ITRILE RUBBER FROM JAPAN

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/estigation No. 731-TA-384
reliminary) Under the Tariff
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UNITED STATES INTERNATIONAL TRADE COMMISSION

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C O N T E N T S

Tables

CONTENTS

Tables

Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-384 (Preliminary)

NITRILE RUBBER FROM JAPAN

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Japan of nitrile rubber, 2/ provided for in item 446.15 of the Tariff Schedules of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On September 1, 1987, a petition was filed with the Commission and the Department of Commerce by Uniroyal Chemical Co., Inc., Middlebury, CT, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports of nitrile rubber from Japan at LTFV. Accordingly, effective September 1, 1987, the Commission instituted preliminary antidumping investigation No. 731-TA-384 (Preliminary).

Notice of the institution of the Commission's investigation and of a public 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

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1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i)).

2/ The product covered by this investigation is nitrile rubber, not containing fillers, pigments, or rubber processing chemicals. For purposes of this investigation, nitrile rubber refers to the synthetic rubber that is made from the polymerization of butadiene and acrylonitrile and that does not contain any type of additive or compounding ingredient having a function in processing, vulcanization, or end use of the product.

Commission, Washington, DC, and by publishing the notice in the Federal Register of September 10, 1987 (52 F.R. 34325). The conference was held in Washington, DC, on September 23, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of nitrile rubber from Japan that are allegedly being sold at less than fair value (LTFV). [1/] This determination is based, inter alia, on the poor performance of the domestic industry, the market penetration of the subject imports, and the adverse effect of these imports on the prices of the domestic product during the period under investigation. [2/] [3/]

Like product and the domestic industry

As a threshold inquiry, the Commission must identify the domestic industry to be examined for the purpose of addressing material injury. Section 771(4)(A) of the Tariff Act of 1930 defines "domestic industry" as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major portion of the total

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1/ Material retardation is not an issue in this investigation and will not be discussed.

2/ Chairman Liebeler does not join the majority in the discussion of causation. See Additional Views of Chairman Liebeler at page 13.

3/ As part of the legal framework for his affirmative determination in this investigation, Commissioner Eckes refers to the standard for making preliminary negative determinations in Title VII investigations as established in American Lamb Corp. v. United States, 785 F.2d 994 (Fed. Cir. 1986), his colloquy with the General Counsel's Office during the meetings of September 15, 1987, and October 14, 1987, and his dissenting views in Portland Hydraulic Cement and Cement Clinker from Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain, and Venezuela, Invs. Nos. 731-TA-356 through 363 (Preliminary), USITC Pub. No. 1925 (Dec. 1986). In particular, he notes the absence of data for employment and financial performance for producers accounting for a significant portion of domestic shipments.

domestic production of that product." [4/] In turn, "like product" is defined 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. . . ." [5/] Factors the Commission examines in making its like-product determination and in comparing that product to the appropriate imported product include (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, and (5) customer or producer perceptions. [6/]

The article which is subject to this investigation is nitrile rubber. Nitrile rubber is synthetic rubber that is made from the polymerization of butadiene and acrylonitrile and that does not contain any kind of additive or compounding ingredient having a function in the processing, vulcanization, or end use of the product. [7/]

All nitrile rubber is a copolymer of acrylonitrile and butadiene, and all nitrile rubber is used for the same general purpose (albeit with different specific end applications), i.e., to provide resistance to petroleum chemicals while maintaining flexibility at low temperatures. Variations in acrylonitrile content merely enhance one or the other of these general

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4/ 19 U.S.C. § 1677(4)(A).
5/ 19 U.S.C. § 1677(10).
6/ See, e.g., Certain Bimetallic Cylinders from Japan, Inv. No. 731-TA-383 (Preliminary), USITC Pub. No. 2017 (Sept. 1987) at 5; Certain Copier Toner from Japan, Inv. No. 731-TA-373 (Preliminary), USITC Pub. No. 1960 (July 1987).
7/ 52 Fed. Reg. at 36293-294 (September 28, 1987); Report to the Commission (Report) at A-2.

uses. 8/

Both domestic and foreign nitrile rubber of all grades have similar channels of distribution. 9/ Virtually all of the Japanese-produced nitrile rubber is imported into the United States by an unrelated party and subsequently sold to an unrelated chemical products distributor, which in turn sells it to processors. 10/ Most of the U.S.-produced nitrile rubber is likewise sold directly to rubber processors or consumed internally by the domestic producers. 11/

All nitrile rubber, regardless of acrylonitrile content, is produced on common manufacturing equipment using common production employees. No special equipment is needed to produce different grades of nitrile rubber. 12/

Finally, with respect to customer or producer perceptions, customers purchase nitrile rubber with varying degrees of acrylonitrile content depending upon their own, or their customer's, need for a nitrile rubber product having specific chemical resistance or flexibility qualities. 13/ Customers purchase the imported and domestic product for the same

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8/ The relatively small amount (about 20 percent) that is represented by low or high grade nitrile rubber is not, for the most part, interchangeable with the medium grade product. The imported product includes low, medium, and high grade nitrile rubber and competes with the domestic product in each of these three product subgroups.

9/ Report at A-3.

10/ Id. at A-3.

11/ Id. The distributor of the Japanese product sells to the same type of firms in the distribution chain as do the domestic producers.

12/ Id. at A-4.

13/ Id. at A-2-3.

purposes. 14/

Based upon the above analysis, we determine for purposes of this preliminary determination that there is a single like product--nitrile rubber, regardless of acrylonitrile content, that does not contain any kind of additive or compounding ingredient having a function in processing, vulcanization, or end-use of the product. Accordingly, we further determine that there is one domestic industry consisting of U.S. producers of this like product.

Condition of the domestic industry

In assessing the condition of the domestic industry the Commission considers, among other factors, domestic consumption, production, capacity, capacity utilization, shipments, employment, and financial performance. 15/ Declines in a number of these economic indicators show that the domestic industry's performance was clearly worse in 1986 than it was in 1984. 16/

Apparent consumption of nitrile rubber declined by 10.2 percent from 1984 to 1985, and increased by 2.2 percent from 1985 to 1986. It then increased by 3.9 percent in January-June 1987 (interim 1987) as compared with January-June

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14/ We have considered respondent's argument that our like-product definition fails to include "specialty" nitrile rubbers such as cross-linked, carboxylated, and anti-oxidant grades. However, each of these products contains additives that make it a further fabricated product. Consequently, these products are not nitrile rubbers but are, instead, products manufactured with nitrile rubber and other additives.

15/ 19 U.S.C. § 1677(7)(C)(iii).

16/ Parties in opposition to the complaint allege that the declines experienced by the domestic industry are not indicative of material injury because the performance of the industry in 1984 was exceptionally good. The data available to the Commission are not sufficient to substantiate this claim. If this matter returns for a final investigation, the Commission will further investigate this claim.

1986 (interim 1986). [17/] Apparent consumption was lower in 1986 than 1984. [18/]

Domestic production of nitrile rubber declined from 132.7 million pounds in 1984 to 103.9 million pounds in 1985, and rose to 112.6 million pounds in 1986, a level still 15.2 percent below that achieved in 1984. Interim 1987 production was 67.0 million pounds as compared with 62.1 million pounds in 1986. [19/]

The capacity of the domestic industry to produce nitrile rubber increased from 146.7 to 150.7 million pounds between 1984 and 1985, declined to 147.8 million pounds in 1986, and then increased very slightly in interim 1987. [20/] Thus, capacity utilization rates dropped from 90.5 percent in 1984 to 69.0 percent in 1985, and then increased to 76.2 percent in 1986 and 89.3 percent in interim 1987. [21/]

The volume of domestic shipments declined steadily from 87.3 million pounds in 1984 to 77.2 million pounds in 1986, and increased slightly in

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17/ Report at A-19; Table 13, A-20.

18/ Two factors which may have adversely affected nitrile rubber consumption are declining purchases of nitrile rubber products for the petrochemical industry and increasing imports of finished automobile and light truck parts. Id. at A-19. The Commission will further consider these factors and their significance to the performance of the domestic industry in the event this matter returns for a final investigation.

19/ Id. at A-5. None of the producers reported any significant losses in production due to employment-related problems, sourcing problems, transition, power shortages, natural disasters, or any other unusual circumstances. Id.

20/ The increase was from 73.8 to 75.0 million pounds. Id. at A-4. The equipment used to produce nitrile rubber in the U.S. is used to produce other products. Data for U.S. producers' capacity reflect the amount of that equipment's time U.S. producers allocated or made available to nitrile rubber. Id.

21/ Id. at A-5. We note that the rate of capacity utilization in interim 1987 approached the rate reported in 1984. However, we also note that capacity utilization was 84.2 percent in interim 1986 and subsequently declined to 76.2 percent for the full year. Id.

interim 1987 to 39.9 million pounds as compared with 39.2 million pounds in interim 1986. 22/ The value of domestic shipments also declined, but at a steeper rate, from $84.6 million in 1984 to $66.8 million in 1986, and then to $33.0 in interim 1987 as compared with $35.4 million in interim 1986. 23/ More specifically, the unit value per pound of U.S. domestic shipments declined throughout the period under investigation. 24/ 25/

U.S. producers' inventories declined by 23.6 percent from 1984 to 1986, and then increased by 6.3 percent from interim 1986 to interim 1987. As a ratio to total domestic shipments, inventories declined thoughout the period. However, we note that the ratio of inventories to domestic shipments was well over 20.0 percent from 1984 through interim 1987. 26/

The numbers and hours of production and related workers producing nitrile rubber declined by 9.3 percent from 1984 to 1986, and increased slightly by 2.3 percent in the interim 1986-1987 comparison. Labor productivity declined

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22/ Id. at A-6; Table 2, A-7.

23/ Id.

24/ Id. at A-10, Table 2. U.S. exports fell from 15.6 million pounds in 1984 to 12.4 million pounds in 1985, increased sharply to 18.9 million pounds in 1986, and then increased again from 8.5 million pounds in interim 1986 to 14.3 million pounds in interim 1987. Id. at A-6; Table 2, A-7. The value of U.S. exports declined from $13.5 million in 1984 to $10.7 million in 1985, recovered to $13.6 million in 1986, and then rose to $10.1 million in interim 1987 as compared with only $6.7 million in interim 1986. Id. The unit value per pound of U.S. exports declined throughout the period under investigation. Id.

25/ Commissioner Eckes notes that exports have accounted for an increasing share of domestic production, accounting for 21 percent of U.S. production in interim 1987. In view of the magnitude of exports and the direction of this trend, the relationship between exports and the Commission's analysis of the performance of the domestic industry and the impact of imports will warrant further consideration in any final investigation.

26/ Report at A-7-8.

from 1984 to 1985, rose from 1985 to 1986, and declined in interim 1987 as compared to interim 1986. [27] Unit labor costs rose in 1985 and remained stable in 1986 and in the 1986-1987 interim comparison. [28]

The financial data on U.S. producers' nitrile rubber operations indicate a general decline in the financial strength of the domestic industry. [29] Net sales declined throughout the period. Moreover, although the cost of goods sold also declined, [30] operating income as a ratio to net sales fell sharply from 1984 to 1985, recovered less than half of that fall in 1986, and continued to exhibit weakness in interim 1987 as compared to interim 1986. [31]

Based on the above, we conclude that there is a reasonable indication the domestic industry is experiencing material injury.

