

**INDUSTRIAL BELTS FROM
ISRAEL, ITALY, JAPAN,
SINGAPORE, SOUTH KOREA,
TAIWAN, THE UNITED KINGDOM,
AND WEST GERMANY**

Determination of the Commission in
Investigation No. 701-TA-293
(Final) Under the Tariff Act of 1930,
Together With the Information
Obtained in the Investigation

USITC PUBLICATION 2194

MAY 1989

Determinations of the Commission in
Investigations Nos. 731-TA-412
through 419 (Final) Under the Tariff
Act of 1930, Together With the
Information Obtained in the
Investigations

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Anne E. Brunsdale, Chairman
Ronald A. Cass, Vice Chairman
Alfred E. Eckes
Seeley G. Lodwick
David B. Rohr
Don E. Newquist

Staff assigned:

Tedford Briggs, Investigator
Lee Cook, Industry Analyst
Gerry Benedick, Economist
Howard Gooley, Economist
James Stewart, Accountant
George Thompson, Attorney
Robert Carpenter, Supervisory Investigator

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

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Note.--Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

Investigation No. 701-TA-293 (Final) and
Investigations Nos. 731-TA-412 through 419 (Final)

INDUSTRIAL BELTS FROM ISRAEL, ITALY, JAPAN, SINGAPORE,
SOUTH KOREA, TAIWAN, THE UNITED KINGDOM, AND WEST GERMANY

Determinations

On the basis of the record 1/ developed in its countervailing duty investigation, the Commission determines, 2/ pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)) (the act), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from Israel of industrial belts 3/ that have been found by the Department of Commerce to be subsidized by the Government of Israel.

On the basis of the record developed in its antidumping investigations, the Commission has made its determinations with respect to industrial belts, pursuant to section 735(b) of the Act (19 U.S.C. § 1673d(b)). In the tabulation of the Commission's determinations which follows, a determination of "affirmative" indicates that the Commission determines that an industry in the United States is materially injured, or threatened with material injury, by

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

2/ Commissioners Eckes and Newquist dissenting.

3/ The products covered by these investigations are industrial belts and components and parts thereof, whether cured or uncured, currently classifiable under Harmonized Tariff Schedule (HTS) subheadings 3926.90.55, 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7326.20.00 (formerly provided for under Tariff Schedules of the United States Annotated (TSUSA) items 358.0210, 358.0290, 358.0610, 358.6090, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510, and 773.3520).

The merchandise covered by these investigations includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts, and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. These investigations exclude conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

reason of imports of the following products which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV): 1/

<u>Country</u>	<u>Investigation No.</u>	<u>Product</u>	<u>Determination</u>
Israel	731-TA-412 (Final)	V-belts <u>2/</u> Synchronous belts <u>4/</u> Other belts <u>5/</u>	Negative <u>3/</u> Negative <u>3/</u> Negative <u>3/</u>

1/ A determination of "negative" indicates that the Commission determines that an industry in the United States is not materially injured, nor threatened with material injury, nor is the establishment of an industry in the United States materially retarded, by reason of imports of such products.

2/ For purposes of these investigations, V-belts are defined as industrial V-belts and components and parts thereof, whether cured or uncured, for use in power transmission, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links, currently classifiable under HTS subheadings 3926.90.55, 4010.10.10, 4010.10.50, 5910.00.10, 5910.00.90, and 7326.20.00 (formerly provided for under TSUSA items 358.0210, 358.0290, 657.2520, and 773.3520).

3/ Commissioners Eckes and Newquist dissenting.

4/ For purposes of these investigations, synchronous belts are defined as industrial synchronous belts and components and parts thereof, whether cured or uncured, for use in power transmission, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links, currently classifiable under HTS subheadings 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7326.20.00 (formerly provided for under TSUSA items 358.0610, 358.6090, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510, and 773.3520).

5/ For purposes of these investigations, other belts are defined as industrial belts and components and parts thereof, other than V-belts and synchronous belts and components and parts thereof, whether cured or uncured, for use in power transmission, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links, currently classifiable under HTS subheadings 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7326.20.00 (formerly provided for under TSUSA items 358.0610, 358.6090, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510, and 773.3520).

<u>Country</u>	<u>Investigation No.</u>	<u>Product</u>	<u>Determination</u>
Italy	731-TA-413 (Final)	V-belts	Affirmative <u>1/2/3/</u>
		Synchronous belts	Affirmative <u>1/2/3/</u>
		Other belts	Negative <u>4/</u>
Japan	731-TA-414 (Final)	V-belts	Affirmative <u>1/2/3/</u>
		Synchronous belts	Affirmative <u>1/2/3/</u>
		Other belts	Affirmative <u>1/2/3/</u>
Singapore	731-TA-415 (Final)	V-belts	Affirmative <u>1/2/3/</u>
		Synchronous belts	Negative <u>4/</u>
		Other belts	Negative <u>4/</u>
South Korea	731-TA-416 (Final)	V-belts	Negative <u>4/</u>
		Synchronous belts	Negative <u>4/</u>
		Other belts	Negative <u>4/</u>
Taiwan	731-TA-417 (Final)	V-belts	Negative <u>4/</u>
		Synchronous belts	Negative <u>4/</u>
		Other belts	Negative <u>4/</u>
United Kingdom	731-TA-418 (Final)	V-belts	Negative <u>4/</u>
		Synchronous belts	Negative <u>4/</u>
		Other belts	Negative <u>4/</u>
West Germany	731-TA-419 (Final)	V-belts	Negative <u>4/</u>
		Synchronous belts	Negative <u>4/</u>
		Other belts	Affirmative <u>1/2/3/</u>

1/ Chairman Brunsdale, Vice Chairman Cass, and Commissioner Lodwick dissenting.

2/ Commissioners Eckes and Newquist determine that an industry in the United States is materially injured by reason of the subject imports. Commissioner Rohr determines that an industry in the United States is threatened with material injury by reason of the subject imports. Commissioner Rohr further determines, pursuant to 19 U.S.C. § 1673d(b)(4)(B), that he would not have found material injury but for the suspension of liquidation of entries of the merchandise under investigation.

3/ Commissioners Eckes, Rohr, and Newquist also determine, pursuant to 19 U.S.C. § 1673d(b)(4)(A), that critical circumstances do not exist such that it is necessary to impose the duty retroactively.

4/ Commissioners Eckes and Newquist dissenting.

Background

Following preliminary determinations by the U.S. Department of Commerce that imports of industrial belts from Israel and South Korea 1/2/ are being subsidized by the Governments of Israel and South Korea and that imports of industrial belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany are being, or are likely to be, sold in the United States at less than fair value (LTFV), the U.S. International Trade Commission, effective December 2, 1988, instituted investigations Nos. 701-TA-293 and 295 (Final) and, effective February 1, 1989, instituted investigations Nos. 731-TA-412 through 419 (Final) under sections 705(b) and 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b) and 1673d(b)) to determine whether 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 imports of such merchandise. Notice of the institution of the Commission's final investigations, and of the public hearing 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 of February 15, 1989 (54 FR 6970). The hearing was held in Washington, DC, on April 27, 1989, and all persons who requested the opportunity were permitted to appear in person or by counsel.

1/ Commerce's preliminary countervailing duty (CVD) determination with respect to Singapore was negative, 53 FR 48677, Dec. 2, 1988.

2/ Commerce's final CVD and LTFV determinations were published in the Federal Register of Apr. 18, 1989. Commerce's final CVD determinations with respect to Singapore and South Korea were negative; therefore, the Commission is only required to make a CVD injury determination with respect to subsidized imports from Israel, inv. No. 701-TA-293 (Final).

VIEWS OF COMMISSIONERS ECKES AND NEWQUIST

We determine that an industry in the United States is materially injured by reason of imports of industrial belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany that were sold at less than fair value (LTFV). We also determine that an industry in the United States is materially injured by reason of subsidized imports of industrial belts from Israel. Further, we determine that critical circumstances do not exist as to any of the imports from these countries.

Like product/domestic industry

The Commission's threshold inquiry in these investigations is to determine the relevant domestic industry. Section 771(4)(A) of the Tariff Act of 1930 defines the term "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 proportion of the total domestic production of that product." ^{1/} "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." ^{2/}

The imported articles subject to these investigations are industrial belts and parts and components thereof, whether cured or uncured, imported from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom,

^{1/} 19 U.S.C. § 1677(4)(A).

^{2/} 19 U.S.C. § 1677(10).

and West Germany. The Department of Commerce (Commerce) defines the imported articles subject to investigation. ^{3/}

Industrial belts are flexible bands that pass around two or more pulleys, sprockets, or sheaves and are used to transmit power from the source drive to a recipient drive. ^{4/} Industrial belts are used in nearly every type of industrial machine and are produced in a wide range of sizes and specifications. ^{5/}

The Commission's like product determinations are based on the facts of each investigation. ^{6/} In determining which domestically produced products are like the imports under investigation, the Commission examines a number of

^{3/} Commerce's Final Determinations of Sales at Less Than Fair Value and Countervailing Duty describe the scope of the investigation as: industrial belts . . . currently provided for under Tariff Schedules of the United States, Annotated (TSUSA) item numbers 358.0210, 358.0290, 358.0610, 358.0690, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510 and 773.3520; and currently classifiable under Harmonized Tariff Schedule (HTS) subheadings 3926.90.55, 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7326.20.00.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

See, e.g., 54 Fed. Reg. 15481 (April 18, 1989).

^{4/} Report of the Commission (Report) at a-2.

^{5/} Id. at a-8.

^{6/} Asociacion Colombiana de Exportadores de Flores v. United States (hereinafter ASOCOFLORES), 693 F.Supp. 1165, 1168 note 4 (1988).

factors, including: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common manufacturing employees and production facilities, (5) customer or producer perceptions, and (6), where appropriate, price. ^{7/} No single factor is necessarily dispositive, and the Commission may consider other factors it deems relevant based on the facts of an investigation. The Commission considers minor variations among products to be an insufficient basis for finding separate like products, ^{8/} and instead looks for clear dividing lines among products. ^{9/}

In its preliminary determination ^{10/} the Commission found a single like product, consisting of all industrial belts and excluding automotive belts. This determination was based on evidence that, generally, industrial and automotive belts are produced in the United States on equipment and by workers dedicated to one or the other product, that industrial and automotive belts have different channels of distribution, and that industrial and automotive belts have virtually no interchangeability. ^{11/} The Commission noted that it would reconsider the like product issue in its final investigations. We

^{7/} See, e.g., Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Final), USITC Pub. 2163 (March 1989).

^{8/} See S. Rep. No. 249, 96th Cong., 1st Sess. 90-91. It is for the Commission to determine what is a minor difference. ASOCOFLORES at 1168.

^{9/} Sony Corporation of America v. United States, slip op. 89-55 (Ct. Int'l Trade, April 26, 1989) at 6; Certain All-Terrain Vehicles, supra note 7, at 4-5.

^{10/} Industrial Belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany, Invs. Nos. 701-TA-293-295 and 731-TA-412-419 (Preliminary), USITC Pub. 2113 (August 1988).

^{11/} Id. at 8-9.

see no reason, based on the facts of record in these final investigations, to vary from the definition of like product as all industrial belts. This definition does not include automotive belts.

Industrial and automotive belts have different physical characteristics. Automotive belts require higher tolerance to heat by virtue of their operating environment. ^{12/} They must be able to function in a wide range of temperatures. ^{13/} Generally, automotive belts must provide more flexibility and function in oily conditions, while industrial belts typically must provide greater strength and durability. ^{14/}

There are fewer recipes to produce automotive belts than there are for industrial belts, ^{15/} and automotive belts come in a much smaller size range than industrial belts. ^{16/} In our view, these differences in composition reflect the much more varied applications for which industrial belts are used. ^{17/}

Each type of belt has a different end use. Automotive belts have a fairly narrow application: use in vehicles. Industrial belts, by contrast,

^{12/} Report at a-9.

^{13/} Transcript at 23.

^{14/} Report at a-9.

^{15/} Id. A recipe is the mix of ingredients to produce belts of a particular specification.

^{16/} Transcript at 22.

