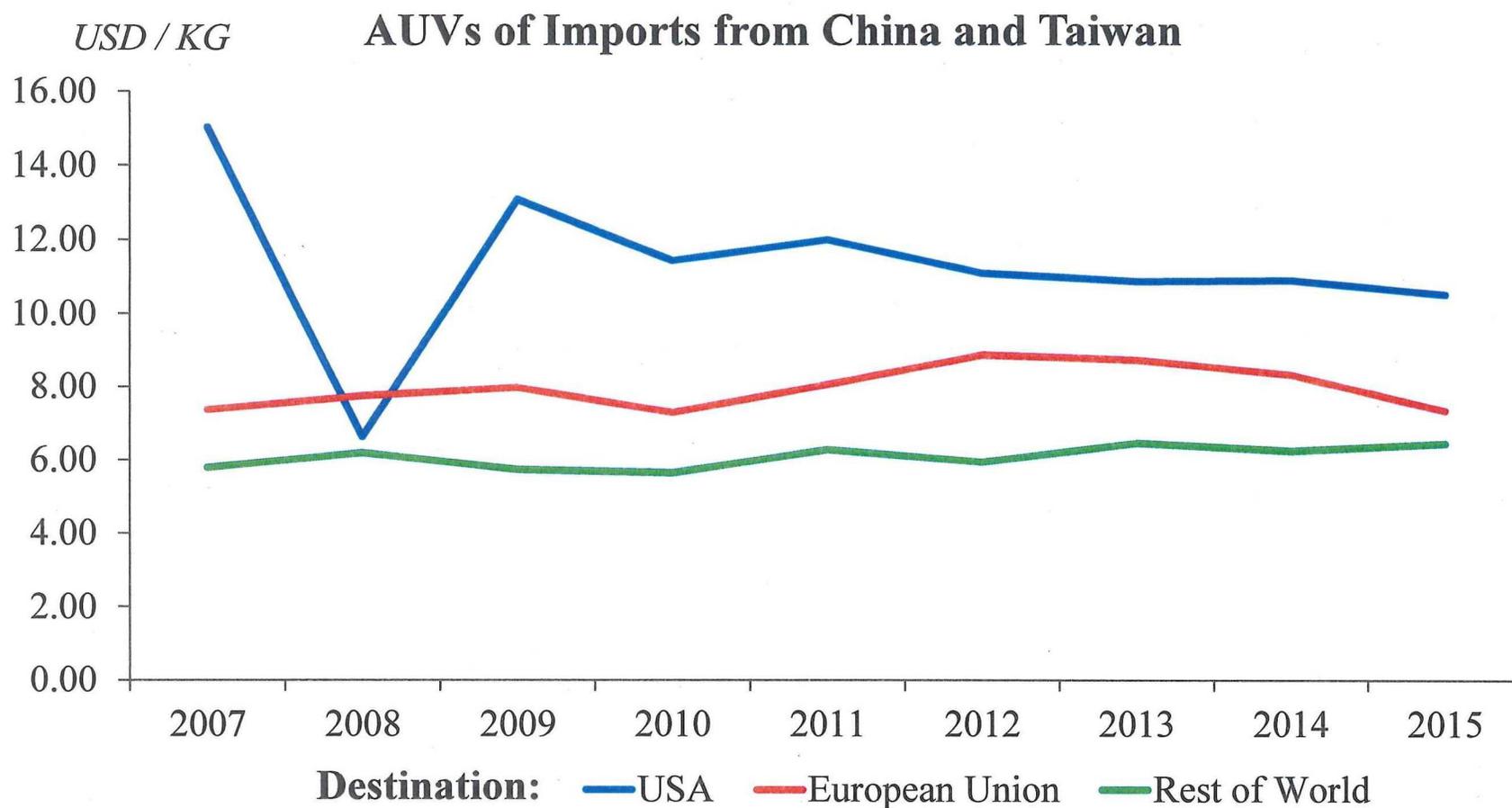


Source: Prehearing Staff Report Table I-1.

Revocation

U.S. Market

U.S. Import AUVs from Subject Sources Are Higher Than Other Markets



Source: COMTRADE. World imports of narrow woven fabrics from China and Taiwan, HS 5806.32.