Reasonable indication of material injury by reason of allegedly unfair imports

When determining whether there is a reasonable indication of material injury by reason of the subject imports, the Commission must consider, among other factors, the volume of imports of the merchandise that is the subject of the investigation, and the effect of those imports on prices in the United States for the like product and on domestic producers of the like

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27/ Id. at A-8-9. The workers who produce nitrile rubber in the U.S. also produce other products. Data for production and related workers producing nitrile rubber thus reflect the amount of production time U.S. producers allocated or made available to nitrile rubber. Id.

28/ Id.

29/ The aggregated data assembled by the Commission staff are confidential and are discussed generally.

30/ We note that the ratio of the cost of goods sold to net sales increased substantially in 1985 and remained above 1984 levels in 1986.

31/ Id. at A-9-14.

products. 32/

The volume of imports from Japan of nitrile rubber was significant during the period under investigation. 33/ 34/ Although these imports declined from 1984 to 1985, they significantly increased from 1985 to 1986 and in interim 1987 over interim 1986. 35/ When measured as a share of apparent U.S. consumption, the imports showed an increase from 1984 to 1986 and in the interim 1986-1987 comparison. 36/

In addition to rising levels of import volume and market penetration, the record reveals that the U.S. industry is faced with consistent underselling by imported nitrile rubber from Japan. 37/ The Japanese product undersold the U.S. product in 38 out of 42 direct quarterly comparisons between weighted

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32/ 19 U.S.C. § 1677(7)(B).

33/ See 19 U.S.C. § 1677(7)(C)(i).

34/ In addition, Vice Chairman Brunsdale notes that the alleged dumping margins are high, ranging from 39 to 240 percent. She considers petitioner's margin allegations (which she assumes were made in good faith) to be the best information now available on the size of the margins in this case. These allegations are in her opinion, further evidence of a reasonable indication of material injury.

35/ Report at A-18, table 12.

36/ Report at A-20. Import share followed the same trend when measured as a share of open-market (non-captive) consumption. Id.

37/ Vice Chairman Brunsdale notes that the available underselling evidence suggests that nitrile rubber from Japan sold at a lower nominal price than U.S.-produced nitrile rubber. However, she does not find this evidence to be overly persuasive in proving causation. Purchasers of nitrile rubber listed a number of factors that influenced their purchasing decisions, including the quality of the product and the reliability of suppliers. These factors raise serious questions about the weight to be afforded to the underselling evidence collected in this case. In any final investigation, she would like parties to analyze and provide quantitative estimates for the following: (1) how dumping affected the prices of the subject imports and the relative magnitudes of these effects, (2) how the changed prices of the subject imports affected the prices of the like product and the relative magnitude of these effects, and (3) how the changed prices of the like product affected domestic shipments and domestic industry sales and the relative magnitude of these effects.

average prices of domestic and imported Japanese nitrile rubber, with appreciable margins of underselling. 38/ Further, U.S. producers' weighted average prices declined significantly during the period under investigation. While these producers enjoyed generally declining raw material costs, 39/ the weighted average prices of their product fell more than the raw material costs. 40/ 41/

The Commission was able to confirm a large volume of lost sales attributable to imports of Japanese nitrile rubber. 42/ 43/ One reason given for the lost sales was the lower price of the imported Japanese product. 44/ In addition, the Commission confirmed numerous instances in which purchasers reported that a U.S. producer had reduced its price in competition with nitrile rubber from Japan. 45/

38/ Report at A-23; A-24, table 15.

39/ Id. at A-22, table 14.

40/ Id. at A-12, A-22. In the event that this matter returns for a final investigation, the Commission will seek more information with regard to raw material costs.

41/ Commissioner Rohr notes that petitioners have argued that one effect of the allegedly LTFV imports have been to suppress price increases needed to cover the recently rising cost of raw materials. He notes that a comparison of price trends for raw material and for nitrile rubber is ambiguous, and he will seek more information on this matter should this return for a final investigation.

42/ Report at A-25-27.

43/ Vice Chairman Brunsdale does not believe that the lost sales allegations in this case provide strong support for the petitioner. Of the twelve purchasers that allegedly switched from domestic to Japanese products and were investigated by the Commission, only four stated that their decision was in any way influenced by price. Of those four, three claimed that superior quality also affected their decision to purchase Japanese nitrile rubber.

44/ Id.

45/ Id. at A-28-30.

When considered together, the significant number of confirmed incidents of price underselling of the U.S. product by Japanese imports and the fact that domestic producer prices declined more quickly than the decline in raw material costs during the period under investigation provide a reasonable indication that price suppression or price depression occurred.

We conclude that the declining economic indicators of the domestic industry, coupled with the significant volume of nitrile rubber imports from Japan, the significant and growing import penetration and the price depression or suppression caused by underselling of these imports constitute a reasonable indication of material injury to the domestic industry by reason of allegedly dumped imports of nitrile rubber from Japan.

PUBLIC VERSION
ADDITIONAL VIEWS OF CHAIRMAN LIEBELER

Certain Nitrile Rubber from Japan
Inv. No. 731-TA-384 (Preliminary)

I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of nitrile rubber from Japan which are allegedly being sold at less than fair value.[1]

I concur with the Commission in its discussion of the like product, the domestic industry, and the condition of the industry. Because my views on causation differ from those of the other Commissioners, I offer these additional views.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a preliminary investigation, the Commission must determine

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[1] As there is an established domestic industry,"material retardation" was not raised as an issue in this investigation and will not be discussed further.

that there is a reasonable indication that the dumped imports cause or threaten to cause material injury to the domestic industry producing the like product. The Commission must determine whether the domestic industry producing the like product is materially injured or is threatened with material injury, and whether any injury or threat thereof is by reason of the dumped imports. Only if the Commission finds a reasonable indication of both injury and causation, will it make an affirmative determination in the investigation.

Before analyzing the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of the this import relief law. In general, the accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.[2]

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[2] Sands, Sutherland Statutory Construction § 45.02 (4th ed.).

The statutory language used for both parts of the analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant."[3] As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the increase in supply, ceteris paribus, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

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[3] 19 U.S.C. { 1977(7)(A)(1980).

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Acts of 1979, Congress stated:

> [T]he ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports.[4]

The Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."[5]

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current law, and will be, under section 735, complex and difficult, and is a matter for the judgment of the

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[4] Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

[5] Id.

ITC."[6] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

In the legislative history to the 1974 Act, the Senate Finance Committee stated:

> This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. * * * The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry.[7]

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm results therefrom:

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the

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[6] Id.

[7] Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

U.S. market, even though the price of the imported product is lower than its home market price.[8]

This "complex and difficult" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt to maximize profits.[9] Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."[10]

An assertion of unfair price discrimination should be accompanied by a factual record that can support such a conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to behave rationally. Therefore, if the factual setting in

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8 Id.

9 See, e.g., P. Samuelson & W. Nordhaus, Economics 42-45 (12th ed. 1985); W. Nicholson, Intermediate Microeconomics and Its Application 7 (3d ed. 1983).

10 Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any injury or threat of injury to the domestic industry is not "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."[11]

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit

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[11] Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

an affirmative finding under the law interpreted in light of the cited legislative history.[12]

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).[13]

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[14] The legislative history provides some guidance for applying these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn.

Causation analysis

Let us start with import penetration data. A large market share is a necessary condition for a seller to

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12 Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebeler).

13 Id. at 16.

14 19 U.S.C. (1677(7)(B)-(C) (1980 & cum. supp. 1985).

obtain or enhance market power through unfair price discrimination. Penetration of imports from Japan was [ ] in 1984 and rose slightly in 1986 and the first six months of 1987 to [ ]. The low and relatively stable market share is not consistent with an affirmative preliminary determination.[15]

The second factor is the margin of dumping. The higher the margin, ceteris paribus, the more likely it is that the product is being sold below the competitive price and the more likely it is that the domestic producers will be adversely affected. In a preliminary investigation, the Commerce Department has not yet calculated any margins. I therefore generally give the petitioner the benefit of the doubt and rely on the alleged margins. In this case, petitioners allege margins ranging from 39%-240%. These alleged margins are large and consistent with an affirmative preliminary determination.

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the

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[15] The data on import penetration is confidential and cannot be cited in this opinion. Report at A-20, Table 13.

effect of any allegedly unfair practice on domestic producers. The physical characteristics and uses of domestic and Japanese nitrile rubber are the same and most purchasers consider them to be substitutable. This tends to support an affirmative determination. There is, however, evidence that the variability associated with the specifications for a particular product is generally less for Japanese-produced nitrile rubber than for U.S.-produced nitrile rubber and that purchasers find the quality of Japanese nitrile rubber to be better than that of the domestic product. The issue of quality differences will be explored further in the final investigation.[16]

As to the fourth factor, evidence of declining domestic prices ceteris paribus might indicate that domestic producers were lowering their prices in order to maintain market share. Based on the data available in the preliminary investigation, domestic prices of nitrile rubber trended downward slightly from 1984-1987.[17] This

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[16] Transcript of the public conference p.72-73. Report at A-19-A-30.

[17] Report at A-23, Table 15.

is not inconsistent with an affirmative preliminary determination. However, the price data obtained at this preliminary stage of the investigation accounts for less than 100% of domestic shipments. More complete data will be available in the event these matters return for a final investigation.

The fifth factor is foreign supply elasticity (barriers to entry). If there is a low foreign elasticity of supply (or high barriers to entry) it is more likely that a producer can gain market power. Canada and France both had significant sales in the U.S. market during the course of the investigation. Canada exported approximately [ ] times as much nitrile rubber as did Japan. Imports from France were approximately [ ] of those from Japan. The import penetration ratio of imports from Japan was approximately [ ] of that of all imports. This suggests that the potential supply response is relatively elastic. This factor is consistent with a negative determination.

These five factors must be balanced in each case to reach a sound determination. Although import penetration ratios are small, and there are not significant barriers to entry, the other factors support an affirmative

preliminary determination. The products appear to be substitutable, prices are decreasing, and the alleged dumping margins are high. In this case I have analyzed and weighed each of these factors and reached an affirmative preliminary determination.

Conclusion

Therefore, I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of nitrile rubber from Japan which are allegedly being sold at less than fair value.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 1, 1987, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of Uniroyal Chemical Co., Inc., Middlebury, CT, alleging that less-than-fair-value (LTFV) imports of nitrile rubber from Japan are being sold in the United States and that an industry in the United States is materially injured and threatened with material injury by reason of such imports. Accordingly, effective September 1, 1987, the Commission instituted investigation No. 731-TA-384 (Preliminary) under section 733(a) of the Tariff Act of 1930 (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 threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports.

Notice of the institution of the Commission's investigation and of a public 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, DC, and by publishing the notice in the Federal Register on September 10, 1987 (52 FR 34325). 1/ The public conference was held in Washington, DC, on September 23, 1987, 2/ and the vote was held on October 14, 1987. The applicable statute directs the Commission to notify Commerce of its preliminary determination within 45 days after the date of the filing of the petition, or by October 16, 1987.

Nitrile rubber has been the subject of one other investigation conducted by the Commission: a 1976 antidumping investigation, also involving imports from Japan (investigation No. AA1921-151). The Commission unanimously determined (two Commissioners not participating) that an industry in the United States was not being injured or threatened with injury by reason of imports of the subject product from Japan (USITC Publication 764, March 1976).

Nature and Extent of Alleged Sales at LTFV

There is no information relating to the nature and extent of sales at LTFV other than the allegations of the petitioner. On the basis of home-market prices in Japan for 1 Japanese producer—Nippon Zeon Co., Ltd., Tokyo—and prices for 10 of its shipments of medium (grade) nitrile rubber to U.S. customers during an unspecified period, the petitioner calculated dumping margins ranging from 39 percent to 240 percent. The petitioner's weighted-average margins range from 83 percent to 199 percent.