^{17/} See Report at a-8.

are used in virtually every other type of machine. ^{18/} There is almost no interchangeability between automotive and industrial belts, even belts of the same size, because of differing construction and composition. ^{19/}

Since there is less variation in automotive belts than in industrial belts and large production runs of automotive belts are typical, the production of automotive belts is more automated, and therefore less labor intensive, than the production of industrial belts. ^{20/} In the United States, production of automotive belts is separated from industrial belt production and uses different workers. ^{21/}

Industrial belts and automotive belts generally follow different distribution channels. ^{22/} Distributors of automotive belts do not distribute industrial belts, and vice-versa. ^{23/} Industrial belts are sold by the manufacturer directly to major equipment manufacturers and industrial distributors. Distributors, in turn, sell to smaller equipment manufacturers, to other types of industrial consumers, and to industrial plants for their maintenance and replacement needs. ^{24/} By contrast, automotive belts are sold to auto manufacturers, who use them for original equipment production and replacement purposes; to oil companies, for subsequent sale to service

^{18/} Id. at a-8.

^{19/} Id. at a-9.

^{20/} Transcript at 17-18.

^{21/} Id. at 15.

^{22/} Report at a-22.

^{23/} Id.

^{24/} Id.; transcript at 23-24.

stations and automobile owners; and to warehouse distributors, who sell to auto parts stores which, in turn, sell to service stations, repair shops, and automobile owners. 25/

Although there are several different categories of industrial belts, we find that the similarities among all industrial belts outweigh the differences. Each industrial belt, regardless of type or style, has a basically similar structure. 26/ There is some, albeit limited, interchangeability among different types of industrial belts. 27/ Domestic production of various types of industrial belts takes place in the same facility. 28/ The distribution process for all types of industrial belts is similar. 29/ Accordingly, although there are differences among various types of industrial belts, we find that these differences are outweighed by the similarities and do not warrant a finding that different types of industrial belts are different like products. We conclude, therefore, that there is one like product, consisting of all industrial belts.

Based on this like product finding, we determine that there is one domestic industry, comprised of producers in the United States of industrial belts.

25/ Id. at 24-25.

26/ Report at a-3.

27/ Transcript at 25-26.

28/ See petition at 6.

29/ Report at a-21-22.

Condition of the domestic industry

In assessing the condition of the domestic industry the Commission considers, among other factors, production, capacity, capacity utilization, shipments, inventories, employment, wages, sales, and profitability. ^{30/} No single factor is determinative, and in each investigation the Commission will consider the particular nature of the industry concerned.

We note preliminarily that our determination is based on the period of the Commission investigation, beginning in 1986. The Commission has broad discretion to choose the period that it will investigate. ^{31/} Petitioner argued that the Commission should begin its analysis with 1985 data because, according to petitioner, 1985 marked the beginning of a "business cycle" and that to get an accurate understanding of the domestic industry's condition, the Commission should consider the entire business cycle, including 1985. Petitioner provided no support for its assertion that the domestic industry is involved in a business cycle and did not attempt to substantiate that 1985 marked the beginning of such a cycle. Indeed, petitioner's economist testified that an appropriate business cycle analysis would have to begin in the early 1980s. ^{32/} ^{33/}

^{30/} 19 U.S.C. § 1677(7)(C)(iii).

^{31/} Kenda Rubber Industrial Co. v. United States, 630 F.Supp. 354, 359 (Ct. Int'l Trade 1986); Hercules, Inc. v. United States, 673 F.Supp. 454, 479 (Ct. Int'l Trade 1987).

^{32/} Transcript at 73.

^{33/} Petitioner had the opportunity to suggest that the Commission seek 1985 data while questionnaires were being prepared, but failed to do so. Instead, petitioner first raised this argument in its prehearing brief, long after the Commission had issued its questionnaires in these investigations. Consequently, there is insufficient information on the record to include 1985 within the Commission's period of investigation, and we decline to expand the period of investigation as requested by petitioner.

Apparent U.S. consumption, by quantity, of industrial belts increased by 10.3 percent from 1986 through 1988. ^{34/} Reflecting this increase in demand, the domestic industry increased capacity, production and shipments. Capacity to produce industrial belts, measured by production capacity in either pounds or units, grew during the period of investigation. ^{35/} Measured by pounds, capacity utilization was lower in 1988 than 1986 while, in terms of units, capacity utilization was slightly higher. ^{36/} Production, measured in units, decreased slightly from 1986 to 1987, and then increased in 1988 to a level almost 6 percent higher than in 1986. ^{37/}

Domestic producers' total shipments, in units (including exports), increased over 6 percent from 1986 to 1988. However, producers' domestic shipments increased only 3.6 percent from 1986 to 1987, and then decreased slightly from 1987 to 1988 and also declined in interim 1989 compared with interim 1988. ^{38/} U.S. producers' share of total domestic consumption by quantity showed a marked decline, going from 91 percent in 1986 to 84.9 percent in 1988. ^{39/} Therefore, despite the overall rise in domestic

^{34/} Report at table 1.

^{35/} Id. at table 2.

^{36/} Id.

^{37/} Id.

^{38/} Id. at table 3. We have considered industry trends both in terms of units and pounds. However, because there is more complete data reported in units than in pounds, we rely on unit shipments for our analysis of shipments and, for consistency, we emphasize the unit data in general. Interim data for these investigations were collected for January-February 1988 and the same period in 1989. This interim is a very short time period and therefore the data are not significant except as indicating an extension of an earlier trend.

^{39/} Id. at table 1.

producers' production and shipments during the investigation period, the domestic industry is losing market share.

Employment of production and related workers in the industrial belt industry fell substantially from 1986 to 1987, before rebounding somewhat in 1988 to a level almost 6 percent below that in 1986. ^{40/} Hours worked by such workers, and the wages and total compensation paid to them, showed a similar pattern. ^{41/}

Net sales of industrial belts rose 12.9 percent from 1986 to 1988, and also increased in interim 1989 compared with interim 1988. ^{42/} Although cash flow rose 3.9 percent from 1986 to 1988, there was a 28 percent decrease from 1987 to 1988. ^{43/} A similar pattern occurred for operating income. ^{44/} Net income declined absolutely from 1986 to 1988. ^{45/}

There was a nearly 20 percent rise in cost of goods sold from 1986 to 1988. ^{46/} As a share of net sales, the cost of goods sold increased from 71.4 percent to 75.9 percent, with a concomitant reduction in gross profitability, from 1986 to 1988. ^{47/} As a percent of net sales, operating

^{40/} Id. at table 5.

^{41/} Id.

^{42/} Id. at table 7.

^{43/} Id.

^{44/} Id.

^{45/} Id.

^{46/} Id.

^{47/} Id.

income rose from 3.3 percent in 1986 to 6.1 percent in 1987 and then dropped to 3.0 percent in 1988—an operating margin less than half that of the aggregated rubber and miscellaneous plastic products industry. ^{48/}

Despite increases in production and sales, the domestic industrial belt industry's profitability has declined during the period of investigation. The increases in certain performance indicators mask the domestic industry's inability to recover increases in costs. In view of the foregoing, we conclude that the domestic industry is experiencing material injury.

Cumulation

Section 771(7)(C)(iv) of the Tariff Act of 1930 directs that:

[T]he Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with the like products of the domestic industry in the United States. ^{49/}

The Commission has interpreted the statute to require cumulation when imports meet the following three criteria: (1) they must be subject to investigation, (2) they must compete with other imported products and the domestic like product, and (3) they must be marketed within a reasonably coincident period. ^{50/} In determining whether these criteria are met, the Commission has considered the following factors:

- (1) the degree of fungibility between imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;

^{48/} Id.

^{49/} 19 U.S.C. § 1677(7)(c)(iv).

^{50/} Certain Cast Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. Nos. 731-TA-278-280, USITC Pub. 1845 (May 1986).

- (2) the presence of sales or offers to sell, in the same geographical market, of imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product;
- (4) whether the imports are simultaneously present in the market. ^{51/}

While no single factor is determinative and the list of factors is not exclusive, they do provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product. A reasonable overlap of competition is sufficient to apply the cumulation provision. ^{52/}

We determine that imports from the countries under investigation compete with each other and with the domestic like product and, consequently, that cumulation is mandatory under the statute. It appears that industrial belts made to a particular specification and for a particular application, regardless of source, are fully interchangeable. ^{53/} Although there appear to be some quality differences among belts from different sources, for the most part belts, regardless of source, are perceived to be of the same general quality, and price is a more important factor in purchasing decisions. ^{54/}

^{51/} Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany, Italy, Romania, Singapore, Sweden, Thailand, and the United Kingdom, Invs. Nos. 303-TA-19 and 20 and Invs. Nos. 731-TA-391-399 (Final), Views of Commissioners Eckes, Lodwick, Rohr and Newquist at 63. These criteria have been approved by the Court of International Trade. Fundicao Tupy, S.A. v. United States, 678 F.Supp. 898, 902 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

^{52/} Fundicao Tupy S.A. v. United States, 678 F.Supp. 898, 902, (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

^{53/} Id. at a-93-102.

^{54/} Id. at a-83-84, 93-102.

Imported and domestic belts are sold or offered for sale throughout the United States, so there is an overlap of geographical markets. ^{55/} Virtually all industrial belts are sold through the same channels of distribution, i.e., through industrial belt distributors in the replacement market, and directly or through distributors to producers in the original equipment manufacturer market. ^{56/} Finally, there have been imports from each of the countries subject to investigation throughout these investigations. ^{57/}

Magam United Rubber Industries, Ltd. (Magam), the Israeli producer, urged the Commission to apply the provisions of section 1330 of the Omnibus Trade and Competitiveness Act of 1988, (the 1988 Act or the new Act) ^{58/} which provides that:

(b) TREATMENT OF NEGLIGIBLE IMPORTS.—Subparagraph (C) of section 771(7) (19 U.S.C. 1677(7)(C)) is amended by adding at the end thereof the following new clause:

(v) TREATMENT OF NEGLIGIBLE IMPORTS.—The Commission is not required to apply clause (iv) or subparagraph (F)(iv) in any case in which the Commission determines that imports of the merchandise subject to investigation are negligible and have no discernable adverse impact on the domestic industry.

* * *

For purposes of this clause, the Commission may treat as negligible and having no discernable adverse impact on the domestic industry imports that are the product of any country that is a party to a free trade area agreement with the United States which entered into force and effect before January 1, 1987, if the Commission determines that the domestic industry is not being materially injured by reason of such imports. ^{59/}

^{55/} Id. at a-9, a-93-102.

^{56/} Id. at a-21-22.

^{57/} Id. at table 23.

^{58/} Pub. L. 100-418.

^{59/} Pub. L. 100-418, § 1330(b), 102 Stat. 1206-1207.

Israel is the only country to have entered into such a free trade area agreement with the United States prior to January 1, 1987. The legislative history to the 1988 Act confirms that this provision is intended to apply only to Israel. ^{60/}

The effective date provision of the 1988 Act states that:

Except as otherwise provided in this section, the amendments made by this part [part 2, concerning antidumping and countervailing duty laws] shall take effect on the date of enactment of this Act. . . The amendments made by sections 1312, 1315, 1316, 1318, 1325, 1326, 1327, 1329, 1331, and 1332 shall only apply with respect to—

(1) investigations initiated after the date of enactment of this Act. ^{61/}

The 1988 Act was enacted on August 23, 1988. Under the statute, therefore, investigations initiated before the effective date of the 1988 Act are not subject to the new provisions concerning, inter alia, cumulation.

These investigations were initiated effective July 26, 1988. ^{62/}
Consequently, under the explicit statutory language discussed above, the

^{60/} H.R. Rep. No. 576, 100th Cong., 2d Sess. 621 (1988).

^{61/} Omnibus Trade and Competitiveness Act of 1988, section 1337.