Revocation

U.S. Market

**[] Exports to Canada Are
Lower-Priced Than Its U.S. Shipments**

Source: U.S. Producers' Questionnaire response of [], at II-8 (original investigations and current reviews).

Revocation

Summary

Subject Imports Would Have an Adverse Impact on the Domestic Industry

- Subject producers have large amounts of excess and divertible capacity.
- The United States is the preferred market for subject producers.
- Thus, revocation of the orders would lead to large increases in the volume of subject imports and large decreases in prices.
- Were the orders to be revoked, the domestic industry would experience declines in each of the following measures:
 - Production and shipment volumes
 - The value and unit value of shipments
 - Profitability
 - Return on Assets
 - Investment
 - Employment

Conclusion

- The orders improved the condition of the domestic industry.
- The conditions of competition have worsened since the original investigations.
- The domestic industry is highly vulnerable.
- Subject imports will return to the U.S. market in high volumes and at low prices if the orders are revoked.

Appendix: Cumulation

Cumulation

Taiwan

Decumulated Subject Imports from Taiwan Would Injure the Domestic Industry

- **High volumes**
 - Subject imports from Taiwan averaged [] percent of U.S. imports.
 - On average, the volume of subject Taiwanese imports was [] percent of the volume of U.S. production.
- **Low prices**
 - Subject imports from Taiwan undersold U.S. producers in 123 of 128 quarterly comparisons, at an average underselling margin of 39 percent.
 - The annual AUVs of subject Taiwanese imports were, on average, [] per square yard below the domestic industry.
- **Significant excess capacity and highly export-oriented**
 - NWR capacity utilization in Taiwan fell from 72 percent in 2009 to 39 percent in 2015.
 - Reported 2015 *excess* capacity in Taiwan is equivalent to [] percent of reported U.S. apparent consumption.
 - Exports account for over [] percent of reported shipments from the Taiwanese NWR industry.

Cumulation

China

Decumulated Subject Imports from China Would Injure the Domestic Industry

- **High volumes**
 - Subject imports from China averaged [] percent of U.S. imports over the POR.
 - On average, the volume of imports from China was [] percent the volume of U.S. production.
- **Low prices**
 - Subject imports from China undersold U.S. producers in 117 of 118 quarterly comparisons, at an average underselling margin of 48 percent.
 - The annual AUVs of imports from China were, on average, [] per square yard below the U.S. industry.
- **Export-oriented with large inventories and low capacity utilization**
 - Exports account for over [] percent of reported shipments from the NWR industry in China.
 - The inventories-to-shipments ratio for the entire NWR industry in China was [] percent in 2015.
 - NWR capacity utilization in China was [] percent in 2015.

Cumulation**Trends**

Imports from China and Taiwan Demonstrate Similar Volume & Price Trends

Volume

The volume of subject import shipments from China and Taiwan:

- Decreased dramatically following the institution of the orders
- Increased over the POR

Price

Subject import shipments AUVs from China and Taiwan:

- Increased following the orders
- Increased over the POR
- Declined in 2015

Cumulation

Channels

**Subject Imports Compete in the Same
Channels of Distribution**



Source: Prehearing Staff Report Table II-1.

Cumulation

Price Effects

Imports from Both Subject Countries Would Have Similar Price Effects

China

- Subject imports from China undersold the domestic product in 117 of 118 quarterly comparisons over the POR.
- The average underselling margin was 47.7 percent.
- Annual U.S. shipment AUVs were an average of [\$] lower than U.S. producers over the POR.

Taiwan

- Subject imports from China undersold the domestic product in 123 of 128 quarterly comparisons over the POR.
- The average underselling margin was 39.3 percent.
- Annual U.S. shipment AUVs were an average of [] lower than U.S. producers over the POR.

Cumulation

Volume Effects

Imports from Both Subject Countries Would Have Similar Volume Effects

China

“Producers of narrow woven ribbons from China have the ability to respond to changes in demand with large changes in the quantity of shipments of narrow woven ribbons to the U.S. market.”

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- Prehearing Staff Report at II-10