The Product

Description and uses

The product subject to the petitioner's complaint is raw nitrile rubber (otherwise known as acrylonitrile butadiene rubber, butadiene acrylonitrile

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1/ Copies of the Commission's and Commerce's notices instituting the investigation are shown in app. A.
2/ A list of witnesses appearing at the conference is presented in app. B.

rubber, NBR, or N-type rubber)—i.e., the synthetic rubber 1/ made from butadiene and acrylonitrile, 2/ without any additives (other than anti-oxidants or other types of stabilizers) or compounding ingredients having a function in the processing of the rubber (compounding, shaping, and/or vulcanization) for end use purposes. It is characterized primarily by a high degree of resistance to petroleum chemicals (oils, fuels, and solvents) and by superior flexibility at low temperatures. Accordingly, it is used principally in products for which such characteristics are demanded—such as adhesives, footwear, wire and cable insulators, industrial belts; and hoses, seals and gaskets for automotive, oil-drilling, and other types of equipment. Before it can be of use in these products, it must be further processed—i.e., infused or compounded with other ingredients, shaped, and/or vulcanized. Nitrile rubber itself is of little or no use.

To produce nitrile rubber, butadiene is mixed in water with acrylonitrile, catalysts, and other reaction-controlling agents, to yield, in a series of steps, nitrile rubber emulsified in water. About 10 percent of nitrile rubber is sold in this form, known as latex. The remainder and vast bulk, however, is removed from the water, dried, and shipped in the form of 55- to 70-pound bales. (Smaller amounts may be shipped in the form of slabs, crumbs, or powder according to the preferences of certain buyers).

To suit the needs of various buyers and end use products, producers offer nitrile rubber with varying degrees of acrylonitrile content. The industry classifies nitrile rubber into three ranges of acrylonitrile content for pricing purposes: low, or less than 28 percent; medium, or 28 to 35 percent; and high, or greater than 35 percent. 3/ As acrylonitrile content increases, resistance to petroleum chemicals increases but flexibility at low temperature decreases. Thus, nitrile rubber which has a higher-than-average acrylonitrile content is used primarily for products requiring high resistance to oil and fuel, such as oil well parts, engine seals, and fuel hoses. Nitrile rubber with lower than average acrylonitrile content is used where flexibility is more important than oil resistance, such as in adhesives, footwear, and industrial belts. The vast bulk (approximately 80 percent) of both the U.S.-produced and imported product is of medium acrylonitrile content, from which most seals, hoses, and gaskets for the automobile industry are made.

The only variable in nitrile rubber other than acrylonitrile that is important to purchasers' needs and for which a range of values is offered by producers is viscosity. (Virtually all other variables, such as tensile strength, specific gravity, and elongation, are functions of acrylonitrile content and viscosity). Several viscosities may be available for a specified acrylonitrile content. In practice, producers offer discrete products, each designated by a number, letter, or number-letter combination (e.g., BJLT, DN-223, N-34) and each having a specified acrylonitrile content and

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1/ "Rubber" refers to a broad group of complex solid materials, both natural and synthetic, which are characterized primarily by their ability to return rapidly to their initial dimensions and shape after substantial deformation by a weak stress and release of the stress.

2/ Synthetic rubbers are defined primarily by the basic raw materials from which they are made—in this case, acrylonitrile and butadiene.

3/ The higher the weight proportion of the acrylonitrile component, the higher the production cost; other factors being equal, price varies accordingly.

viscosity. 1/ Buyers will order from among a producer's discrete list of products accordingly. For the most part, what is available from one producer is available from another. Some variability is associated with the specifications for a particular product. According to testimony at the Commission's public conference, this variability is generally less for Japanese-produced nitrile rubber than for U.S.-produced nitrile rubber. 2/

Several other kinds of rubber—notably neoprene, acrylate, and fluorocarbons—can be used in place of nitrile for many applications, but not without compromising many of nitrile rubber's advantages. Whereas acrylate and fluorocarbons, for example, have oil-resistant properties superior to nitrile at high temperature, they lack nitrile's low temperature flexibility and are 2 to 16 times as expensive. Consequently, they tend to be used only in applications that require a higher resistance to temperature than is possible with nitrile products. Although neoprene sells for approximately the same price as nitrile and is superior in terms of electrical insulation, it is considerably less resistant to oils, fuels, and solvents. During the last 20 to 30 years, nitrile rubber, a newer product, has tended to displace neoprene in many applications.

U.S. tariff treatment

Nitrile rubber is currently provided for in item 446.15 of the Tariff Schedules of the United States, a classification which includes all synthetic rubber, whether or not containing additives or compounding ingredients having a function in further processing. The column 1 (most-favored-nation) rate of duty for this tariff item, applicable to imports from Japan, is free.

U.S. Channels of Distribution

Most nitrile rubber sold in the United States by U.S. and foreign producers is sold either to unrelated chemical-products distributors or directly to rubber processors, which add compounding ingredients (such as processing aids, vulcanization agents, accelerators, activators, age resistors, fillers, softeners, pigments, and abrasives) to the basic rubber, shape and vulcanize 3/ the mixture, and/or otherwise process it into forms for specific end uses. Nitrile rubber is of little or no use until it is compounded with other ingredients, shaped, and vulcanized. The automobile and light truck industry is the largest single user of nitrile rubber products.

1/ There is some confusion in the industry as to the use of the term "grade." In some cases "grade" refers to nitrile rubber with a certain acrylonitrile content, or at least that within a certain range (low, medium, or high). In other cases it refers to the discrete product offered by the producer—i.e., BJLT, DN-223, etc.—which implies not only acrylonitrile content but also viscosity and all other derivative factors.
2/ Transcript of the public conference (transcript), pp. 72-73.
3/ Vulcanization refers to the process of heating the rubber with sulfur or other agents to improve its elastic properties.

U.S. Producers

In addition to the petitioner, which produces nitrile rubber at a plant in Painesville, OH, three other firms manufacture nitrile rubber in the United States: Goodyear Tire & Rubber Co. at (two) plants in Houston, TX, and Akron, OH; BF Goodrich Co. at a plant in Louisville, KY; and Copolymer Rubber, Inc., at a plant in Baton Rouge, LA. 1/ The petitioner accounted for about * * * percent of U.S. production in 1986; the other producers accounted for about * * *, * * *, and * * * percent, respectively. All of the producers—in addition to several hundred other firms—further process nitrile rubber for specific end uses, but in relatively small quantities. All of the above-named firms except Copolymer are large multinational corporations and all manufacture rubber products other than nitrile—some, particularly styrene rubber, with the same equipment. None of these firms produce butadiene or acrylonitrile, the basic raw materials from which nitrile rubber is made.

Japanese Producers and U.S. Importers

Three producers of nitrile rubber are known to exist in Japan—Nippon Zeon; Japan Synthetic Rubber Co. (JSR), Ltd., Tokyo; and Takeda Chemical Industries, Ltd., Osaka—of which two, Nippon Zeon and JSR, are known to export to the United States. The vast bulk of nitrile rubber exported to the United States from Japan is produced by Nippon Zeon, distributed by Nichimen Industrial Co., Ltd., Tokyo, and imported by Nichimen America, Inc., New York, NY, a chemical-products distributor. Nearly all of the nitrile rubber which Nichimen imports is resold, without further processing, to Goldsmith and Eggleton, Inc., Akron, OH, another chemical-products distributor, which then distributes the unprocessed material to various rubber processors and rubber-product manufacturers. Material produced by JSR, which accounts for * * * percent of exports to the United States from Japan, is imported by a related firm, JSR America, Inc., New York, NY, a distributor of chemical products.

Consideration of Alleged Material Injury

The following sections, except for employment and financial performance, which exclude Goodyear, represent 100 percent of U.S. production during the period for which data were collected. (Goodyear was not willing to comply with the Commission's data requirements for this preliminary investigation beyond capacity, production, shipments, and inventories.)

U.S. production, capacity, and capacity utilization

The equipment used to produce nitrile rubber in the United States can be and is used to produce other products, particularly styrene rubber (a mixture of styrene and butadiene). Production of other products accounted for about * * * percent of Goodyear's equipment's time, * * * percent of BF Goodrich's equipment's time, and * * * percent of Copolymer's equipment's time during the period for which data were collected. Uniroyal used its equipment for * * *. Data for U.S. producers' capacity, shown in table 1, reflect the amount of the

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1/ * * * are taking no position with regard to this investigation; * * * supports the petition.

equipment's time U.S. producers allocated or made available to the subject product. As shown in table 1, total capacity remained relatively stable from 1984 through January-June 1987. Its slight increase in 1985 was due to * * *, and its small decrease in 1986 was due to * * *. The small increase in January-June 1987 reflects * * *. * * *.

U.S. production declined by 21.7 percent from 1984 to 1985 and then increased by 8.4 percent in 1986, but to a level still 15.2 percent below that in 1984. The trend continued from January-June 1986 to January-June 1987, when production increased by 7.9 percent. None of the producers reported any significant losses in production due to employment-related problems, sourcing problems, transitions, power shortages, natural disaster, or any other unusual circumstances. For the most part capacity utilization reflects the changes in production, as shown in table 1.

Table 1
Nitrile rubber: U.S. production, average practical capacity, and capacity utilization, by firms, 1984-86, January-June 1986, and January-June 1987

Item and firm	1984	1985	1986	January-June 1986	January-June 1987
Production:					
BF Goodrich.1,000 pounds..	***	***	***	***	***
Goodyear.....do....	***	***	***	***	***
Uniroyal.....do....	***	***	***	***	***
Copolymer.....do....	***	***	***	***	***
Total.....do....	132,734	103,908	112,617	62,066	66,975
Average capacity:					
BF Goodrich 1/ 1,000 pounds..	***	***	***	***	***
Goodyear 1/.....do....	***	***	***	***	***
Uniroyal 2/.....do....	***	***	***	***	***
Copolymer 3/.....do....	***	***	***	***	***
Total.....do....	146,720	150,700	147,750	73,750	74,980
Ratio of production to capacity:					
BF Goodrich.....percent..	***	***	***	***	***
Goodyear.....do....	***	***	***	***	***
Uniroyal.....do....	***	***	***	***	***
Copolymer.....do....	***	***	***	***	***
Average.....do....	90.5	69.0	76.2	84.2	89.3

1/ Capacity based on operating the firm's facilities 168 hours per week, *** weeks per year.
2/ Capacity based on operating the firm's facilities 168 hours per week, *** weeks per year.
3/ Capacity based on operating the firm's facilities 168 hours per week, *** weeks per year.

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

U.S. producers' intracompany consumption, domestic shipments, and exports

From 1984 to 1986, about 17 percent of U.S. producers' nitrile rubber production was internally consumed—i.e., compounded with other ingredients, shaped, vulcanized and/or otherwise rendered into a specific product for a specific purpose. The remainder was either sold domestically or exported, mostly to foreign subsidiaries. Domestic shipments declined by 11.6 percent from 1984 to 1986, or from 87.3 million pounds, valued at $84.6 million, to 77.2 million pounds, valued at $66.8 million (table 2). From January–June 1986 to January–June 1987, domestic shipments increased by 1.9 percent. The unit value of domestic shipments declined throughout the period, falling from $0.97 per pound in 1984 to $0.87 per pound in 1986, and then from $0.90 in January–June 1986 to $0.83 in January–June 1987. After falling in 1985, exports increased markedly in 1986 and again in January–June 1987 from January–June 1986, both absolutely and as a percent of total shipments. The unit value of exports also declined throughout the period for which data were collected, as shown in table 2.