^{62/} 53 Fed. Reg. 28033, 28042 (1988). The petition was filed on June 30, 1988. An antidumping or countervailing duty investigation is initiated when Commerce determines that a petition alleges the elements necessary for the imposition of countervailing or antidumping duties and sets forth information reasonably available to the petitioner, and publishes notice thereof in the Federal Register. 19 U.S.C. §§ 1671a(c), 1673a(c); 19 C.F.R. §§ 355.6(b), 355.26, 353.11(b), 353.36; S.Rep. No. 96-249, 96th Cong., 1st Sess. (1979) at 46-47, 62. The statute provides for only one initiation in the course of an antidumping or countervailing duty investigation, and that by the Commerce Department; there is no subsequent "initiation" at any other point in either the Commerce or Commission proceedings. The Commission is not authorized, by statute or regulation, to initiate an investigation. Rather, the Commission institutes its preliminary and final investigations. 19 C.F.R. §§ 207.12, 207.20. The statutory scheme, moreover, envisions that both the preliminary and final stages of countervailing duty and antidumping investigations are
(Footnote continued)

amendments to the cumulation provisions made by the 1988 Act are inapplicable to these investigations. ^{63/}

Magam also claims that the Israeli Government, in negotiating its free trade agreement with the United States, understood that Israeli products would not be subject to mandatory cumulation, and subsequently understood that the 1988 Act would exempt Israeli products from the mandatory cumulation provisions. ^{64/} The clearly expressed Congressional intent, however, is that the exceptions to mandatory cumulation are not applicable to investigations, like these, that were initiated before the effective date of the 1988 Act.

Material injury by reason of subsidized and LTFV imports

Pursuant to sections 705(b)(1) and 735(b)(1) of the Tariff Act of 1930, ^{65/} the Commission must determine whether an industry in the United States is materially injured, or threatened with material injury, "by reason

(Footnote continued)

part of one investigation and do not constitute two separate, and separately initiated, investigations. See 19 C.F.R. §§ 353.12(b), 355.6(b). "An 'investigation' refers to that time between the publication of a notice of initiation and the publication of the earliest of (1) a notice of termination; (2) a negative determination that has the effect of terminating the administrative proceedings; or (3) an [antidumping or countervailing duty] Order.

^{63/} The Court of International Trade has recently concurred in this conclusion in reviewing an investigation initiated before, but completed after, the effective date of the 1988 Act. *LMI-La Metalli Industriale, S.p.A. v. United States*, slip op. 89-46 (Ct. Int'l Trade, April 11, 1989). Although the Court did not discuss the meaning of initiation, it found that "[t]he Omnibus Trade and Competitiveness Act of 1988 amended the cumulation statute . . . The changed law does not affect this case because the amendment applies only to investigations initiated after August 23, 1988." *Id.* at 30.

^{64/} See letter from Pinhas Dror, Minister (Economic Affairs), Embassy of Israel to the Commission (May 2, 1989).

^{65/} 19 U.S.C. §§ 1671d(b) and 1673d(b).

of" imports with respect to which Commerce has made an affirmative subsidy or LTFV determination. In making this determination, the Commission may consider information demonstrating possible alternative causes of injury to the domestic industry. ^{66/} The Commission may not weigh causes, however. ^{67/} To support an affirmative determination, it is sufficient that the imports under investigation contribute, even minimally, to the domestic industry's materially injured condition. ^{68/}

The volume of industrial belts imported from the countries under investigation increased 40.1 percent (in units) from 1986 to 1987 and 4.2 percent from 1987 to 1988. ^{69/} Although there was a sharp decline in imported units in interim 1989 compared with interim 1988, this probably is attributable to the pendency of the Commerce and Commission investigations. ^{70/} Import volume measured by pounds also increased substantially from 1986 to 1987, although it fell somewhat from 1987 to

^{66/} See S. Rep. No. 249, 96th Cong., 1st Sess. 58 (1979); H.R. Rep. No. 317, 96th Cong., 1st Sess 46-47 (1979).

^{67/} S. Rep. No. 249 at 57-58, 75; Hercules, Inc. v. United States, 973 F.Supp. 454, 481-82 (Ct. Int'l Trade 1987).

^{68/} Id.; LMI-La Metalli Industriale, S.p.A. v. United States, slip op. 89-46 (Ct. Int'l Trade, April 11, 1989).

^{69/} Report at a-61. We note that unit import data were not available for Israel.

^{70/} See Anhydrous Sodium Metasilicate from France, Inv. No. 731-TA-25, USITC Pub. 1118 (1980), aff'd, Rhone-Poulenc, S.A. v. United States, 592 F.Supp. 1318 (Ct. Int'l Trade 1984); Philipp Brothers, Inc. v. United States, 640 F.Supp. 1340, 1346 (Ct. Int'l Trade 1986).

1988. ^{71/} The value of the subject imports also showed marked increases, of 35.3 percent from 1986 to 1987 and 7 percent from 1987 to 1988. ^{72/}

Coincident with this rise in volume, the subject imports have captured a growing share of the U.S. market. Penetration of the subject imports grew steadily, from less than 9 percent in 1986 to over 12 percent in 1988; import shipments accounted for nearly half of the growth in U.S. consumption during this period. ^{73/}

Domestic quarterly price trends were mixed, with prices on four of fourteen products declining from the first quarter of 1986 through January-February 1989, and prices on the remaining ten products increasing. ^{74/} There were large quarterly fluctuations for most of these products. ^{75/} Import prices also displayed mixed trends. ^{76/}

Price comparisons between domestic and imported merchandise generally showed substantial underselling by imports. ^{77/} We recognize that because domestic producers provide more extensive services for the domestic product than importers or distributors provide for the imports and because the petitioner was unable to quantify the value of rebates provided on its

^{71/} Report at table 22.

^{72/} Id. at a-61.

^{73/} Id. at a-67.

^{74/} Id. at table 24. The domestic prices are probably overstated, as rebates and services which domestic producers sometimes provide reduce actual prices to purchasers. No producers netted the value of services from their prices and the petitioner was unable to quantify rebates.

^{75/} Id.

^{76/} Id. at a-80-83.

^{77/} Id. at a-83-89.

merchandise, the margins of underselling may be somewhat overstated. However, the incidences of underselling are pervasive in the data received.

The Commission verified numerous allegations by domestic producers of lost revenues due to the subject imports. These instances illustrate graphically the tendency of the imports to force price reductions by domestic producers. ^{78/} Similarly, there were documented lost sales that demonstrate the adverse effects of the subject LTFV imports. ^{79/}

In sum, we find that the imports have had a suppressive effect on domestic prices. This, in turn, has prevented domestic producers from recovering increases in their cost of goods sold, thereby reducing profitability to an injurious level. This price effect, coupled with the imports' growing market share, demonstrates that the subject imports are a cause of material injury to the domestic industry. Accordingly, we reach an affirmative determination in these investigations.

Critical circumstances

Petitioner has alleged that "critical circumstances" exist as the result of massive imports of industrial belts from each of the countries under investigation. Commerce made affirmative critical circumstances determinations, on a company-specific basis, with respect to the subject merchandise from Magam (Israel), Pirelli (Italy), Bando (Japan), Dongil (South Korea), Optibelt (United Kingdom), and Optibelt (West Germany). ^{80/}

^{78/} Id. at a-93-97.

^{79/} Id. at a-97-102.

^{80/} Report at a-14-15.

Commerce found that critical circumstances do not exist with respect to imports from all other producers, ^{81/} thereby precluding the Commission from making critical circumstances determinations concerning those producers. ^{82/}

Because of the affirmative Commerce critical circumstances determinations concerning certain companies, the Commission is required to determine "whether the material injury is by reason of massive imports to an extent that, in order to prevent such material injury from recurring, it is necessary to impose [countervailing or antidumping duties] retroactively on these imports." ^{83/} An affirmative critical circumstances determination is a finding that, absent retroactive relief, the surge of imports that occurred after the petition was filed, but before Commerce issued its preliminary determinations, will prolong or will cause a recurrence of material injury to the domestic industry. ^{84/} The purpose of the provision is to provide relief from the effects of massive imports, and to deter importers from attempting to circumvent the antidumping laws by making massive shipments immediately after the filing of an antidumping petition. ^{85/} Also, because Commerce made its affirmative determinations on a company-specific basis, we have gathered information relevant only to those companies subject to the Commerce affirmative determination.

^{81/} Id.

^{82/} Nitrile Rubber from Japan, Inv. No. 731-TA-384 (Final), USITC Pub. 2090 (June 1988).

^{83/} 19 U.S.C. §§ 1671d(b)(4)(A), 1673d(b)(4)(A).

^{84/} ICC Industries, Inc. v. United States, 632 F.Supp. 36, 40 (Ct. Int'l Trade 1986), aff'd, 812 F.2d 694 (Fed. Cir. 1987).

^{85/} See H.R. Rep. No. 317, 96th Cong., 1st Sess. 63 (1979).

The Commission's finding on a critical circumstances allegation is a factual determination based on an evaluation of recent import trends and their effects on the domestic industry. In previous investigations the Commission has examined factors such as importers' inventories, the volume of massive imports both in relation to domestic demand and to historical import levels, and the margin of underselling. ^{86/} It is also appropriate to analyze any other factors which may bear on the ability of the massive imports to postpone prompt and effective relief to the domestic industry.

Based on our evaluation of the relevant data, we determine that critical circumstances do not exist as to any of the relevant imports. Import volume from each of the named companies has not increased abnormally since the filing of the petition compared with import volume over comparable periods. ^{87/} The evidence does not demonstrate any attempt to circumvent the effective working of the antidumping and countervailing duty laws. ^{88/}

^{86/} Antifriction Bearings (Other Than Tapered Roller Bearings) from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, Invs. Nos. 303-TA-19 and 20 (Final) and 731-TA-391-399 (Final), Views of Commissioners Eckes, Lodwick, Rohr and Newquist at 78.

^{87/} Report at table 22.

^{88/} Petitioner argues that the Commission is required to consider the factors set forth under the 1988 Act in making its critical circumstances determination. This argument is flawed, however, because the changes to the critical circumstances provision made by section 1324 of the new Act are effective only for investigations initiated after that Act's effective date. Section 1337 of the Act, governing effective dates, states that "[t]he amendments made by sections 1324 and 1330 shall apply only with respect to investigations initiated after the date of enactment of this Act." Because these investigations were initiated before the effective date of the new Act, that Act's critical circumstances provisions are inapplicable. See text accompanying notes 61-63, supra.

VIEWS OF COMMISSIONER DAVID B. ROHR

**Industrial Belts
from
Israel, Italy, Japan, Singapore, South Korea, Taiwan,
the United Kingdom, and the Federal Republic of Germany**

701-TA-293 (Final) and 731-TA-412 through 419 (Final)

I determine that the domestic industry producing V-type power transmission belts (V-Belts) is threatened with material injury by reason of imports from Italy, Japan, and Singapore found by the Department of Commerce (Commerce) to be sold in the United States at less than fair value (LTFV).¹ I determine that industry is not materially injured nor threatened with material injury by reason of imports from Israel, South Korea, Taiwan, the United Kingdom, and the Federal Republic of Germany found by Commerce to be sold in the United States at LTFV or to be receiving subsidies.

I determine that the domestic industry producing synchronous type power transmission belts (Synchronous Belts) is threatened with material injury by reason of imports from Italy and Japan found by Commerce to be sold in the United States at LTFV.² I determine that industry is not materially injured nor is it threatened with material injury by reason of

¹ I further determine, pursuant to 705(b)(4)(A) and section 735(b)(4)(A), that critical circumstances do not exist with respect to this industry. I note that I find that, logically, an affirmative determination under these provisions would be inconsistent with the finding of no present material injury which I have made. I also conclude, pursuant to section 705(b)(4)(B) and section 735(b)(4)(B), that I would not have found material injury by reason of the imports subject to investigation but for the suspension of liquidation of the entries of the subject merchandise.

² I further determine, pursuant to 705(b)(4)(A) and section 735(b)(4)(A), that critical circumstances do not exist with respect to this industry. I note that I find that, logically, an affirmative determination under these provisions would be inconsistent with the finding of no present material injury which I have made. I also conclude, pursuant to section 705(b)(4)(B) and section 735(b)(4)(B), that I would not have found material injury by reason of the imports subject to investigation but for the suspension of liquidation of the entries of the subject merchandise.

imports from Israel, Singapore, South Korea, Taiwan, the United Kingdom and the Federal Republic of Germany found by Commerce to be sold at LTFV or to be receiving subsidies.