Inventories

U.S. producers' end-of-period inventories declined by 23.6 percent from 1984 to 1986, and then increased by 6.3 percent from January–June 1986 to January–June 1987 (table 3). As a percentage of total shipments during the preceding period, however, inventories declined throughout the period, as shown in table 3.

Employment

As stated previously, the equipment used to produce nitrile rubber can be and is used to produce other products. Workers at these plants apportion their time accordingly. Theoretically, the data shown for U.S. producers' employment in tables 4 and 5 reflect the proportional amount of workers and time devoted to the subject product (equivalent to the proportion of the equipment's time used to produce the subject product). Large and irreconcilable variations in the data from producer to producer, however, imply different assumptions used by the producers to arrive at these data. Because the assumptions are consistent from period to period, the trends—both for individual producers and for the aggregate—should be relatively reliable.

The average number of production and related workers producing nitrile rubber in the United States (less those at Goodyear's plant) declined by 9.3 percent from 1984 to 1986, as U.S. producers, * * *, attempted to reduce labor costs in the face of reduced sales. Total employment increased by 2.3 percent from January–June 1986 to January–June 1987. The trends in hours worked to produce nitrile rubber, in pounds of nitrile rubber produced per hour worked (output), and in compensation paid to production and related workers are similar, as shown in tables 4 and 5. Hourly compensation, in contrast, trended upward throughout the period. The average unit labor cost of producing nitrile rubber also trended upward, albeit slightly.

Table 2
Nitrile rubber: U.S. producers' intracompany consumption, domestic shipments, and exports, by firms, 1984-86, January-June 1986, and January-June 1987

Item and firm	1984	1985	1986	January-June 1986	January-June 1987
	Quantity (1,000 pounds)				
Intracompany consumption:					
BF Goodrich	***	***	***	***	***
Goodyear	***	***	***	***	***
Uniroyal	***	***	***	***	***
Copolymer	***	***	***	***	***
Total	21,689	19,063	18,737	11,148	8,939
Domestic shipments:					
BF Goodrich	***	***	***	***	***
Goodyear	***	***	***	***	***
Uniroyal	***	***	***	***	***
Copolymer	***	***	***	***	***
Total	87,332	78,655	77,172	39,151	39,879
Exports:					
BF Goodrich	***	***	***	***	***
Goodyear	***	***	***	***	***
Uniroyal	***	***	***	***	***
Copolymer	***	***	***	***	***
Total	15,581	12,437	18,882	8,472	14,272
	Value (1,000 dollars)				
Domestic shipments:					
BF Goodrich	***	***	***	***	***
Goodyear	***	***	***	***	***
Uniroyal	***	***	***	***	***
Copolymer	***	***	***	***	***
Total	84,587	72,693	66,790	35,360	32,990
Exports:					
BF Goodrich	***	***	***	***	***
Goodyear	***	***	***	***	***
Uniroyal	***	***	***	***	***
Copolymer	***	***	***	***	***
Total	13,546	10,710	13,642	6,666	10,094
	Unit value (per pound)				
Domestic shipments:					
BF Goodrich	$***	$***	$***	$***	$***
Goodyear	***	***	***	***	***
Uniroyal	***	***	***	***	***
Copolymer	***	***	***	***	***
Average	.97	.92	.87	.90	.83
Exports:					
BF Goodrich	$***	$***	$***	$***	$***
Goodyear	***	***	***	***	***
Uniroyal	***	***	***	***	***
Copolymer	***	***	***	***	***
Average	.87	.86	.72	.77	.71

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

Table 3
Nitrile rubber: U.S. producers' end-of-period inventories, by firms, 1984-86, January-June 1986, and January-June 1987

Item and firm	1984	1985	1986	January-June— 1986	January-June— 1987
Inventories:					
BF Goodrich.1,000 pounds..	***	***	***	***	***
Goodyear.....do....	***	***	***	***	***
Uniroyal.....do....	***	***	***	***	***
Copolymer.....do....	***	***	***	***	***
Total.....do....	26,249	21,522	20,046	25,715	27,344
Ratio of inventories to total shipments during the preceding period:					
BF Goodrich.....percent..	***	***	***	1/ ***	1/ ***
Goodyear.....do....	***	***	***	1/ ***	1/ ***
Uniroyal.....do....	***	***	***	1/ ***	1/ ***
Copolymer.....do....	***	***	***	1/ ***	1/ ***
Average.....do....	25.5	23.6	20.9	1/ 27.0	1/ 25.2

1/ Annualized.

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

Table 4
Average number of production and related workers producing nitrile rubber in U.S. establishments other than Goodyear's, hours worked by such workers, and output per hour worked, by firms, 1984-86, January-June 1986, and January-June 1987

Item and firm	1984	1985	1986	January-June— 1986	January-June— 1987
Average number of production and related workers producing nitrile rubber:					
BF Goodrich.....	***	***	***	***	***
Uniroyal.....	***	***	***	***	***
Copolymer.....	***	***	***	***	***
Total.....	***	***	***	***	***
Hours worked by production and related workers producing nitrile rubber:					
BF Goodrich....1,000 hours..	***	***	***	***	***
Uniroyal.....do....	***	***	***	***	***
Copolymer.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Output (production) of nitrile rubber per hour worked:					
BF Goodrich.....pounds..	***	***	***	***	***
Uniroyal.....do....	***	***	***	***	***
Copolymer.....do....	***	***	***	***	***
Average.....do....	***	***	***	***	***

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

Table 5
Total compensation and average hourly compensation paid to production and related workers producing nitrile rubber in U.S. establishments other than Goodyear's, and unit labor cost of such production, by firms, 1984-86, January-June 1986, and January-June 1987

Item and firm	1984	1985	1986	January-June— 1986	1987
Total compensation paid to production and related workers producing nitrile rubber:					
BF Goodrich..1,000 dollars..	***	***	***	***	***
Uniroyal.....do....	***	***	***	***	***
Copolymer.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Hourly compensation paid to production and related workers producing nitrile rubber:					
BF Goodrich.....	***	***	***	***	***
Uniroyal.....	***	***	***	***	***
Copolymer.....	***	***	***	***	***
Average.....	***	***	***	***	***
Unit labor cost of producing nitrile rubber:					
BF Goodrich.....per pound..	***	***	***	***	***
Uniroyal.....do....	***	***	***	***	***
Copolymer.....do....	***	***	***	***	***
Average.....do....	***	***	***	***	***

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

Financial experience of U.S. producers

BF Goodrich, Uniroyal, and Copolymer—together accounting for * * * percent of U.S. production of nitrile rubber in 1986—supplied income and loss data for both the total operations of their establishments in which nitrile rubber is produced and separately for their nitrile rubber operations.

Overall establishment operations.—The extent to which other products are produced in U.S. producers' establishments varies from producer to producer. About * * * percent of BF Goodrich's plant's sales are of nitrile rubber. * * *. Copolymer, * * *, has a large plant producing many products, including nitrile rubber. The subject product accounted for * * * percent of its 1986 sales. Copolymer's reported establishment sales were * * *. Uniroyal's plant is devoted primarily to the production of nitrile rubber. * * *. Selected income-and-loss data for each producer on their overall establishment operations are presented in table 6.

Table 6
Income-and-loss experience of 3 U.S. producers on the overall operations of their establishments in which nitrile rubber is produced, 1984-86, January-June 1986, and January-June 1987 1/

Item and firm	1984	1985	1986	January-June 1986	January-June 1987
	Value (1,000 dollars)				
Net sales:					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal	***	***	***	***	***
Total	***	***	***	***	***
Gross profit:					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal	***	***	***	***	***
Total	***	***	***	***	***
Operating income or (loss):					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal	***	***	***	***	***
Total	***	***	***	***	***
	Percent of net sales				
Gross profit:					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal	***	***	***	***	***
Weighted average	***	***	***	***	***
Operating income or (loss):					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal	***	***	***	***	***
Weighted average	***	***	***	***	***

1/ The accounting years for BF Goodrich, Copolymer, and Uniroyal end Dec. 31, Sept. 30, and Sept. 30, respectively; however, Uniroyal submitted data for the period ending Dec. 31.

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

Nitrile rubber operations.—Aggregate net sales of the three producers declined by 20.1 percent from * * * in 1984 to * * * in 1986 (table 7). Operating income was * * * in 1984, * * * in 1985, and * * * in 1986. Operating income margins, as a percent of sales, were * * *, * * *, and * * * during 1984-86, respectively. * * *. For the interim period ended June 30, 1987, net sales were * * *, a decrease of 6.9 percent from * * * in the corresponding period of 1986. Operating income was * * * in interim 1986 and * * * in interim 1987. Operating income margins were * * * and * * * in the 1986 and 1987 interim periods, respectively. * * *.

Table 7
Income-and-loss experience of 3 U.S. producers on their nitrile rubber operations, accounting years 1984-86, January-June 1986, and January-June 1987 1/

Item	1984	1985	1986	January-June 1986	January-June 1987
Net sales.....1,000 dollars..	***	***	***	***	***
Cost of goods sold.....do....	***	***	***	***	***
Gross profit.....do....	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars..	***	***	***	***	***
Operating income 1,000 dollars..	***	***	***	***	***
Interest expense.....do....	***	***	***	***	***
All other income or (expenses) 1,000 dollars..	***	***	***	***	***
Net income (loss) before income taxes..1,000 dollars..	***	***	***	***	***
Depreciation and amortization expense.....1,000 dollars..	***	***	***	***	***
Cash flow from operations 1,000 dollars..	***	***	***	***	***
Ratio to net sales of:					
Cost of goods sold..percent..	***	***	***	***	***
Gross profit.....do....	***	***	***	***	***
General, selling, and administrative expenses percent..	***	***	***	***	***
Operating income (loss) percent..	***	***	***	***	***
Net income (loss) before income taxes.....percent..	***	***	***	***	***
Number of firms reporting—					
Operating losses.....	***	***	***	***	***
Net losses.....	***	***	***	***	***
Data.....	***	***	***	***	***

1/ The accounting years for BF Goodrich, Copolymer, and Uniroyal end Dec. 31, Sept. 30, and Sept. 30, respectively; however, Uniroyal submitted data for the period ending Dec. 31.

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

Because raw materials—particularly butadiene and acrylonitrile—are such large components in U.S. producers' cost of production, they are significant factors in overall profitability. The major petrochemical companies supply U.S. producers with the bulk of their butadiene and acrylonitrile, the prices of which generally follow the price of crude oil. The following tabulation,

compiled from questionnaire data, shows U.S. producers' cost of raw materials as a share of both total cost of goods sold (CGS) and total net sales for 1984-86, January-June 1986, and January-June 1987:

				Jan.-June—	
	1984	1985	1986	1986	1987
Cost of raw materials..1,000 dollars..	***	***	***	***	***
As a share of total CGS....percent..	***	***	***	***	***
As a share of net sales.....do....	***	***	***	***	***
Per pound	***	***	***	***	***
Net sales per pound.....	***	***	***	***	***
Sales less cost per pound.....	***	***	***	***	***

The data show that the cost of raw materials declined as a share of both CGS and net sales, but more rapidly as a share of CGS. The relationship between the cost of raw materials as a share of CGS and as a share of net sales is similar to that between the cost of raw materials and net sales on a per-pound basis, also shown in the tabulation. The data show that the difference between unit raw material cost and unit sales value has narrowed, albeit slightly. The differential between Uniroyal's raw material cost and selling price for nitrile rubber is reproduced below from appendix 27 of the petition: 1/

	Raw material costs 1/	Price	Price/cost differential 2/
Jan.-Mar. 84....	***	***	***
Apr.-June 84....	***	***	***
July-Sept. 84...	***	***	***
Oct.-Dec. 84....	***	***	***
Jan.-Mar. 85....	***	***	***
Apr.-June 85....	***	***	***
July-Sept. 85...	***	***	***
Oct.-Dec. 85....	***	***	***
Jan.-Mar. 86....	***	***	***
Apr.-June 86....	***	***	***
July-Sept. 86...	***	***	***
Oct.-Dec. 86....	***	***	***
Jan.-Mar. 87....	***	***	***
Apr.-June 87....	***	***	***

1/ Quarterly composite cost of the 2 main ingredients in Uniroyal nitrile rubber at a ratio of 68 percent butadiene, 32 percent acrylonitrile.
2/ Price less raw material costs.

* * *. 2/ Uniroyal's income-and-loss experience is presented in table 8. Selected income-and-loss data for each producer's nitrile rubber operations are presented in table 9.

1/ Should a final investigation be instituted, all producers will be requested to provide more detailed information regarding raw material purchases.
2/ Questionnaire response of Uniroyal, p. 15A.

Table 8
Income-and-loss experience of Uniroyal on its operations producing nitrile rubber, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June— 1986	January-June— 1987
Net sales 1/....1,000 dollars..	***	***	***	***	***
Cost of goods sold.....do....	***	***	***	***	***
Gross profit.....do....	***	***	***	***	***
General, selling, and administrative (expenses) 1,000 dollars..	***	***	***	***	***
Operating income 1,000 dollars..	***	***	***	***	***
Interest expense .....do....	***	***	***	***	***
All other income (expense) 1,000 dollars..	***	***	***	***	***
Net income before income taxes.....1,000 dollars..	***	***	***	***	***
Depreciation and amortization expense.....1,000 dollars..	***	***	***	***	***
Cash flow from operations 1,000 dollars..	***	***	***	***	***
Ratio to net sales of:					
Cost of goods sold..percent..	***	***	***	***	***
Gross profit.....do....	***	***	***	***	***
General, selling, and administrative expenses percent..	***	***	***	***	***
Operating income.....do....	***	***	***	***	***
Net income before income taxes.....percent..	***	***	***	***	***

1/ Approximately * * * percent of Uniroyal's sales are revenues from Paracril OZO—nitrile rubber to which PVC resin has been added and which, therefore, is outside the scope of this investigation.

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

Table 9
Income-and-loss experience of 3 U.S. producers on their operations producing nitrile rubber, by firms, 1984-86, January-June 1986, and January-June 1987

Item and firm	1984	1985	1986	January-June— 1986	1987
	Value (1,000 dollars)				
Net sales:					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal 1/	***	***	***	***	***
Total	***	***	***	***	***
Gross profit:					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal	***	***	***	***	***
Total	***	***	***	***	***
Operating income or (loss):					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal	***	***	***	***	***
Total	***	***	***	***	***
	Percent of net sales				
Gross profit:					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal	***	***	***	***	***
Weighted average	***	***	***	***	***
Operating income or (loss):					
BF Goodrich	***	***	***	***	***
Copolymer	***	***	***	***	***
Uniroyal	***	***	***	***	***
Weighted average	***	***	***	***	***

1/ Approximately * * * percent of Uniroyal's sales are revenues from Paracril OZO—nitrile rubber to which PVC resin has been added and which, therefore, is outside the scope of this investigation.

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

Investment in production facilities.—The investment in productive facilities for nitrile rubber operations is shown in table 10. The investment in such facilities, valued at cost, was * * * as of the end of 1984 and * * * as of the end of 1986. The book value of such assets was * * * as of December 31, 1986. For the interim period ended June 30, 1987, the value was * * *, compared with * * * for June 30, 1986. The book value as of June 30, 1987 was * * *, compared with * * * as of June 30, 1986.

Table 10
Nitrile rubber: U.S. producers' end-of-period valuation of fixed assets, as of December 31 of 1984-86, and June 30 of 1986 and 1987

(In thousands of dollars)

Item	1984	1985	1986	Interim period ended June 30— 1986	1987
Original cost	***	***	***	***	***
Book value	***	***	***	***	***

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

Capital expenditures.—Capital expenditures relating to nitrile rubber operations increased from * * * in 1984 to * * * in 1985, then declined to * * * in 1986. Such expenditures were * * * for interim 1987, compared with * * * for the 1986 interim period. These data are shown in the following tabulation (in thousands of dollars):

	Amount
1984	***
1985	***
1986	***
January-June—	
1986	***
1987	***

Research and development expenses.—Outlays for research and development increased from * * * in 1984 to * * * in 1986. For the interim periods of 1986 and 1987, expenditures were * * * and * * *, respectively. Research and development expenses are shown in the following tabulation (in thousands of dollars):

	Amount
1984	***
1985	***
1986	***
January-June—	
1986	***
1987	***

Consideration of Alleged Threat of Material Injury

In the examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of imports and market penetration of such imports, probable suppression and/or depression of U.S. producers' prices, the capacity of producers in the exporting country to generate exports (including the existence of underutilized capacity and the availability of export markets other than the United States), the potential for product shifting by foreign producers, and U.S. importers' inventories. Import, price, and market penetration trends for nitrile rubber are discussed in the sections immediately following. A discussion of importers' inventories and foreign capacity and exports, to the extent such information is available, is presented below.

Data received from Goldsmith & Eggleton and JSR America—* * *—show that end-of-period inventories of Japanese-produced nitrile rubber in the United States increased by * * * percent from 1984 to 1986, or from * * * pounds to * * * pounds, and by * * * from January-June 1986 to January-June 1987, or from * * * pounds to * * * pounds. According to testimony at the Commission's public conference, Goldsmith & Eggleton endeavors to maintain 2 to 3 months inventory at all times. 1/

As stated previously, three firms are known to manufacture nitrile rubber in Japan. Data relating to Nippon Zeon, the source of most imports from Japan, are shown in table 11. The data show that while its capacity to produce nitrile rubber from 1984 to 1986 increased by * * * percent, its production decreased by * * * percent, or, as a percentage of capacity, from * * * percent to * * * percent. The trends in production and capacity utilization reversed in January-June 1987 from January-June 1986. As a share of its production, Nippon Zeon's total exports * * *, while the United States' share of these exports fluctuated between * * * and * * * percent. * * *. 2/ According to Worldwide Rubber Statistics, 1986, published by the International Institute of Synthetic Rubber Producers, total capacity for the production of nitrile rubber in Japan is about 90 percent of that available in the United States. This being the case, Nippon Zeon represents about * * * percent of the total capacity available in Japan. This estimate correlates well with information on total Japanese production, shipments, and exports requested through and received from the U.S. Department of State, shown in app. C.

1/ Transcript, p. 61.

2/ Post-conference brief on behalf of Nippon Zeon Co., Ltd., pp. 31-32.

Table 11
Nitrile rubber: Nippon Zeon's capacity, production, and exports, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June 1986	January-June 1987
Capacity.....1,000 pounds..	***	***	***	***	***
Production.....do....	***	***	***	***	***
Capacity utilization.....percent..	***	***	***	***	***
Exports to—					
United States.....1,000 pounds..	***	***	***	***	***
All other.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Share of production that was exported.....percent..	***	***	***	***	***
Share of total exports to—					
United States.....percent..	***	***	***	***	***
All other.....do....	***	***	***	***	***
Total.....do....	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted to the Commission by counsel for Nippon Zeon (Post-conference brief, September 28, 1987).

Consideration of the Causal Relationship Between the LTFV Imports and the Alleged Material Injury

U.S. imports

From 1984 to 1985, total U.S. imports of nitrile rubber declined by 9.7 percent from * * * pounds, valued at * * *, to * * * pounds, valued at * * * (table 12). Imports then increased in 1986 to a level 5.9 percent above that in 1984. The upward trend continued in January-June 1987, when imports increased by 26.4 percent from the corresponding period in 1986. In keeping with the trend for the aggregate, imports from Japan declined from * * * pounds, or * * * percent of imports, in 1984, to * * * pounds, or * * * percent of imports, in 1985, and then increased to * * * pounds, or * * * percent of imports, in 1986. From January-June 1986 to January-June 1987, imports from Japan increased by 26.4 percent, but remained unchanged as a share of imports at * * * percent. Other large and/or increasing sources of imports in recent periods were Canada, the largest single source, and France. 1/ Unit values per pound, also shown in table 12, are lowest for Japan.

1/ Virtually all imports from Canada are * * *.

Table 12
Nitrile rubber: U.S. imports, by principal sources, 1984-86, January-June 1986, and January-June 1987

Source	1984	1985	1986	January-June— 1986	1987
	Quantity (1,000 pounds)				
Canada	18,572	17,154	19,218	10,455	11,546
Japan	***	***	***	***	***
France	1,374	660	1,328	562	1,172
United Kingdom	441	215	276	135	159
All other	2,397	2,580	3,103	1,070	2,571
Total	***	***	***	***	***
	Value (1,000 dollars) 1/				
Canada	15,771	13,909	14,962	8,361	8,542
Japan	***	***	***	***	***
France	1,353	642	1,114	508	1,162
United Kingdom	323	165	198	103	111
All other	1,842	1,600	2,156	711	1,699
Total	***	***	***	***	***
	Unit value (per pound)				
Canada	$0.85	$0.81	$0.78	$0.80	$0.74
Japan	***	***	***	***	***
France	.98	.97	.84	.90	.99
United Kingdom	.73	.77	.72	.76	.70
All other	.77	.62	.69	.66	.66
Average	***	***	***	***	***

1/ C.i.f. value, i.e. landed cost at the point of importation.

Source: Imports from Japan compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports from other countries compiled from official statistics of the U.S. Department of Commerce. Imports from Japan are understated in the official statistics of the U.S. Department of Commerce to the extent that some imports have been classified under TSUSA item 446.1557 instead of item 446.1511. This misclassification does not appear to apply to imports from Canada, France, or the United Kingdom.

Note.—Numbers may not add to totals shown due to rounding.

U.S. consumption and market penetration

Apparent U.S. consumption of nitrile rubber declined by 10.2 percent from * * * pounds in 1984 to * * * pounds in 1985, and then increased by 2.2 percent to * * * pounds in 1986, a level still 8.3 percent below that in 1984 (table 13). From January-June 1986 to January-June 1987, consumption increased by 3.9 percent. The trend in open-market consumption was similar, but at a level about 15 percent below that for total consumption, as shown in table 13. Two factors which have adversely affected nitrile rubber consumption in recent periods are declining purchases of nitrile rubber products for the petrochemical industry and increasing imports of automobile and light truck parts.

As a share of apparent consumption, imports increased from * * * percent in 1984 to * * * percent in 1986, and from * * * percent in January-June 1986 to * * * percent in January-June 1987. Correspondingly, imports from Japan increased from * * * percent to * * * percent, and from * * * percent to * * * percent of consumption, respectively. As a share of open-market consumption, the trend in imports was similar to that for total consumption, as shown in table 13.

Prices

The demand for nitrile rubber is derived from the demand for a number of intermediate-use and end-use products such as automobiles and auto parts, adhesives, wire and cable covers, footwear, industrial belts, and hoses for the oil industry. The single largest user of nitrile rubber is the automobile industry, which uses the product in the manufacture of parts such as oil seals and hoses.