I determine that the domestic industry producing all other types of power transmission belts (All Other Belts) is threatened with material injury by reason of imports from Japan and the Federal Republic of Germany found by Commerce to be sold in the United States at LTFV.³ I determine that industry is not materially injured nor threatened with material injury by reason of imports from Israel, Italy, Singapore, South Korea, Taiwan and the United Kingdom.

In making this determination, I have concluded that there are three distinct domestic products that are like the articles within the class or kind of power transmission belts defined by Commerce to be within the scope of this investigation, and, consequently, that there are three domestic industries subject to this investigation. Having considered the condition of the producers of each of these products, I have concluded that none of them are currently experiencing material injury.⁴ Because I do not find these three industries to be materially injured within the meaning of the antidumping and countervailing duty laws, I do not address the issues of cumulation and causation.

However, I have also concluded that each of these industries is threatened with material injury by reason of imports from certain of the countries subject to this investigation. I note that for some countries import penetration is either declining or very small. In such cases, given the facts and circumstances of these investigations, I cannot conclude that imports present a real and imminent threat to the domestic industry. In other cases, where there appears to be a significant market presence or increasing market share, I have concluded, in

³ I further determine, pursuant to 705(b)(4)(A) and section 735(b)(4)(A), that critical circumstances do not exist with respect to this industry. I note that I find that, logically, an affirmative determination under these provisions would be inconsistent with the finding of no present material injury which I have made. I also conclude, pursuant to section 705(b)(4)(B) and section 735(b)(4)(B), that I would not have found material injury by reason of the imports subject to investigation but for the suspension of liquidation of the entries of the subject merchandise.

⁴ Material retardation is not at issue in this investigation.

light of the condition of the domestic industry, continued significant levels of underselling, and the information obtained by the Commission regarding the circumstances of the foreign industries, that a real and imminent threat of material injury does exist to the domestic industries.

Like Product/Domestic Industry

In order to determine whether there is material injury or threat thereof to a domestic industry by reason of particular imports, I must first define that domestic industry. The statutes pursuant to which our determinations are made define the term "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 proportion of that product . . ."⁵ "Like product" is statutorily defined as "[a] product which is like, or in the absence of like, most similar in characteristics and uses with the articles subject to investigation."⁶

The like product definition is based on the facts of each case.⁷ In determining the appropriate like product(s), I typically consider a number of factors relating to characteristics and uses of the articles subject to investigation, including: (1) physical appearance, (2) interchangeability, (3) channels of distribution, (4) customer perception, (5) common manufacturing facilities and production employees, and (6) where appropriate, price.⁸ In making this determination, I note that I follow three additional guiding principles:

- 1) No single factor that I consider is necessarily dispositive,
- 2) I may consider any other factors that I find relevant in the particular circumstances

⁵ 19 U.S.C. § 1677(4)(A).

⁶ 19 U.S.C. § 1677(10).

⁷ See, e.g., *Asociacion Colombiana de Exportadores de Flores v. United States* 693 F.Supp. 1165 (Ct. Int'l Trade 1988).

⁸ See, e.g., *Antifriction Bearings (Other Than Tapered Roller Bearings) from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom*, Inv. Nos. 303-TA-19 and 20 (Final) and 731-TA-391-399 (Final), Views of Commissioners Eckes, Lodwick, Rohr and Newquist at 11.

of a particular investigation; and

3) Minor variations among products provide an insufficient basis for finding separate like products.⁹

Articles Subject to Investigation.

The starting point for the definition of the like product must always be the scope of the investigation as defined by Commerce. The imported merchandise covered by these investigations includes certain industrial belts for power transmission. As further explained in the Commission's notice of institution of these final investigations, the subject industrial power transmission belts

"include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. These investigations exclude conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks."¹⁰

This description follows verbatim the product description contained in the Commerce's notices of final determination of sales at less than fair value for the products under investigation,¹¹ the Commerce Notices of Initiation¹², the Commission's preliminary determination of injury¹³, and the Commerce Notices of Preliminary Determination of Sales at Less Than Fair Value.¹⁴

The Commerce Notices of Final Determination of Sales at Less Than Fair Value and Countervailing Duty clarify the scope of the investigation to specify certain additional Harmonized Tariff System (HTS) tariff items under which the imports subject to investigation

⁹ *Id.*; S.Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); *Sony Corporation of America v. United States*, slip op. 89-55 (Ct. Int'l Trade, April 26, 1989) at 6.

¹⁰ 53 Fed. Reg. 52517 (1988); 54 Fed. Reg. 6970 (1989).

¹¹ *See, e.g.*, Final Determination of Sales at Less Than Fair Value: Industria Belts and Components and Parts Thereof, Whether Cured or Uncured, From Israel, 54 Fed. Reg. 15481 (1989).

¹² *See, e.g.*, 53 Fed. Reg. 28034 (1988)

¹³ USITC Pub. 2113 at 4.

¹⁴ *See, e.g.*, 54 Fed. Reg. 5105 (1989).

may be classified.¹⁵ Commerce noted that this was a clarification, not an expansion, of the scope of investigation. I concur with Commerce that the inclusion of additional HTS numbers is merely a clarification, not an expansion, of the scope of the investigation. Consequently, the imported merchandise subject to the Commission's investigation includes imports under all HTS items referenced in the final Commerce determinations.

The Like Product.

While the Commerce defined scope of the investigation is the starting point for the Commission's determination of the like product and domestic industry, past Commission decisions have made clear that the like product can contain articles not included within the scope of the investigation, and that the scope of the investigation may include articles which correspond to more than one like product.¹⁶ This investigation is somewhat unusual because I find that definition of the appropriate like product involves both of the above two issues. On the one hand, the articles subject to investigation include a broad category of products which can be referred to as "power transmission belts," which support the finding of several like products, and on the other hand, the scope of the investigation has been crafted so as to exclude certain subcategories of power transmission belts that cannot appropriately be defined as separate like products.¹⁷ To put these issues within the specific terms of these

¹⁵ See, e.g., 54 Fed. Reg. 15481 (1989).

¹⁶ Compare 64K Dynamic Random Access Memory Components from Japan, Inv. No. 731-TA-270 (Final), USITC Pub 1862 (June 1986) (Like product includes all DRAM's of whatever density although imports include only 64K density DRAM's) with Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, Inv Nos. 303-TA-19 and 20 (Final) and 731-TA-391 to 399 (Final), USITC Pub 2185 (May 1989) (Scope of investigation includes several distinct like products).

¹⁷ To the extent that a product is not included in the scope and is found not to be part of the "like product," it is simply not a part of the investigation; if included in the scope but a separate like product, injury and causation must be considered as to the domestic industry producing it; if not included in the scope of the investigation but found to be a part of the like product, data from its domestic producers is aggregated with the data from all other domestic producers of the like product. An additional consequence of this third scenario is that for purposes of assessing the causal relationship of imports to the condition of the domestic industry, I will look only at the impact of those specific imports subject to investigation even though the domestic industry produces a like product which includes other articles.

investigations, the issues are whether automotive belts, which are excluded from the articles subject to investigation, are or are not a separate like product from "Industrial power transmission belts"; and whether the resulting category of power transmission belts is appropriately one or more like products.

1. Inclusion of Automotive Belts in the Like Product. As a preliminary matter I wish to make it clear that the decision of petitioners or Commerce in defining a class or kind of articles to include or exclude particular articles has absolutely no bearing on my determination of the like product which is based solely on the record of the Commission's investigation.¹⁸ There are several bases for determining that it is inappropriate to distinguish between industrial and automotive belts for purposes of the like product definition in this investigation. All belts, whether used in industrial or automotive applications, share the same basic function: to transmit power between one drive shaft and another. For the most part, belts for both automotive and industrial use share the same essential chemical composition, as evidenced by the fact that the raw material for both automotive and industrial belts are mixed in the same equipment.¹⁹ Virtually all belts have three main components: a tensile member, a base material, and adhesion material or gum. Further, the manufacturing process for both types of belts has far more similarities than differences.²⁰

One of the principle arguments for distinguishing between these two types of belts is the lack of interchangeability between them. While it is true that most automotive and

¹⁸ I note that subsequent to the Commission's hearing in this investigation, petitioner agreed with certain respondents that particular types of imported belts should be defined as separate like products with negative determinations made to them. I note that such distinctions would require product differentiation on an even more narrow basis than I find is appropriate for this investigation.

¹⁹ Report at a-5-6. While the chemical compositions are "essentially" the same, I note that the exact chemical composition of a belt is determined by the specific use and environment of each. These vary not by whether the use is automotive or industrial. Petitioner's arguments about unique factors affecting automotive belts, such as temperature, intermittent use, and speed also apply to a large number of industrial belts.

²⁰ *Id.* at a-8-9.

industrial belts are not interchangeable, there is a similar lack of interchangeability among different types of automotive belts, and among different types of industrial belts. Thus, lack of interchangeability is a rather unpersuasive factor in these investigations, because it would tend to make each of thousands of both automotive and industrial belts a separate like product.

Similarly, petitioner's argument that industrial belts are a different like product than automotive belts because their sizes vary more than those of automotive belts is not persuasive. Literally thousands of automotive and industrial belts overlap in size and shape. Many automotive and industrial belts have identical sizes; under petitioner's reasoning in this argument, size rather than belt type would be the like product determinant. Also unpersuasive is the claim that automotive belts are designed for specific applications while industrial belts are designed to industry standards. Many industrial belts are designed for specific applications and for specific models of particular machines.

The Commission's investigation reveals that although the petitioner in this investigation has chosen for its own reasons to segregate industrial and automotive belts, there is nothing inherent in the belts themselves or in their production process that makes such segregation necessary or necessarily more efficient. Other producers, who are not as large as petitioner apparently do not segregate their production, suggesting that the petitioner's segregation is more a matter of efficiency arising from its corporate size than anything to do with the product. Automotive belts can be produced on much of the same equipment as industrial belts. In general, both automotive and industrial belts are designed for a specific application with a specific machine. Generally, automotive belts are designed for use in difficult environmental conditions of intermittent use, high speed, and high heat. The same, however, can be said of many types of industrial belts. In short, the distinctions between automotive and industrial belts are to a large extent equally, or even to a greater extent, applicable distinctions between the thousands of industrial belts. I therefore do not find it appropriate to find automotive belts to constitute a separate product.

2. *V-Belts, Synchronous Belts, and All Other Belts.* In the course of its investigation, the Commission obtained information about many different types of power transmission belts. One of the largest (by volume produced) types of power transmission belts produced are V-Belts, so-called because of their characteristic trapezoidal shape. There are also several distinct subtypes of V-Belts, including light duty, heavy duty, "narrow", "classic", and double or "hex" V-Belts.²¹ A second type of belt is the synchronous, or timing, belt, which are distinguished by the fact that they transfer power through the teeth on the belt. Among the distinct subcategories of this belt are single and double sided belts and high torque belts.²² Other common types of belts include flat belts, both cordless and corded, a further subcategory of which is nylon core flat belting; and round belts, as well as a variety of single or limited use belts that may not fit precisely into any of these categories.²³

The principal use of all of these belts is the transmission of power, but each operates in its own unique way.²⁴ Each goes through many of the same manufacturing steps but each has certain characteristics, or involves the use of particular materials that distinguish its manufacture. While each of these types of belts could be viewed as a separate like product in accordance with some of the factors traditionally looked at by the Commission, I believe such separation would be contrary to the Congressional admonition, noted above, not to allow minor variation between products to lead to separate like product definitions.²⁵

Nevertheless, I believe that there are certain differences in the characteristics and uses

²¹ *Id.* at a-3-4.

²² *Id.* at a-4.

²³ *Id.* at a-5.

²⁴ The way in which each type of belt transmits power also affects the interchangeability of different types of belt. For example to change the belt used on a machine from a V-Belt to a Synchronous belt or to a flat belt or to a round belt would require changing both the belt and the drive wheel on the shaft to one of the proper type to accept the particular belt. The total cost of conversion of a machine to accept one type of belt from a different original belt would generally be far more expensive than the difference in the costs of the belts in almost any application.