Nitrile rubber can be separated into three general pricing categories depending upon the level of acrylonitrile content. 1/ The domestic industry's nitrile rubber with a greater than 35 percent acrylonitrile content is the highest priced category because it is used in products requiring high resistance to oil and heat, such as oil-well parts, fuel cell liners, and oil seals and fuel hoses. Nitrile rubber with less than 28 percent acrylonitrile content is the middle-priced category and is used where low-temperature flexibility is more important than oil resistance. The lowest priced category is nitrile rubber with acrylonitrile content of between 28 and 35 percent. It is the lowest priced category because it is more commonly sold in bulk quantities. This type of nitrile rubber constitutes nearly 80 percent of consumption and is used primarily by the automobile and related industries. 2/

The domestic industry usually sells directly to firms that use the nitrile rubber as an input in the manufacturing process. Nichimen, which imports approximately * * * percent of Japanese nitrile rubber, sells all of the nitrile rubber it imports from Japan to the distributor Goldsmith and

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1/ Respondents contend that prices within each category can vary by as much as 5 percent because of variations in the acrylonitrile content.

2/ Japanese prices were highest for the less than 28 percent category and lowest for the greater than 28-35 percent category. The less than 28 percent and greater than 35 percent categories accounted for less than *** percent of sales of Japanese nitrile rubber.

Table 13
Nitrile rubber: Apparent U.S. consumption and ratio of imports to consumption, 1984-86, January-June 1986, and January-June 1987

Period	Apparent U.S. consumption 1/	Ratio (percent) of imports to consumption— For Japan	Ratio (percent) of imports to consumption— For all other countries	Ratio (percent) of imports to consumption— Total	Apparent U.S. open-market consumption 2/	Ratio (percent) of imports to consumption— For Japan	Ratio (percent) of imports to consumption— For all other countries	Ratio (percent) of imports to consumption— Total
	Quantity (1,000 pounds)							
1984	***	***	***	***	***	***	***	***
1985	***	***	***	***	***	***	***	***
1986	***	***	***	***	***	***	***	***
January-June—								
1986	***	***	***	***	***	***	***	***
1987	***	***	***	***	***	***	***	***
	Value (1,000 dollars) 3/							
1984	***	***	***	***	***	***	***	***
1985	***	***	***	***	***	***	***	***
1986	***	***	***	***	***	***	***	***
January-June—								
1986	***	***	***	***	***	***	***	***
1987	***	***	***	***	***	***	***	***

1/ Total imports plus U.S. producers' domestic shipments and intracompany consumption.
2/ Total imports plus U.S. producers' domestic shipments.
3/ C.i.f. value with respect to imports.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

Eggleton, Inc., Akron, OH. This distributor, in turn, sells to the same types of firms in the distribution chain as do domestic producers. JSR America, Inc., New York, NY, the only other importer of the Japanese product, sells * * * to processors.

Nitrile rubber is sold in several physical forms, including bale, slab, crumb, powder, and latex. Regardless of the physical form, nitrile rubber is sold on a per-pound basis. Often, informal agreements on prices are reached between supplier and purchaser. Although these agreements are not contracts to supply nitrile rubber at a specified price, the agreement price will prevail for periods of up to a year, unless there is a significant change in circumstances such as a change in material costs.

Because the principal raw materials, butadiene and acrylonitrile, together account for over * * * of the production cost of nitrile rubber, the cost of these raw materials is likely to affect the trend of selling prices. During the period under investigation, the combined cost of these raw materials fell significantly, by * * * percent from January-March 1984 to October-December 1986, before increasing by * * * percent over the next 2 quarters. 1/ In table 14, domestic raw-material costs of the principal raw materials of nitrile rubber with an acrylonitrile content of 32 percent are compared with weighted-average prices for domestic nitrile rubber with an acrylonitrile content of 28-35 percent. The data in table 14 show that both raw material costs and the domestic price of the particular category of nitrile rubber trended downward, although raw material costs fell more rapidly. One purchaser, Timothy Killeen of Burton Rubber Products, follows the prices of the raw materials of nitrile rubber in the Chemical Marketing Reporter, a periodical that tracks the prices of many chemical products. He uses this information to anticipate price changes and to negotiate lower prices for the nitrile rubber he purchases. 2/

Price data.--The Commission asked producers and the distributors of the Japanese product to provide quarterly price data during January 1984-June 1987 for the three categories of nitrile rubber listed below:

Category 1.--Nitrile rubber with acrylonitrile content less than 28 percent.

Category 2.--Nitrile rubber with acrylonitrile content between 28 and 35 percent, inclusive.

Category 3.--Nitrile rubber with acrylonitrile content greater than 35 percent.

1/ The material-cost data was taken from Appendix 27 of the petition. Respondents claim, as does Timothy Killeen of Burton Rubber Products, that domestic prices track the principal raw material prices. The petitioner, Uniroyal, states on page 22 of the petition that imports from Japan have forced them to reduce prices even though there have been increasing raw material prices.

2/ Transcript, p. 86.

Table 14
Nitrile rubber: U.S. producers' principal raw material costs, weighted-average prices for nitrile rubber with acrylonitrile content of between 28 and 35 percent, and principal raw materials' share of price, by quarters, January 1984-June 1987

Period	Principal raw material costs	Acrylonitrile content: 28-35%	Cost share of price
	Per pound		Percent
1984:			
Jan.-Mar.	***	$0.95	***
Apr.-June	***	.94	***
July-Sept	***	.92	***
Oct.-Dec	***	.87	***
1985:			
Jan.-Mar	***	.89	***
Apr.-June	***	.90	***
July-Sept	***	.86	***
Oct.-Dec	***	.84	***
1986:			
Jan.-Mar	***	.85	***
Apr.-June	***	.79	***
July-Sept	***	.75	***
Oct.-Dec	***	.79	***
1987:			
Jan.-Mar	***	.79	***
Apr.-June	***	.84	***

Source: Compiled from data submitted in the petition in appendix 27 and in response to questionnaires of the U.S. International Trade Commission.

The product specifications used to collect price data identified the major selling price factors--acrylonitrile content, viscosity, and market segment. In order to control for quarterly price changes caused solely by slight changes in the product specifications sold within a product category, producers and importers reported price data for the same item throughout the period. Price data were requested for the largest three customers of the responding firm's single largest volume item within a product category. Prices for each product category were weighted by the firm's total sales of that category. Price data accounted for approximately * * * percent of total 1986 domestic shipments of nitrile rubber and more than 100 percent of imports from Japan. 1/

Domestic price trends.--Selling-price data reported by U.S. producers for their sales of nitrile rubber provided usable weighted-average-price series for the three categories of the product. These specific products accounted for about 94 percent of 1986 domestic shipments of nitrile rubber as defined previously in the report. 2/ The weighted-average price data for the three categories, shown in table 15, indicate that prices either generally declined or remained relatively flat from January-March 1984 to April-June 1987.

1/ The three producers were Uniroyal Chemical, BF Goodrich, and Copolymer. Two possible reasons for the products requested accounting for more than 100 percent of Japanese shipments are depletion of inventories and a possible discrepancy between Goldsmith and Eggleton's sales and Nichimen's shipments.
2/ Respondents claim that the product definition is too narrow and should include other specialty products.

Table 15
Nitrile rubber: U.S. producers' and importers' weighted-average prices and margins of underselling (overselling), by percentage acrylonitrile content, by quarters, January 1984-June 1987

Period	Less than 28 percent			28 to 35 percent			Greater than 35 percent		
	U.S.	Japan	Margin	U.S.	Japan	Margin	U.S.	Japan	Margin
	---Per pound---		Percent	---Per pound---		Percent	---Per pound---		Percent
1984:									
Jan.-Mar.....	$1.09	***	***	$0.95	***	***	$1.33	***	***
Apr.-June.....	1.10	***	***	.94	***	***	1.34	***	***
July-Sept.....	1.08	***	***	.92	***	***	1.32	***	***
Oct.-Dec.....	1.08	***	***	.87	***	***	1.32	***	***
1985:									
Jan.-Mar.....	1.09	***	***	.89	***	***	1.28	***	***
Apr.-June.....	1.06	***	***	.90	***	***	1.31	***	***
July-Sept.....	1.09	***	***	.86	***	***	1.32	***	***
Oct.-Dec.....	1.07	***	***	.84	***	***	1.32	***	***
1986:									
Jan.-Mar.....	1.07	***	***	.85	***	***	1.27	***	***
Apr.-June.....	1.05	***	***	.79	***	***	1.28	***	***
July-Sept.....	1.08	***	***	.75	***	***	1.25	***	***
Oct.-Dec.....	1.04	***	***	.79	***	***	1.26	***	***
1987:									
Jan.-Mar.....	1.07	***	***	.79	***	***	1.21	***	***
Apr.-June.....	1.06	***	***	.84	***	***	1.22	***	***

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

Note.--Percentage margins were calculated from unrounded figures; therefore, margins cannot always be calculated directly from the rounded prices in the table.

For the period of investigation, the weighted-average price for category 1 nitrile rubber remained relatively flat, fluctuating less than 5 percent. The price in April-June 1987 was 2.8 percent less than the January-March 1984 price, having declined from $1.09 to $1.06 per pound. The products listed in category 1 accounted for about 12 percent of total 1986 domestic shipments.

The weighted-average price for category 2 nitrile rubber generally declined during the period of investigation. The price declined from $0.95 per pound in January-March 1984 to $0.75 per pound by July-September 1986, before recovering to $0.84 per pound in April-June 1987. The products listed in category 2 accounted for about 69 percent of total 1986 domestic shipments.

The weighted-average price for category 3 nitrile rubber was relatively flat in 1984 and 1985, and then generally declined throughout the rest of the period of investigation. The price decreased from $1.33 per pound in January-March 1984 to $1.22 per pound by April-June 1987. The products in category 3 accounted for about 14 percent of total 1986 domestic shipments.

Import price trends.--The price trends of each of the categories of the Japanese products were similar to corresponding domestic price trends. The weighted-average prices for the three categories, shown in table 15, either declined or remained relatively flat from January-March 1984 to April-June 1987. The specific products provided accounted for more than 100 percent of total 1986 Japanese shipments.

For the period of investigation, the weighted-average price for category 1 nitrile rubber remained relatively flat, fluctuating no more than 2.5 percent above or below the January-March 1984 price of * * * per pound. The products listed in category 1 accounted for about * * * percent of total 1986 Japanese shipments.

The weighted-average price for sales of category 2 nitrile rubber generally declined over the period of investigation. The price declined by 20 percent from * * * per pound in January-March 1984 to * * * per pound by April-June 1987. The products listed in category 2 accounted for about * * * percent of total 1986 Japanese shipments.

The weighted-average price for category 3 nitrile rubber increased in 1984 and through the first half of 1985 before declining slightly during the rest of the period of investigation. Overall, the price declined by less than 5 percent from * * * per pound in January-March 1984 to * * * per pound by April-June 1987. The products listed in category 3 accounted for about * * * percent of total 1986 Japanese shipments.

Price comparisons.--In order to provide price comparisons at the same level of trade, comparisons are made at the processor level. Prices of domestic producers' sales to processors are compared with sales of imports to processors by the distributor, Goldsmith and Eggleton, combined with the importer JSR America's * * * sales to processors. The reported selling-price data for sales by producers and the importers' distributors during January-March 1984 to April-June 1987 resulted in 42 direct quarterly price comparisons between weighted-average prices of domestic and imported nitrile rubber from Japan. Price data showed underselling by imports in 38 of the price comparisons. Margins of underselling by the Japanese were highest for

category 3 (table 15). The tabulation below presents a summary of direct quarterly price comparisons that showed underselling by the distributors of the Japanese product for each product category and the range of percentage margins by which the imported weighted-average selling price undersold the U.S. producers' weighted-average selling price.