²⁵ See note 9 and accompanying text.

that define sufficiently disparate groups of belting to qualify these distinct types of belting as separate like products. The first like product distinction that I believe is appropriate is between synchronous and nonsynchronous belts. This is principally a use-based distinction. Synchronous belts are used in particular situations in which it is necessary that the rotation of the two drive shafts connected by the belt be synchronized. This is accomplished by the use of teeth on the belt and on the drive shafts. This can be contrasted with nonsynchronous belts which connect the drive shafts by means of pressure or tension. Such belts are used in situations in which precise synchronicity is either not needed or unwanted. This use-based distinction is further supported by the difference in manufacture necessitated by the presence of teeth on the belts.

The category of synchronous belts appears to be relatively homogenous. The category of nonsynchronous belts is broader, with greater differences between types of belts. I conclude first that it is appropriate to consider V-Belts a distinct like product from other nonsynchronous belts. V-Belts are the standard, broad use, "commodity-like" belting product. Other nonsynchronous belting products have narrower, particularized uses, such as flat belts and round belts. These other types of belting products are often made by different firms, who tend to specialize in their production, and are recognized in the industry as distinct products.²⁶

Having identified V-Belts as a distinct product, the remaining question is whether the various other types of nonsynchronous belting products should be broken out into individual like products. I have decided not to separate out these belts for several reasons. First, the types of distinction which would serve to distinguish individual types of the belts within the product I am calling All Other Belts would further require distinguishing between and amongst types of V-Belts and types of Synchronous belts. They are of narrower, and more specifically application oriented nature than the distinction between, for example, synchronous and nonsynchronous belts. Such distinctions would result in such a multitude of individual like products that their definition would run afoul of the Congressional

²⁶ *Id.* at a-20.

admonition not to so finely divide like products as to make reasonable findings on condition of the industry and causation impossible.

Further, I believe that there is a balancing which the Commission must make in the course of an investigation between obtaining all the possible types of information which may be useful and imposing an unreasonable burden on industries in information gathering requests. For example, in this investigation, the Commission sent an 80 page questionnaire to the domestic industry to obtain information. It took firms an average of 144 hours and almost \$7000 to complete this questionnaire. This questionnaire provides data that can reasonably be broken out at the three-product level I have chosen to use. It would have been unreasonable, even if it could have been anticipated at the early stage in the investigation at which questionnaires are prepared, to require the 150 to 200 page questionnaire that would have been necessary to obtain information on the specific product level that would permit individual product application distinctions, such as nylon core flat belting, or cog belting for textile machines, or round belts for light industrial applications.

In addition, although the Commission did not seek all possible information at the individual product application level, it did obtain some information that would be applicable to such finer product divisions. I find that this information becomes less reliable and less complete the narrower becomes the like product. The data broken out below the "All Other Belt" product I find to be very unreliable. I am not sufficiently confident in it to rely on it for purposes of any determination. Additional questions would therefore merely have resulted in data that would be unusable.²⁷ I have therefore chosen not to further separate the like product below the three divisions set forth above, V-Belts, Synchronous Belts, and All Other Belts.

²⁷ I note that several domestic producers tried to provide information specific to more narrowly defined products, but that such information was found to be unusable for purposes of this investigation because of allocation and other problems.

The Domestic Industries

The domestic industries corresponding to the three like products (V-Belts, Synchronous Belts, and All Other Belts) are, as is always the case, the domestic producers of those particular products. However, because of the way in which the Commission has collected its data, it is not possible to segregate the data with respect to the production of automobile belts into the three like products identified above. However, the Commission's investigation has revealed that approximately 85 percent of all automotive belts are V-Belts.²⁸ Therefore, I have determined to assign the producers of automotive belts, and the data from such producers, to the V-Belt industry. I conclude that, while not absolutely precise, this is a reasonable allocation of the data in the circumstances of this investigation.

With respect to the All Other category, I conclude that even had I found there to be separate like products, under section 771(4)(D) I would have had to aggregate data to the level of All Other Belts for purposes of my analysis. While the Commission, it is true, did not seek to collect complete data on the more refined level, I believe this decision was appropriate. First, it was not clear until late in the case, long after the questionnaires were prepared and returned, that the narrower, individual types of belts might be valid separate like products. Second, to require such information would have been unduly burdensome on the participants to this investigation. Third, the reliability of such information, based on the information that we did obtain, decreases substantially with each level of specificity for this industry. Had the Commission obtained such data, I do not believe I could have reasonably relied upon it. This is precisely the situation in which Section 771(4)(D) requires aggregation, the next highest level of which would have been an All Other Belt category.

²⁸ Report at a-30.

Condition of the Domestic Industry

In assessing the condition of the domestic industry, I consider, among other factors, apparent domestic consumption,²⁹ production, capacity, capacity utilization, shipments, inventories, employment, wages, sales, and profitability.³⁰ Because I have found there to be three like products and three domestic industries, V-Belts, Synchronous Belts, and All Other Belts, I will consider the condition of each of these separate industries.³¹

*The V-Belt Producing Industry*³²

1. Production related Indicators. Apparent domestic consumption of V-Belts declined some 7.5 percent from 1986 to 1988, remaining essentially stable in the 2 month interim period comparison for 1988 and 1989.³³ Production declined from 1986 to 1988 with a small rise in 1988 over 1987 and roughly stable interim numbers.³⁴ Capacity declined also by 2.3 percent

²⁹ I note that consumption figures do not directly reflect how the industry is performing, but they do provide the context within which it is possible to evaluate the meaning of the other industry indicators.

³⁰ 19 U.S.C. § 1677(7)(C)(iii). Much of the information regarding the condition of the domestic industry is confidential and, therefore, can only be discussed in general terms.

³¹ The Commission has already released public data in this investigation at the level of all industrial and automotive belts. It is possible that, were I to release specific performance numbers of the three industries I have identified, some manipulations of the various categories would lead to the improper revelation of specific, confidential company data. To avoid release of confidential data I have chosen to characterize the data in general terms.

³² Data with respect to the V-Belt industry as defined in this opinion has been obtained by aggregating data with respect to V-Belts in the body of the Commission's Report with the data with respect to automotive belt producers contained in Appendix C.

³³ Consumption declined by approximately 7.5 percent from 1986 to 1988. Production in 1988 was some slightly higher than in 1987. Interim period production was essential stable from 1988 to 1989. Report at table 1 on a-16, & table c-1 on c-2.

³⁴ Report at table 2 on a-25 & table c-2 on c-4.

during 1986-88, with essentially stable interim figures.³⁵ Capacity utilization decreased by approximately 10 percentage points from 1986 to 1987, before increasing approximately 3 percentage points in 1988. Interim capacity utilization data show a minimal decline.³⁶ Domestic shipments show a decrease from 1986 to 1988 of 13 percent, with stable interim figures.³⁷ Domestic market shares follow an essentially similar pattern, although there is a pronounced increase in domestic market share in the interim period of over 3 percentage points. Over the period of investigation, however, the unit value of domestic shipments rose continually, while inventories declined in relation to shipments.³⁸

2. Employment Indicators. With respect to employment figures, the general pattern was of substantial declines between 1986 and 1987 with substantial increases in 1988, although not quite back to 1986 levels. The number of workers decreased substantially between 1986 and 1987 but more than half of that loss was regained in 1988, with a further substantial increase in the interim comparison.³⁹ Hours worked follow the same basic pattern but with a 2 percent decline in the interim figures.⁴⁰ Total compensation increased steadily from 1986 to 1988, remaining essentially flat in the interim.⁴¹ Hourly compensation increased steadily throughout the period of investigation.⁴² Unit labor costs rose steadily while productivity measured as units per hour declined steadily.⁴³

³⁵ *Id.*

³⁶ Capacity utilization figures are derived mathematically from the production and capacity figures.

³⁷ *Id.* at table 3 on a-27 & table c-3 on c-5.

³⁸ *Id.* at a-29, table 4 on a-32.

³⁹ *Id.* at table 5 on a-34.

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ Both of these figures are derived mathematically as a relationship between production and compensation and hours worked.

3. Financial Indicators. The financial figures tell yet another story about this industry. Net sales declined by approximately 0.2 percent between 1986 and 1987 before increasing by more than 7.3 percent in 1988, with a further 7.8 percent rise in the interim comparison.⁴⁴ Because of changes in the cost of goods sold and general, selling, and administrative expenses, operating income actually rose in 1987 (during which net sales declined) by some 15 percent, while declining in 1988 (in which net sales increased) back to 1986 levels.⁴⁵ The very telling operating income to net sales ratios increased some 2 percentage points from 1986 to 1987, and then fell back 3 percentage points in 1988, with interim data showing a 2 percentage point increase.⁴⁶ Ratios of operating income to assets also reveal a substantially profitable industry.⁴⁷

4. Conclusions as to the Condition of the V-Belt Industry. The operating indicators of the V-Belt industry in this investigation are mixed. Production indicators are slightly down, even taking into consideration the decline in consumption. I would characterize the employment indicators as also slightly down, but with patterns substantially different from the production indicators. At the same time, the financial indicators reveal a very profitable industry whose profits were maximized when production was at its lowest levels.

On balance, however, the conclusion that an industry is, or is not, experiencing material injury is not a matter of whether any particular indicator(s) or a majority of them are moving up or down or are at any particular level. As Congress stated, the Commission's determination is not one that can be reduced to a mathematical formula or a certainty. Looking at the story told by all of the indicators, I conclude that the V-Belt industry is not currently experiencing material injury.

⁴⁴ Report at table 9 on a-42 and table 15 on a-49.

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*

The Synchronous Belt Producing Industry

1. Production Related Indicators. Apparent domestic consumption of synchronous belts increased throughout the period of investigation, by almost 13 percent from 1986 to 1988 with a further 6 percent increase in the interim period.⁴⁸ Production increased by an even more substantial 17 percent from 1986 to 1988, with a further increase in the interim period of 5 percent.⁴⁹

Capacity also increased throughout the period with the largest increase in 1987.⁵⁰ Capacity utilization fluctuated up and down 3 percentage points from 1986 to 1988 with a slight increase in the interim comparison. Domestic shipments show an increase over the period although 1988 figures are slightly below 1987 highs.⁵¹ The interim 1989 figures are above those of interim 1988. The unit value of domestic shipments dipped slightly in 1987 but more than recovered their 1986 level in 1988, with further increases in the interim comparisons.⁵² The inventory position of the industry improved over the period by a slight amount although, again, 1987 performance was not as good as those of either 1986, 1988 or interim 1989.⁵³

2. Employment Indicators. Employment figures for this industry show consistent improvement throughout the period of investigation. From 1986 to 1988, the number of production workers increased 10 percent, the hours worked by these individuals increased 15 percent and the compensation of these workers 26 percent.⁵⁴ Hourly compensation, unit labor

⁴⁸ Report at table 1 on a-16.

⁴⁹ *Id.* at table 2 on a-25.

⁵⁰ *Id.*

⁵¹ *Id.* at table 3 on a-27.

⁵² *Id.* at a-29.

⁵³ *Id.* at table 4 on a-32.

⁵⁴ *Id.* at table 5 on a-34.

costs and productivity also increased, although by smaller amounts.⁵⁵ Comparable increases can be seen in the interim 1989 figures, although hourly compensation and productivity declined by 1 percent each, an insignificant amount.

3. Financial Indicators. The financial picture of the industry is somewhat different from that presented by either the production or employment indicators. Although net sales increased throughout the period, in a manner consistent with the other data for this industry, operating income dropped precipitously in 1987 with a significant, though only partial, rise in 1988 and in the interim 1989 comparison.⁵⁶ The explanation for this pattern is in the allocation practices of the parties filling out the Commission questionnaires. These questionnaires thus include losses from a product that was not established to be part of this investigation and the amortization of certain patents, which also lower returns, that are also not truly reflective of the actual operations of this industry. I conclude that the data presented in the report substantially understates the true financial condition of this industry. A more accurate, although not complete picture of the profitability of this industry is revealed if these allocations are adjusted for.⁵⁷

4. Conclusions as to the Condition of the Synchronous Belt Industry. The indicators of the condition of this industry as revealed during this investigation are mixed. Production and employment indicators reveal an industry operating without any material injury. Financial indicators are somewhat at odds with this picture, but the relatively poor performance of the financial indicators is explicable by allocation problems having nothing to do with how this industry is actually operating. On balance, taking into consideration all of the indicators of this industry's performance, I conclude that it is not currently experiencing material injury.

⁵⁵ These figures are also calculated on the basis of the above three figures and production figures.

⁵⁶ Report at table 11 on a-44.

⁵⁷ Such adjustments were calculated by the Commission staff and presented in confidential footnotes to Table 12 on page a-45 of the Report.

The All Other Belts Industry

1. Production-related Indicators. Apparent domestic consumption of All Other Belts increased by some 41 percent from 1986 to 1988.⁵⁸ Consumption declined in the interim 1989 comparison by some 6.5 percent.⁵⁹ The production indicators for the industry follow these same patterns increasing substantially from 1986 to 1988 with declines in the interim period consistent with the decline in consumption.⁶⁰ Production increased approximately 36 percent, capacity by only one percent and capacity utilization, as a consequence of those two facts, rose 9 percentage points from 1986 to 1987 to and more than 17 percent in 1988, with essentially static interim figures.⁶¹ Shipments by domestic producers increased over 32 percent from 1986 to 1988, with slight declines in the interim figures.⁶² Domestic market share declined modestly from 94 percent to 89 percent to 88 percent from 1986 to 1988, but in the interim period, even with declines in shipments, market share increased back to 93 percent. The inventory position of this industry improved steadily from 1986 to 1988 with a slight decline in the interim comparison.⁶³

2. Employment Indicators. Employment indicators for the All Other Belt producing industry provide the picture of an uninjured industry. The number of workers, hours worked, total compensation and hourly compensation increased, respectively, 20 percent, 18 percent, 36 percent and 16 percent.⁶⁴ Unit labor costs, on the other hand, increased by less than one

⁵⁸ *Id.* at table 1 on a-16.

⁵⁹ *Id.*

⁶⁰ *Id.* at table 2 on a-25.

⁶¹ *Id.*

⁶² *Id.* at table 3 on a-27.

⁶³ *Id.* at table 4 on a-32.

⁶⁴ *Id.* at table 5 on c-34.

percent from 1986 to 1988, while productivity increased 15 percent. While unit labor costs increased in the interim and productivity decreased, the employment indicators continue to reveal an uninjured industry in the interim period.

3. Financial Indicators. Financial indicators for the All Other Belt industry also reveal an industry that appears not to be experiencing material injury. Net sales increased throughout the period, although 1988 levels are below the highs of 1987.⁶⁵ The same pattern holds throughout the financial indicators. The operating margins increased 3 percentage points and then declined 5 percentage points.⁶⁶ The explanation for the volatility of the financial performance of this industry can be seen in the smaller volumes of these products and most particularly in an unusually high cost of goods sold in the early part of 1988 which appears to be an aberration and which lowered the operating indicators for this industry.⁶⁷ While the financial performance of this industry is not as good as those of the other industries in this investigation, this is to be expected given the small volumes of these products. I cannot conclude that they are indicative of material injury.

4. Conclusions as to the All Other Belt Industry. For this industry I conclude that on balance the production indicators are essentially positive, as are the employment indicators. Financial indicators are somewhat less positive than the other sets of indicators or indeed of the financial performance of the other two indicators. Once again, looking at all of these indicators as they compose a mosaic of this industry, I conclude that picture is not one of an industry currently experiencing material injury.

Conclusions on Condition of the Industries

I therefore conclude that neither the V-Belt, nor the Synchronous Belt, nor the All Other Belt producing industries are currently experiencing material injury within the meaning

⁶⁵ *Id.* at table 13 on a-47.

⁶⁶ *Id.*

⁶⁷ *Id.*

of Title VII of the Tariff Act of 1930, as amended. I am therefore required to make a negative determination on the issue of whether these industries are presently materially injured by reason of the imports subject to investigation.⁶⁸

Threat of Material Injury

Having determined that the three domestic industries are not currently being materially injured by the imports subject to investigation, I must now consider whether any of the three industries are threatened with material injury by reason of such imports. The statute sets forth factors that I have traditionally applied in my threat analysis.⁶⁹ The Court of International Trade has recently stated that although the Commission must consider each of the statutory factors it is not required to discuss each of them in its determination.⁷⁰ For purposes of this opinion, although I have considered each of the factors, I will discuss only those factors most significant to my decision.⁷¹ I note that I have not formally cumulated

⁶⁸ Because I am making a negative determination based on the absence of material injury I will not in these views address the issue of causation or cumulation in that context.

⁶⁹ Because the amendments to title VII embodied in the Omnibus Trade and Competitiveness Act of 1988 are not applicable, the threat factors of Title VII as amended up to the 1984 Trade Act are applicable to this investigation. These include: (1) if a subsidy is involved, information that the Commission has available to it as to the nature of the subsidy; (2) the ability and likelihood of the foreign producers to increase the level of exports to the United States due to increased production capacity or unused capacity; (3) any rapid increase in penetration of the U.S. market by imports and the likelihood that the penetration will increase to injurious levels; (4) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise; (5) any substantial increase in inventories of the merchandise in the United States; (6) underutilized capacity for producing the merchandise in the exporting country; (7) any other demonstrable adverse trends that indicate the probability that importation of the merchandise will be the cause of material injury; (8) the potential for product shifting. A threat of material injury must be real and imminent, and the Commission's determination may not be based on mere conjecture or supposition.

⁷⁰ *Id.* at 43.

⁷¹ *Yuasa-General Battery Corp. v. United States*, 661 F.Supp. 1214 (Ct. Int'l Trade 1987).

imports for purposes of these threat determinations.⁷² I have noted, where appropriate, the impact of other unfairly traded imports on my determination with respect to a particular country.

Two additional preliminary matters also affect my threat determination set forth below. First, the data obtained by the Commission about the foreign industry was not broken out by the three products which I have found to exist. Import and market share data, however, has been so divided. Pricing data is limited and was obtained on several different individual products, most of which fall within my V-Belt like product or Synchronous Belt like product. No specific pricing was obtained with respect to any belts within my All Other Belt like product.⁷³ Finally, most of the data collected about the foreign industry applies to only one or two firms and is therefore confidential and can be discussed only in the most general terms. In order to maintain the highest degree of public disclosure possible, while not revealing confidential information supplied by the parties, I have chosen to characterize the data in terms of whether I considered the data to support an affirmative or negative determination.

Israel

Israeli exports to the United States subject to this investigation were found both to be benefitting from subsidies and to be sold at LTFV. I note that approximately 10 percent ad

⁷² I note that the Court of International Trade has stated that cumulation, while not mandatory in threat cases, is discretionary and feasible. My point in rejecting *formal* cumulation in threat cases has always been, and continues to be, that the essence of an evaluation of threat is looking at the intentions and capabilities of potential exporters. This part of the analysis tells me what is likely to happen to imports. Even if individually the impact of each of several countries is projected to be deleterious but small, it may be appropriate to find affirmatively as to all of them. In this instance, I find that those countries which I have determined to pose a real and imminent threat to the domestic industries do so individually. With respect to those countries (and industries), cumulation is not relevant. With respect to the other countries (and industries) in these investigations, I note that the Court has stated that cumulation in threat cases is discretionary and the Congress, in its most recent amendments to title VII, chose not to limit that discretion. I find that the record of this investigation does not present a basis for the exercise of that discretion to cumulate and I do not do so.

⁷³ Consequently, I am unable to put much weight on pricing in this investigation.

valorem of the total 15.42 percent ad valorem subsidy was found to be conferred in the form of export related subsidies. With respect to the Israeli industry, production and capacity figures tend to support a negative threat finding. The distribution of Israeli exports among home, U.S., and third markets, although revealing little, tend also to support the negative. There does appear to be a consistent pattern of underselling which would support an affirmative threat finding.⁷⁴ Finally, a consideration of relative market shares in the three industries supports a negative finding. On balance I conclude that Israeli imports do not pose a threat of material injury to either the V-Belt, Synchronous Belt, or All Other Belt producing industries.

Italy

Italian industry production and capacity figures tend to provide a moderate amount of support for an affirmative threat finding. The same conclusion is supported by an examination of the relative geographic dispersion of Italian industry shipments. Pricing data show a consistent pattern of underselling, which, in the circumstances of these investigations, provides modest support for an affirmative threat finding. Finally, I note that there is moderate support for an affirmative threat finding with respect to import market penetration levels in the V-Belt producing industry, and strong support for an affirmative threat finding with respect to the Synchronous Belt producing industry. The import penetration figures provide moderate support for a negative threat finding with respect to the All Other Belt producing industry. On balance, I conclude that Italian imports present a real and imminent threat of material injury to the V-Belt and Synchronous Belt producing domestic industries, but that Italian imports do not present a threat to the All Other Belt producing industry.

⁷⁴ In looking at underselling, I am looking ultimately at the question of the existence or likelihood of price suppression and depression. This ultimate question also involves an examination of all circumstances of price competition and both domestic and imported price trends. The domestic price trend is a constant for all of these individual threat examinations. I note that in general the domestic price trend is upwards. This suggests that the price suppressive or depressive effect is lessened, though not necessarily eliminated. It does mean that I would be unwilling to make an affirmative threat finding based simply on the existence of underselling, unless such a conclusion were supported by other indicators.

Japan

The production and capacity figures for the Japanese industry provide relatively strong support for an affirmative threat determination. I note that the capacity utilization figures suggest that the capacity numbers provided to the Commission do not really pose a significant restraint on production. The data on the geographic distribution of Japanese shipments indicates the importance of the U.S. market and also support an affirmative threat finding. Pricing data also show underselling and moderate support for the possibility of price suppression. Import penetration data provides strong support for an affirmative finding of threat for all three industries. I therefore conclude that Japanese imports pose a real and imminent threat of material injury to the V-Belt, Synchronous Belt and All Other Belt producing domestic industries.

Singapore

In assessing the threat posed by imports from Singapore, I note that there is a connection between the Singaporean industry and the Japanese industry. Production and capacity data for the industry do not point significantly toward either an affirmative or negative threat finding. The same is true for the geographic dispersion of Singaporean shipments. Pricing data provide modest support for an affirmative finding. Import market share tends to modestly support an affirmative with respect to V-Belts and strongly support a negative for Synchronous Belts and All Other Belts. In light of all these factors, I conclude that Singaporean imports threaten the domestic V-Belt producing industry but do not present a real and imminent threat of injury to the Synchronous Belt or All Other Belt producing industries.

South Korea

Neither the Korean production/capacity nor the geographical dispersion of shipments data point strongly either toward an affirmative or a negative threat finding. As in all of the other investigations, pricing data point modestly towards an affirmative finding. With respect

to import market shares, the V-Belt data point moderately toward a negative finding while the Synchronous Belt and the All Other Belt data point strongly toward the negative. I conclude therefore that South Korean imports do not pose a real and imminent threat to any of the V-Belt, Synchronous Belt, or All Other Belt producing industries.

Taiwan

Neither the Taiwanese production/capacity nor the geographical dispersion of shipments data point strongly either toward an affirmative or a negative threat finding. As in all of the other investigations, pricing data point modestly towards an affirmative finding. With respect to import market shares, the V-Belt data do not point significantly to either an affirmative or a negative finding while the Synchronous Belt and the All Other Belt data point strongly toward the negative. I conclude therefore that Taiwanese imports do not pose a real and imminent threat to any of the V-Belt, Synchronous Belt, or All Other Belt producing industries.

The United Kingdom

In the absence of reliable production/capacity data for the British industry, I conclude that the available information points modestly toward an affirmative finding of threat. The geographic dispersion data point somewhat more strongly in favor of a negative finding of threat. Pricing data, as noted before, point moderately toward an affirmative finding. Market share data point moderately to strongly in favor of a negative on V-Belts, and point slightly toward a negative on Synchronous Belts and All Other Belts. I therefore conclude that British imports do not pose a real and imminent threat of material injury to any of the V-Belt, Synchronous Belt or All Other Belt producing domestic industries.