Product	Instances of underselling/ total comparisons	Range of underselling Percent
Category 1.....	13/14	***-***
Category 2.....	11/14	***-***
Category 3.....	14/14	***-***

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1984-September 1987 the nominal value of the Japanese yen appreciated 53.8 percent relative to the U.S. dollar (table 16). 1/ The real value of the Japanese currency registered an overall appreciation equivalent to 33.0 percent as of the third quarter of 1987 relative to January-March 1984 levels.

Lost sales

Three domestic producers provided lost-sales allegations for this investigation. Twenty-three purchasers were cited in 27 allegations of sales lost because of price competition from imports from Japan. All but two of the lost sales allegations were for 1986 and 1987. Alleged sales lost to imports from Japan during the period of investigation totaled approximately 5.9 million pounds valued at over $4.5 million.

* * * named * * *, in two sales totaling approximately * * * allegedly lost because of competition from Japanese suppliers. * * *, spokesman for * * *, stated that the company did eliminate a domestic supplier during March 1987 but the majority of this new business went to another domestic supplier and only a small percentage was purchased from Japanese suppliers. * * * commented that although price is very important in * * * purchasing decisions, quality of the product and service of the supplier are also taken into consideration. * * * stated that prices of Japanese and domestic nitrile rubber have generally been similar and that recently it has been the American producers that have driven the price down in an attempt to increase market share. According to * * *, the quality of Japanese nitrile rubber has been better than that of domestic nitrile rubber in recent years; however, within the last 12 months, this gap has narrowed.

* * *, was named by * * * in a lost sale allegation totaling approximately * * * involving competition from Japanese suppliers. * * *, purchasing agent for * * *, stated that the company purchases from both Japanese and domestic suppliers and that the majority of this business goes to domestic suppliers. * * * commented that although price is very important in * * * purchasing

1/ International Financial Statistics, September 1987.

Table 16
Nominal-exchange-rate equivalents of the Japanese yen in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Japan, 1/ indexed by quarters, January 1984-September 1987

(January-March 1984=100.0)

Period	U.S. Producer Price Index	Japanese Producer Price Index	Nominal-exchange-rate index	Real-exchange-rate index 2/
			US dollars/yen	
1984:				
January-March	100.0	100.0	100.0	100.0
April-June	100.7	99.9	100.6	99.8
July-September	100.4	100.7	94.9	95.1
October-December	100.2	100.4	93.9	94.1
1985:				
January-March	100.0	100.8	89.7	90.4
April-June	100.1	100.1	92.1	92.1
July-September	99.4	99.0	96.8	96.4
October-December	100.0	96.7	111.6	107.9
1986:				
January-March	98.5	94.4	123.0	117.8
April-June	96.6	90.4	135.8	127.1
July-September	96.2	87.9	148.3	135.6
October-December	96.5	86.6	144.1	129.2
1987:				
January-March	97.7	86.2	150.8	133.1
April-June	99.3	85.8	161.9	139.8
July-September 3/	100.3	86.8	153.8	133.0

1/ Producer price indicators—intended to measure final product prices—are based on average quarterly indexes presented in line 63 of the International Financial Statistics.
2/ The indexed real exchange rate represents the nominal exchange rate adjusted for movements in the Producer Price Indices in the United States and Japan. Producer prices in the United States increased 0.3 percent between January 1984 and September 1987 compared with a decrease of 13.2 percent in Japanese prices as of July-September 1987.
3/ Data for the final quarter presented above is derived from exchange rate and producer price indices reported for July only.

Source: International Monetary Fund, International Financial Statistics, September 1987.

decisions, quality of the product and service of the supplier are also taken into consideration. According to * * *, the quality of Japanese nitrile rubber has been better than that of domestic nitrile rubber in recent years. * * *.

* * *, was named by * * * in two sales totaling approximately * * * allegedly lost because of competition from Japanese suppliers. * * *, purchasing agent for * * *, confirmed that the company purchased the Japanese material. * * * commented that price was the reason for * * * purchasing from the Japanese.

* * *, was named by * * * in sales totaling approximately * * * allegedly lost because of competition from Japanese suppliers. * * *, purchasing agent for * * *, stated that the company purchases from the Japanese instead of domestic suppliers for use in injection curing because the Japanese provide a superior rubber. Most of their business is involved with * * * which goes to domestic suppliers.

* * *, was named by * * * in a lost sale allegation totaling approximately * * * involving competition from Japanese suppliers. * * *, purchasing agent for * * *, denied the lost sale allegation, stating that they purchased small quantities from the Japanese for test purposes only. * * *.

* * *, was named by * * * in a lost sale allegation totaling approximately * * * involving competition from Japanese suppliers. * * *, purchasing agent for * * *, stated that his company purchased from the Japanese because of the superior quality of their nitrile rubber. The company purchases large quantities from both the domestic producers and the Japanese. * * *.

* * *, was named by * * * in a lost sale allegation totaling * * * of nitrile rubber allegedly purchased from Japanese suppliers in * * * 1986. * * *, spokesman for * * *, stated that although the company did not purchase the domestic product, the decision was not based on the price of the product. * * *. * * * stated that the firm decided not to purchase from * * * because it was not a good business move. * * * added that although prices for Japanese nitrile rubber are slightly lower than domestic prices, the prices for British nitrile rubber are much lower than both Japanese and domestic prices.

Other purchasers contacted by the Commission to which producers reported lost sales include * * *. Three of these firms, to which a total of * * * had allegedly been lost, reported that they had purchased the Japanese product in favor of the U.S.-produced product and primarily because of price, although quality was a significant consideration. (According to these buyers, Japanese nitrile rubber falls consistently within a narrow range of specifications). One, to which * * * had allegedly been lost (* * *), reported that it had never purchased the Japanese product; and another, to which * * * had allegedly been lost (* * *), claimed that it had only purchased sample quantities of the Japanese product and that these purchases had been made "at a considerable time in the past."

Lost revenues

Two domestic producers provided lost revenue allegations in this investigation. Seventeen purchasers were cited in 19 allegations of revenues lost to avoid losing sales to imports from Japan. All of the lost revenue allegations were for 1986 and 1987. Alleged revenues lost were approximately * * * on * * * pounds.

* * *, was named by * * * in a lost revenue allegation totaling * * * for October-December 1986. * * *, purchasing agent for * * *, stated that to his knowledge, domestic companies have not lowered prices in response to Japanese competition, but have lowered prices in response to competition from each other. * * * is a large user of nitrile rubber. * * *. According to * * *, the price of raw materials, particularly butadiene, has increased significantly since the beginning of 1987. * * *.

* * *, was named by * * * in a lost revenue allegation totaling approximately * * *. * * *, purchasing agent for * * *, stated that price reduction by domestic suppliers is because of * * * introduction of a new nitrile rubber product at a low price, forcing its domestic competitors to lower the prices they offer for nitrile rubber. The company purchases large quantities from both the domestic producers and the Japanese.

* * * named * * *, in a lost revenue allegation totaling approximately * * *. * * *, spokesman for * * *, stated that although price is very important in * * * purchasing decisions, quality of the product and service of the supplier are also taken into consideration. * * * stated that prices of Japanese and domestic nitrile rubber have generally been similar and that recently it has been the American producers that have driven the price down in an attempt to increase market share. According to * * *, the quality of Japanese nitrile rubber has been better than that of domestic nitrile rubber in recent years; however, within the last 12 months, this gap has narrowed.

* * *, was named by * * * in a lost revenue allegation totaling approximately * * *. * * *, purchasing agent for * * *, denied the lost revenue allegation, stating that they purchased small quantities from the Japanese for test purposes only and did not use the Japanese product to receive price concessions from the domestic producers.

* * *, was named by * * * in two lost revenue allegations totaling * * * for * * * 1986. * * *, spokesman for * * *, denied this allegation. Although his company purchases from the Japanese, the Japanese do not price lower than their domestic competitors.

* * * alleged lost revenues of * * * to * * *, due to competition from lower priced nitrile rubber from Japan. * * *, representative for * * *, stated that the company mostly purchases from domestic sources but does contact several suppliers before making a purchase. Although price is an important determinant in a purchasing decision, * * * stated that the firm's

number one consideration is to meet the particular grade specifications, i.e., the percent of acrylonitrile in the nitrile rubber. * * * stated that Japanese prices for nitrile rubber have been lower than domestic prices, and the company will use a lower price from one producer to get a lower price from another.

* * * alleged that revenue of * * * was lost in * * * 1986 on a sale to * * *. * * *, representative for * * *, did not confirm the exact date and time involved in this allegation, but did acknowledge that domestic producers of nitrile rubber have reduced prices in the past year or two in order to remain competitive. However, * * * stated that the leadtime for delivery of Japanese nitrile rubber is longer than that for U.S.-produced nitrile rubber and it is necessary to purchase Japanese nitrile rubber in 40,000-pound increments.

* * *, was named by * * * in two lost revenue allegations totaling approximately * * *. * * *, purchasing agent for * * *, stated that price reduction by domestic suppliers is not the result of competitive pressures from Japanese imports, but from competition between domestic suppliers. The company only purchases from the Japanese when they are using * * *. Price competition occurs for nitrile rubber used in compression molding—a use supplied by domestic producers.

* * *, was named by * * * in a lost revenue allegation totaling approximately * * * due to competition from Japanese suppliers. * * *, purchasing agent for * * *, confirmed the allegation. * * * commented that the price of the Japanese product was the reason for * * * receiving a price concession from a domestic supplier.

* * * named * * *, in a lost revenue allegation totaling * * * for * * * 1986. * * *, spokesman for * * *, stated that domestic producers have had to lower their prices in order to remain competitive in the industry. * * * explained that the company purchases U.S.-produced nitrile rubber if the price is within 3-6 percent of the price of Japanese nitrile rubber. In the past few years, prices for domestic nitrile rubber have been competitive with those of imports, and * * * has purchased nitrile rubber from Japan only once. * * * added that quality is also an important consideration in the purchasing decision, and the domestic and Japanese products are comparable in terms of quality.

* * *, was named by * * * in a lost revenue allegation totaling * * * for 1987. * * *, spokesman for * * *, stated that the * * * purchases nitrile rubber from both domestic and Canadian producers but has not purchased from Japanese suppliers. * * * commented that although there has not been a price leader in the nitrile rubber market, he was aware that prices for Japanese nitrile rubber were slightly lower than domestic prices. In addition, * * * stated that Japanese nitrile rubber has been purchased by another * * * plant, which did require U.S. producers to lower their prices in order to retain their business.

* * *, was named by * * * in a lost revenue allegation totaling approximately * * * due to competition from Japanese suppliers. * * *, purchasing agent for * * *, stated that the prices the company receives on domestic and imported nitrile rubber are similar. * * * further states that the Japanese suppliers are price followers not price leaders. * * * commented

that although price is very important in * * * purchasing decisions, quality of the product and service of the supplier are also taken into consideration. According to * * *, the quality of Japanese nitrile rubber has been better than that of domestic nitrile rubber in recent years. * * *.

* * *, was named by * * * in a * * * lost revenue allegation for * * * 1986. * * *, spokesman for * * *, denied this allegation and stated that the company purchases nitrile rubber from U.S. and Canadian producers, not Japanese. According to * * *, domestic suppliers have limited product lines and, as a result, * * * has looked for other suppliers that have a more complete product line.