The Federal Republic of Germany

The production/capacity data for the German industry point slightly towards a negative threat finding. The geographic dispersion data points moderately towards an

affirmative finding of threat. Pricing is also moderately in support of an affirmative finding. Market share data for V-Belts and Synchronous Belts do not point strongly either affirmative or negative, but on balance appear slightly towards a negative finding. The market share data for All Other belts are moderately in support of an affirmative. I therefore conclude that the domestic V-Belt and Synchronous Belt producing industries are not threatened with material injury by reason of German imports of those articles, but that German imports do pose a real and imminent threat of material injury to the domestic All Other Belt producing industry.

Material Injury "But For" Suspension of Liquidation

Section 735(b)(4)(B) states:

(B) If the final determination of the Commission is that there is no material injury but that there is a threat of material injury, then its determination shall also include a finding as to whether material injury by reason of the imports of the merchandise with respect to which the administering authority [Commerce] has made an affirmative determination under subsection (a) would have been found but for any suspension of liquidation of entries of the merchandise.⁷⁵

This determination must be made with respect to each industry and each country for which I have made an affirmative threat finding.

There are several preliminary matters which must be set forth as a prelude to this analysis. First, this section is the only one in the statute in which Congress specifically mandated a counterfactual analysis, and specified the exact counterfactual assumption to be used, that is, the suspension of liquidation.⁷⁶ The question posed by the statute is whether the condition of the industry would have deteriorated to the point of material injury had not the

⁷⁵ There is an identical provision under the countervailing duty law in section 705(b)(4)(B). However, the only remaining CVD investigation in this set of investigation involved Israel and I did not make an affirmative threat finding as to Israel. Section 705(b)(4)(B) is therefore not at issue.

⁷⁶ The suspension of liquidation involves the Commerce directive to the Customs Service to longer tell importers the amount of duty due on particular imports. This action is made in connection with the Commerce preliminary determinations, which occurred at the end of January 1989 in these investigations.

level and/or price of imports been affected by the uncertainties created by the fact that the Customs Service would no longer tell importers the exact amount of duty they could potentially be liable for.⁷⁷

Second, the data collected by the Commission regarding the condition of the industry in these investigations included only the months of January and February of 1989. This means there is only one month worth of data for the period following the suspension of liquidation. Further, I will take notice of the fact that the reliability of interim data is generally low, particularly when the interim period consists of only two months. There is, therefore, little factual data on which to base any decision.⁷⁸ Thus, in making this determination the primary factor I consider is how close to being injured was the domestic industry at the end of the period of investigation, and what would have been required to push it over the line into material injury.

V-Belt Industry

I made affirmative threat determinations with respect to this industry by reason of imports from Italy, Japan, and Singapore. I note to begin with that imports from these three countries were increasing at the end of the period of investigation, although the institution of these investigations may have had some effect in slowing the increase.⁷⁹ On the other hand, the condition of the industry was not deteriorating at the period in which these increases did occur. I conclude that there is insufficient evidence on the record for me to find that the V-

⁷⁷ Arguably, Congress was referring to consequences of the entire set of actions that occur in connection with the suspension of liquidation when it referred to that event. These other events include the making of an affirmative preliminary finding, the continuation of the investigation, and the establishment of provisional duty rates. Analytically it is virtually impossible to separate the effects of these events. I note that looking at the combined effect of these events would, nevertheless, result in negative "but for" determinations.

⁷⁸ I also note that the counterfactual analysis used by some of my colleagues is of no use to me as it is based on a series of counterfactual assumptions different from the one specified by Congress for this particular decision.

⁷⁹ I note that the specific "but for" that I must examine in these investigation involves the suspension of liquidation, not the institution of these investigations.

Belt industry would have been injured but for the suspension of liquidation of these imports from these countries.

Synchronous Belt Industry

I made affirmative threat determinations with respect to this industry by reason of imports from Italy and Japan. The condition of this industry continued to improve, but at an increasingly slower rate over the entire course of this investigation. Imports from these two countries did continue to increase over the period of the investigation as well as during the interim period. I do not believe that absent the suspension of liquidation the undoubtedly continuing increase in imports would have had such an effect as to cause material injury to the industry.

The All Other Belt Industry

I made affirmative threat determinations with respect to this industry by reason of imports from Japan and the Federal Republic of Germany. Although not injured during the course of this investigation, there were several disturbing indicators in the performance of this industry, particularly in its financial performance. While imports generally increased from both of these countries, I note that German imports appeared to be stabilizing in 1988. While this is a somewhat closer case than the other two industries, I conclude that the data for this industry do not reveal an industry at the end of the investigative period that was so close to material injury that the potential changes in the imports relevant to this determination would have pushed it over the line into material injury. I am therefore making a negative but for determination with respect to this industry for both countries.

VIEWS OF CHAIRMAN ANNE E. BRUNSDALE

Industrial Belts from Israel, Italy, Japan,
Singapore, South Korea, Taiwan, the United Kingdom,
and West Germany
Inv. Nos. 701-TA-293 (Final) and 731-TA-412-419 (Final)

May 31, 1989

In these final investigations, I determine that an industry in the United States is neither materially injured nor threatened with material injury by reason of dumped or subsidized industrial belts imported from eight countries. I also note that these investigations would have been much less complicated, and therefore less costly for the government and for the parties, had petitioner not sought to sweep into the investigation countries whose exports of belts to the United States are minuscule and varieties of belts that neither petitioner nor most other major U.S. belt manufacturers produce. Having pursued the investigation the way petitioner framed it, however, the Commission is now forced to tackle complicated like-product and other issues that would not have been raised in a more carefully tailored case. That carefully tailored case most likely would have provided petitioner with the same relief.^{1/}

Like Product and Domestic Industry

The Like-Product/Domestic-Industry Provisions. The Commission's oft-repeated litany regarding like product and domestic industry recites that the domestic industry consists of the domestic producers of a like product;

^{1/} I join Commissioner Cass' discussions regarding cumulation, the applicability of the Omnibus Trade and Competitive Act of 1988 to these investigations, and the selection of an appropriate base year for conducting our investigation.

that a like product is the domestic product like, or in the absence of like most similar to, the imports under investigation; that the Department of Commerce defines the scope of the imports under investigation; and that the Commission defines the like product.^{2/} We also recite that the Commission traditionally looks at six factors to define the like product(s), that the decision is factual, and that it is made on a case-by-case basis.^{3/} The final reminder is that the Commission does not look for minor physical differences, but rather looks for "clear" dividing lines between articles.^{4/}

This recipe for finding like products appears detailed, but leads to unpredictable results. We do not rate the factors in any ordinal way, nor do we necessarily reach similar like-product determinations in cases where the same group of factors points in a similar direction. Most pointedly, we have no normative standard by which to assess the probative impact of various evidentiary points. A review of our like-product determinations is therefore appropriate, and in fact reveals certain principles about like product determinations that are worth highlighting.

First and foremost, the like-product and domestic-industry provisions are rules of exclusion. The antidumping and countervailing duty statutes do not call on us to evaluate the impact of the subject imports on the U.S. economy, or on upstream, downstream, and service industries that are

^{2/} See Drafting Machines and Parts Thereof from Japan, Inv. No. 731-TA-432 (Preliminary) at 3.

^{3/} Id. at 5. The six factors are physical characteristics and uses, interchangeability, channels of distribution, customer and producer perceptions, common manufacturing facilities and employees, and price. These factors have been judicially approved. Asociacion Colombiana de Exportadores de Flores v. United States, 12 CIT ___, 693 F. Supp. 1165, 1169 & n.5 (1988).

^{4/} Id.

associated with the imports. We look only to the domestic industry producing the like product. These provisions therefore operate to segregate the industry that will be the focus of our investigation from all other industries in the United States.

Similarly, the like-product definition serves to differentiate the industries, if more than one exist, that might be affected by the imports under investigation. If the petitioner and the Commerce Department broadly define the scope of the investigation, then the Commission is likely to find that the domestic producers that might be affected by the imports produce two or more like products, and therefore comprise two or more separate industries. If the investigation is narrowly tailored, the Commission is more likely to find only one like product and one domestic industry.

In our standard discussion of like products, however, we often neglect to mention that our purpose is not to define separate products, but to identify separate industries. The critical issue, therefore, is not whether two products are comfortably differentiated, but rather whether those products are traded in separate markets occupied by separate industries. If an economic event, like the onset of dumping, is likely to have a simultaneous impact on production and sales of two physically different articles, then we can comfortably conclude that the producers in those markets comprise one industry producing one like product.^{5/}

^{5/} This view is evident from the definition of cumulation, 19 U.S.C. § 1677(7)(C)(iv). The Commission must cumulate imports from two or more countries if such imports "compete with each other and with like products of the domestic industry in the United States market." The emphasis on competition between the imports and the domestic products indicates that an analysis of the markets for the products, rather than of the products themselves, is the appropriate approach.

The factors that the Commission looks at in reaching a like-product determination inform this analysis. Physical characteristics and uses, interchangeability of products, and customer and producer perceptions all relate to the degree to which consumer demand for each of the articles under investigation is interrelated. The important point is not the gap between the products in any of these categories, since those gaps may be deemed arbitrarily small or large depending on the basis used for comparison. By looking at these factors, however, we can develop an appreciation of whether, from a demand perspective, the two products are part of the same market.

Channels of distribution and the commonality of manufacturing facilities, the remaining like-product factors, play a similar role from the producer's perspective. Industries whose products are made in different types of facilities and travel through different streams of commerce to the end user will not react the same way to an onslaught of unfair imports. Once again, our purpose is not to judge the magnitude of the distinctions between products, but rather to determine whether the industry we define occupies a market that is properly the focus of our inquiry and which is separate from other industries that also fall within the investigation's scope.

Recitations to the effect that the Commission "has not drawn distinctions based on minor physical differences" and that the Commission "has looked for clear dividing lines between articles" are not helpful. We are not in the business of judging products, we are in the business of examining markets. All too often, we end our discussion of like product at the point where products have been differentiated. We would serve the

public well by going one step further and explaining why the differences in the products warrants the separation of producers into different industries for the purpose of our inquiry.

Like Product and Domestic Industry in These Investigations. The scope of these investigations as defined by the Department of Commerce consists of

certain industrial belts, including V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e. closed loop) belts, or in belting lengths or links.^{6/}

The scope of the investigation specifically excludes automotive belts and conveyor belts.^{7/}

The issues that the Commission must address in defining the domestic industry in these cases are: (1) should the Commission include the producers of automotive belts within the domestic industry? and (2) whether such producers are included or not, should the industry be divided into separate like products for analysis? Clearly, any efforts to find neat divisions between the products under investigation would be futile. In addition to the four types of belts listed in the Commerce Department description of the investigation's scope, one might divide V-belts into classical, narrow, jointed classical, jointed narrow, classical molded notch, hex, fractional horsepower, V-ribbed, variable speed, spliced or link open end, and special light duty.^{8/} One might sub-divide them

^{6/} 54 Fed. Reg. 15505-06 (April 18, 1989).

^{7/} Id.

^{8/} Staff Report at A-30. The same sort of divisions may be made of the three other belt categories.

further based on size, chemical composition, performance characteristics, or a host of other properties that distinguish one belt from another.

Of course, at bottom, they are all basically industrial belts. If one includes automotive belts, then they are all basically power belts. Any division based on product or production differentiation alone at any particular level of specificity or based on any particular set of characteristics is likely to be random rather than reasoned.^{9/} By focusing instead on the industry or industries appropriately viewed as within the same market as the imports under investigation, a more reasoned argument can be made.^{10/}

V-belts, round belts and flat belts, as their names imply, differ most markedly in shape. For the most part they are not interchangeable, but that is less because they are different in function than because those who designed the machines into which the belts are placed made the decision to include sheaves of a particular type. Within the V-, round and flat belts, operating characteristics can differ markedly depending on the size, chemical composition, and construction of the belt. Automotive belts come in the same basic shapes as industrial belts, but are constructed with their specific end use in mind. This does not in itself differentiate them from industrial belts, which are also made to perform particular functions. The differentiation itself is not unique, only the specific end purpose is. Thus, the issue is not where to draw the line between belts

^{9/} Counsel for Bando "differentiated" between "categories" of belts and "types" of belts. Counsel's analysis of the domestic industry issue was helpful, but the nomenclature merely served to prove how arbitrary the division of products can be.