APPENDIX A

COMMERCE'S AND COMMISSION'S FEDERAL REGISTER NOTICES

[Investigation No. 731-TA-384 (Preliminary)]

Nitrile Rubber From Japan

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-384 (Preliminary) under section 733(a) of the Tariff Act of 1930 (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 threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Japan of nitrile rubber, not containing fillers, pigments, or rubber-processing chemicals, provided for in item 446.15 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value.[1]

As provided in section 733(a), the Commission must complete a preliminary antidumping investigation in 45 days, or in this case by October 16, 1987.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

EFFECTIVE DATE: September 1, 1987.

FOR FURTHER INFORMATION CONTACT: Larry Reavis (202-523-0296), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002. Information may also be obtained via electronic mail by calling

[1] For purposes of this investigation, nitrile rubber refers to the synthetic rubber that is made from the polymerization of butadiene and acrylonitrile and that does not contain any type of additive or compounding ingredient having a function in processing, vulcanization, or end use of the product.

the Office of Investigations' remote bulletin board system for personal computers at 202-523-0103. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-523-0161.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on September 1, 1987, by Uniroyal Chemical Co., Inc., Middlebury, CT.

Participation in the investigation.—Persons wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list.—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on September 23, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Larry Reavis (202-523-0296) not later than September 21, 1987, 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.

Written submissions.—Any person may submit to the Commission on or before September 28, 1987, a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

By order of the Commission.

Issued: September 4, 1987.

Kenneth R. Mason,

Secretary.

[FR Doc. 87-20804 Filed 9-9-87; 8:45 am]

BILLING CODE 7020-02-M

[A-588-706]

Initiation of Antidumping Duty Investigation; Butadiene/Acrylonitrile Copolymer Synthetic Rubber From Japan

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of butadiene/acrylonitrile copolymer synthetic rubber (nitrile rubber) from Japan are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of this product materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before October 15, 1987, and we will make ours on or before February 8, 1988.

EFFECTIVE DATE: September 28, 1987.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC, 20230, telephone (202) 377-1769.

SUPPLEMENTARY INFORMATION:

The Petition

On September 1, 1987, we received a petition filed in proper form by Uniroyal Chemical Company, Inc., on behalf of the U.S. industry producing nitrile rubber. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petitioner alleges that imports of nitrile rubber from Japan 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 Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry.

Petitioner's estimate of United States price was based on statements by its customers that also purchase Japanese nitrile rubber. Petitioner made adjustments for ocean freight, U.S. inland freight, commissions and general expenses, and interest for inventory costs in the U.S.

Petitioner based the foreign market value on information obtained in Japan listing quoted prices for medium acrylonitrile grade rubber. Petitioner made adjustments for differences in quantity, overhead and indirect expenses, freight, and interest cost.

Based on a comparison of United States prices and foreign market value, petitioner alleges dumping margins ranging from 39 to 240 percent.

Petitioner also alleges that "critical circumstances" exist with respect to imports of nitrile rubber from Japan.

After analysis of petitioner's allegation and supporting data, we conclude that a formal investigation is warranted.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on nitrile rubber from Japan and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of nitrile rubber from Japan are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by February 8, 1988.

Scope of Investigation

The product covered in this investigation is nitrile rubber, not containing fillers, pigments, or rubber-processing chemicals, provided for in item 446.15 of the *Tariff Schedules of the United States* (TSUS) and currently classifiable under Harmonized System (HS) item number 4002.59.00. For purposes of this investigation, nitrile rubber refers to the synthetic rubber

that is made from the polymerization of butadiene and acrylonitrile and that does not contain any type of additive or compounding ingredient having a function in processing, vulcanization, or end use of the product.

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. Congress is considering legislation to convert the United States to this harmonized system by January 1, 1988. In view of this, we will be providing both the appropriate TSUS item numbers and the appropriate HS item numbers with our product descriptions on a test basis, pending Congressional approval. As with the TSUS, the HS item numbers are provided for convenience and customs purposes. The written description remains dispositive as to the scope of the product coverage.

We are requesting petitioners to include the appropriate HS item numbers as well as the TSUS item numbers in all new petitions filed with the Department. A reference copy of the proposed Harmonized System schedule is available for consultation in the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230.

Additionally, all customs offices have reference copies, and petitioners may contact the Import Specialist at their local customs office to consult the schedule.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC 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 nonproprietary information. We will also allow the ITC access to all privileged and business proprietary information in our files, provided it confirms in writing that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by October 15, 1987, whether there is a reasonable indication that imports on nitrile rubber from Japan materially injure, or threaten material injury to, a U.S. industry. If its determination is negative the investigation will terminate; otherwise it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 732(c)(2) of the Act.

September 21, 1987.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 87-22320 Filed 9-25-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-427-030]

Final Results of Antidumping Duty Administrative Review; Large Power Transformers From France

AGENCY: International Trade Administration/Import Administration, Commerce.

ACTION: Notice of final results of antidumping duty administrative review.

SUMMARY: On July 29, 1987, the Department of Commerce published the preliminary results of its administrative review of the antidumping finding on large power transformers from France. We have not changed the final results from those presented in our preliminary results of review.

EFFECTIVE DATE: September 28, 1987.

FOR FURTHER INFORMATION CONTACT: Laurie A. Lucksinger or David P. Mueller, Office of Compliance, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; telephone: (202) 377-1130/2923.

SUPPLEMENTARY INFORMATION:

Background

On July 29, 1987, the Department of Commerce ("the Department") published in the Federal Register (52 FR 28323) the preliminary results of its administrative review of the antidumping finding on large power tansformers from France (37 FR 11772, June 14, 1972). The Department has now completed that review in accordance with section 751 of the Tariff Act of 1930 ("the Tariff Act").

Scope of the Review

Imports covered by the review are shipments of large power transformers ("transformers"); that is, all types of transformers rated 10,000 kVA (kilovolt/amperes) or above, by whatever name designated, used in the generation, transmission, distribution, and utilization of electric power. The term "transformers" includes, but is not limited to, shunt reactors, autotransformers, rectifier transformers, and power rectifier transformers. Not included are combination units, commonly known as rectiformers, if the entire integrated assembly is imported in the same shipment and entered on the same entry and the assembly has been ordered and invoiced as a unit, without a separate price for the transformer portion of the assembly. Transformers covered by this finding are currently classifiable under items 682.0755, 682.0765, and 682.0775 of the Tariff Schedules of the United States Annotated. These products are currently classifiable under Harmonized System item numbers 8504.22.00, 8504.23.00, 8504.34.00, 8504.40.00, 8504.50.00, and 8505.50.00.

The review covers one exporter of French large power transformers to the United States, Alsthom-Atlantique ("Alsthom"), and the period June 1, 1983 through May 31, 1986.

Final Results of the Review

We gave interested parties an opportunity to comment on the preliminary results. We received no comments. We determine to assess antidumping duties for merchandise manufactured by Alsthom according to these results:

Period	Margin (percent)
6/1/83-5/31/84	1.82 [1]
6/1/84-5/31/86	72.85

[1] No shipments during the period.

The Department will instruct the Customs Service to assess antidumping duties on all appropriate entries. The Department will issue appraisement instructions on Alsthom directly to the Customs Service.

Further, as provided by section 751(a)(1) of the Tariff Act, a cash deposit of estimated antidumping duties of 72.85 percent shall be required on shipments of large power transformers manufactured by Alsthom.

For any future shipments of this merchandise from a new exporter or manufacturer not covered in this or prior administrative reviews, whose first shipments occurred after May 31, 1986 and who is unrelated to Alsthom or any other previously reviewed firm, a cash deposit of 1.82 percent shall be required on shipments of large power transformers from France.These deposit requirements are effective for all shipments of French large power transformers entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice and shall remain in effect until publication of the final results of the next administrative review.

APPENDIX B

LIST OF WITNESSES AT THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference:.

Subject: Nitrile Rubber from Japan

Inv. No.: 731-TA-384 (Preliminary)

Date and time: September 23, 1987 - 9:30a.m.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., Washington, DC.

In support of the imposition of antidumping duties:

Howrey & Simon-Counsel
Washington, DC
on behalf of

Uniroyal Chemical Co.

James Fairclough, Marketing Manager

Richard Doud, Finance Manager

Herm Whitehead, Senior Analyst

Washington Economic Research Consultants,
Mark Glueck

Herbert C. Shelley)
Joel D. Kaufman) --OF COUNSEL

In opposition to the imposition af antidumping duties:

O'Melveny & Myers--Counsel
Washington, DC
on behalf of

Nippon Zeon Co., Ltd. (Tokyo, Japan)

Goldsmith & Eggleton Co., Robert Klingender, VP

Burton Rubber Processing, Inc., Timothy Killeen, VP

Amanda De Busk)--OF COUNSEL

APPENDIX C

DEPARTMENT OF STATE TELEGRAM

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Department of State

INCOMING TELEGRAM

PAGE 01 TOKYO 18157 1802262 4773

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PASS USITC FOR W.T. HART.

E.O. 12356: N/A
TAGS: ETRD, JA
SUBJECT: USITC INVESTIGATION OF NITRILE RUBBER:
REQUEST FOR INFORMATION

REF: STATE 287665

1. SUMMARY: THIS CABLE TRANSMITS INFORMATION RELATED TO JAPANESE COMPANIES PRODUCING NITRILE RUBBER WHICH WAS PROVIDED BY THE BASIC CHEMICALS DIVISION OF MITI. (INFORMATION NOTED BELOW IS ON SOLID STATE SYNTHETIC RUBBER (POLYBUTADIEN-ACRYLONITRILE RUBBER) CALLED "NBR" IN JAPAN.) END SUMMARY.

2. NITRILE RUBBER PRODUCERS:

JAPAN SYNTHETIC RUBBER CO., LTD., 2-11-24 TSUKIJI, CHUO-KU, TOKYO 104

NIPPON ZEON CO., LTD., 2-6-1 MARUNOUCHI, CHIYODA-KU, TOKYO 100

NOTE: MITI SAID THAT TAKEDA CHEMICAL INDUSTRIES, LTD., OSAKA CITED IN REF IS NOT PRODUCING SOLID STATE NITRILE RUBBER.

3. ACCORDING TO MITI CHEMICAL STATISTICS, ANNUAL AGGREGATE PRODUCTION AND PRODUCER SHIPMENTS (INCLUDING THOSE FOR EXPORTS) IN 1984, 1985, 1986, AND FIRST HALVES OF 1986 AND 1987 WERE AS FOLLOWS:

	1984	1985	1986	JAN-JUN 1986	JAN-JUN 1987	
	(UNIT: METRIC TONS)					
PRODUCTION	/49.9 67,983	/38.9 62,992	/27.6 57,894	66.7 38,263	69.0 31,315	millions of pounds do
PRODUCER SHIPMENTS	/36.6 61,951	/37.2 62,254	/26.7 57,458	65.8 29,833	67.2 30,459	do

4. JAPANESE OFFICIAL STATISTICS ON EXPORTS OF NITRILE RUBBER IS NOT AVAILABLE. ACCORDING TO MITI, EXPORTS OF NITRIL RUBBER TO THE WORLD AND THE U.S. IN 1984, 1985, AND 1986 ARE ESTIMATED AS FOLLOWS:

(UNIT: METRIC TONS)	1984	1985	1986	
EXPORTS TO THE WORLD	57.5 26,100	52.5 23,800	43.4 19,700	millions of pounds
EXPORTS TO THE U.S.	6.2 2,800	5.1 2,300	7.5 3,400	do

5. MITI TOLD EMBASSY THAT INFORMATION ON CAPACITY, PROJECTED CHANGES IN CAPACITY AND EXPORTS FOR 1987 IS NOT READILY AVAILABLE.

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

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