^{10/} I do not mean to imply that this reasoning displaces all need for judgment. Rather, I mean that one can explain one's judgments in terms more appropriately tailored to the purpose of the endeavor.

that all have different functions, shapes, and compositions, but whether dumped and subsidized imports identified by the Commerce Department have an impact on all belts, on industrial belts, or on separate categories of belts.

The Commission has issued determinations in many cases, like this one, involving products that are parts of machinery and equipment. The issue routinely arises whether the lack of substitutability among parts once the machine is designed segregates the market for those parts into separate like products. In my view, absent special circumstances, the answer is no. Clearly the engineer who designs the equipment must make a choice regarding the components that go into the final product, and that choice limits the types of components that the manufacturers and purchasers of the equipment will demand. However, the designer's decision regarding parts and components may well be influenced by the availability and price of parts in the market. The engineering decision does not establish a separate market for the component selected; rather, the engineering decision is driven by the market for all of the products that will serve the same purpose.

I addressed this issue in a 1987 investigation, Certain Copier Toner from Japan.^{11/} In that case, petitioner claimed that formulations of copier toner -- the "ink" in photocopy machines -- should be deemed separate like products because different types of toner were unsuitable for different machines. I rejected the argument, and approached the issue from the perspective of the overall market for toners and the copiers in which they are used:

^{11/} Inv. 731-TA-373 (Preliminary), USITC Pub. _____ (March 1987) (Views of Chairman Susan Liebler and Vice Chairman Anne E. Brunsdale).

Petitioner's argument might be convincing if the facts showed that the technological incompatibility of the various types of toner translated into a material limitation on the ability of toner customers to choose among toner alternatives. However, the record is clear that customers buy copying systems, not toner, and that per-copy cost plays a central role in their selection of a copying system. One of the principal elements of per-copy cost is the ongoing cost of toner. If the price of toner available for a system is too high, the entire system is uncompetitive with alternative systems. In such a circumstance, customers, other things being equal, will switch to a different copy system to gain the per-copy savings resulting from the lower-priced toner. In short, from the customers' perspective, various types of toner are realistic substitutes because the different types of copiers are realistic substitutes. Customers can freely choose between different types of toner because they can easily switch to a different type of copier.^{12/}

Therefore, the market for components that perform a similar function, from both the producers' and consumers' perspective, will often encompass all such products, even though a selection may ultimately be made that one particular type of component will be used over another.

In the market for belts, the criteria for selecting a particular type of belt over another are not cost-based but performance-based. Machine designers and manufacturers will incorporate the particular type of belt that best suits their product's power transmission requirements. While an engineer may have a choice between various types of belts when designing a machine, evidence on the record suggests that the choice is not based in large measure on the relative prices or availability of different types of belts. Unlike copier toners, all of which perform exactly the same function and must be replenished periodically, different belts are definitely suited for particular purposes. An engineer is therefore likely to select a belt for a particular mechanical design based on performance

^{12/} Id. at 28.

characteristics and ease of maintenance, rather than redesign a machine to accommodate perceived conditions in the belt market.

This reasoning, of course, would support an extremely narrow definition of domestic industry, in which almost every belt would be a different like product. The Commission, however, is somewhat a hostage to its ability to collect information. The Commission cannot measure its need for more disaggregated data until it receives the data on which it will base its decision. Furthermore, statutory deadlines and notions of fairness to questionnaire respondents on whom the Commission relies so heavily counsel against the collection of data based on like-product categories that are too narrowly defined.

Starting at the clearest delineation, a synchronous belt and another type of power belt do not perform the same function. A synchronous belt is useful only where the performance of two drives must be precisely coordinated; other types of power belts will not serve that function. The engineer who designs a machine using belts will not normally be in a position to choose another type of power belt where a synchronous belt is required. The price and availability of other power belts will not affect the engineer's selection; therefore, synchronous belts inhabit a separate market, and should be treated as a separate like product.

Among the non-synchronous belts, there are broad designs of belts that operate on different principles. V-belts are shaped more or less like a "V" and provide power through the side or angle of the belt. This design allows for more surface contact and less slippage between the belt and the machine sheave, making V-belts more efficient at power transmission. Flat belts and round belts, on the other hand, transmit power through friction

on a machine pulley. They are used most often in light and medium duty drives, and are predominantly used by particular industries.13/

On the basis of this record, I conclude that V-belts and other (flat and round) belts constitute separate like products that are bought and sold in different markets. A machine designer that needs efficient power transmission on powerful drives will look for an appropriate V-belt. While some particular designs of V-belts may not be useful for a particular purpose, the designer will have a choice among V-belts of different sizes, constructions, and compositions from the United States and abroad. Most flat or round belts will not suit that purpose.14/

Having divided belts into different shapes, the next issue is whether automotive belts with similar shapes should be included in each like product category. I conclude that they should. Automotive belts are primarily V-belts and synchronous belts. 15/ Any attempt to divide belts into separate like products based on their use in automotive machines or other types of machines is artificial and not justified under the facts of record. The physical characteristics of different types of belts discussed above are found in all such belts, whether or not intended for automotive applications. The choice of belt type in an automobile, as in other machines, is the result of the desired performance characteristics. Belts for automotive uses are subject to the same constraints on

13/ Report at a-4 - a-5.

14/ The demarkation between products is not perfect, both in terms of markets and our data. Round belts, for example, are included in a basket category that includes several types of other belts. However, some round belts can be and are used in V-belt sheaves. However, the spill over is most likely small, and even including all of the basket category in with V-belts, certainly an overstatement, will not alter my conclusions in this case.

15/ Report at a-9.

interchangeability as other machines. All producers of automotive belts are also producers of industrial belts, and all use at least some of the same equipment for both. The same raw material is used in all belts within a given product category. There are numerous recipes for belts within each category, depending on the performance conditions of the machine in which the belt will be used. Although belts for automotive use may typically have to operate at higher temperatures than belts used in many other machines, there are other non-automotive machines that must operate in high temperature conditions.^{16/} The differences in operating temperatures is thus, at best, merely a matter of degree. In light of the interlocking production facilities and the fundamental similarity of automotive and industrial belts, the demand for automotive belts will have an impact on the industrial belt producers. I therefore conclude that they occupy one market, and constitute one industry.

Condition of the Domestic Industries

In determining the condition of the domestic industries, the Commission considers, among other factors, domestic consumption of the product, U.S. production, capacity and capacity utilization, shipments, inventories, employment, and profitability.^{17/} I discuss these factors below.^{18/}

Before I begin to analyze the data, a preliminary comment is in order. As I noted when discussing the like-product issues, there were constraints on the Commission's ability to collect data on various categories of belts.

^{16/} Id. at a-3.

^{17/} 19 U.S.C. 1677 (7)(C)(iii).

^{18/} Unless otherwise indicated, all data are based on units of belts rather than pounds because firms responding to Commission questionnaires were able to provide more complete information on that basis.

The various categories of belts on which the Commission collected data do not correspond perfectly with any reasonable demarkation of like products.

Most particularly, the Commission did not collect separate data on the various shapes of automotive belts. Collection of that data, with its attendant costs and complications, seemed unjustified at the outset of this final investigation because petitioner and the Commerce Department had excluded automotive belts from the scope of the investigation. At the preliminary phase of the investigation, before we had the benefit of complete data and extensive arguments from the parties, we found that industrial belts and automotive belts constituted separate like products. The Commission reasonably determined to concentrate its efforts on industrial belts, devoting only secondary efforts to automotive belts.

Although data corresponding precisely to the domestic industries I have found would have been useful, its absence does not preclude a full and reasoned examination of the impact of the subject imports. We know that automotive belts are primarily V-belts and synchronous belts (in that order).^{19/} We also know that domestic production and shipments of automotive belts are greater in terms of units and value than production and shipments of industrial belts.^{20/} Because automotive belts are not within the scope of the investigation, imports of automotive belts can be ignored. We therefore can say that inclusion of producers of automotive belts in the domestic industry will only dilute the impact of the subject imports assessed vis-a-vis the data on industrial belts. I therefore discuss the impact of the subject imports based on the data for the

^{19/} Report at a-8.

^{20/} Report at C-2.

industrial belt industry with the understanding that inclusion of automotive belts, if we had the necessary data to do so, would further buttress my negative determinations.

Apparent U.S. Consumption and Domestic Shipments. Apparent U.S. consumption of all industrial belts increased 7.8 percent from 1986 to 1987 and 2.3 percent from 1987 to 1988.21/ When broken into the specific like products, apparent consumption of V-belts rose between 1986 and 1987 and dropped slightly in 1988. The total apparent consumption of synchronous and other belts besides V-belts also increased over the three year period of investigation.22/

U.S. producers' shipments of industrial belts increased 3.6 percent from 1986 to 1987 and then declined 0.7 percent from 1987 to 1988.23/ Importers' shipments of industrial belts from all countries increased 50.1 percent from 1986 to 1987 and increased 23.4 percent from 1987 to 1988.24/

The value of apparent U.S. consumption of all industrial belts steadily increased during the period of investigation. The value of apparent consumption of V-belts increased by 11 percent from 1986 to 1987 and 1 percent from 1987 to 1988.25/ The value of apparent consumption of synchronous belts rose less than 1 percent from 1986 to 1987 and 13 percent from 1987 to 1988.26/ In the category of other belts, there was a 30 percent increase in the value of apparent consumption from 1986 to 1987, and a 7 percent decrease from 1987 to 1988.27/ These data thus establish

21/ Report at a-15.

22/ Report at table 1, a-16.

23/ Report at a-15.

24/ Report at a-15.

25/ Report at a-15.

26/ Report at table 1, a-16.

27/ Report at table 1, a-17.

that, despite the fall of U.S. producer's shipments, the increase in the unit value of each belt over the three-year period more than offset this decline.28/

Domestic Production and Capacity. U.S. production of all industrial belts decreased 1.1 percent from 1986 to 1987 and increased 7.0 percent from 1987 to 1988.29/ V-belt production decreased from 1986 to 1987 but increased from 1987 to 1988.30/ With regard to synchronous belts and in other belts, production rose steadily from 1986 through 1988.31/

The average capacity of domestic manufacturers increased during the period 1986-1988.32/ More specifically, the average capacity to produce V-belts and synchronous belts increased over the period of investigation, while capacity to produce other belts decreased slightly in 1987 and increased slightly in 1988.33/

Domestic producers' capacity utilization rate was almost constant over the period of investigation. For V-belts, the rate was [****] percent in 1986, [****] percent in 1987 and [****] percent in 1988.34/ For synchronous belts it was [****] percent in 1986, [****] percent in 1987 and [****] percent in 1988.35/ The rate for other belts climbed steadily, from [****] percent in 1986, to [****] percent in 1987 and [****] percent in 1988. For all industrial belts, this resulted in increases of 64.3 percent in 1986, 62.1 percent in 1987, and 65.6 percent in 1988.36/

28/ Report at table 1, a-16-a-17.

29/ Report at table 2, a-25.

30/ Report at table 2, a-25.

31/ Report at table 2, a-25.

32/ Report at table 2, a-25.

33/ Report at table 2, a-25.

34/ Report at table 2, a-25.

35/ Report at table 2, a-25.

36/ Report at table 2, a-25.

Domestic Shipments. Shipments of all industrial belts for the U.S. market increased 3.6 percent from 1986 to 1987, measured by units, and decreased 2.8 percent from 1987 to 1988.^{37/} The value of U.S. shipments of all industrial belts increased 11.1 percent from 1986 to 1987 and 2.0 percent from 1987 to 1988, demonstrating the steady growth in the value of all three like-product categories for the period of the investigation.^{38/} Exports of industrial belts increased throughout the period of for all three like products increased.^{39/}

Inventories. Domestic producers' belt inventories decreased 12.3 percent from 1986 to 1987 and then slightly increased from 1987 to 1988.^{40/} Inventories were lower at the end of February 1989 than at the end of February 1988.^{41/} The ratio of end-of-period inventories to the preceding period's domestic shipments ranged from 24.6 percent to 30.8 percent for all industrial belts during the period of investigation.

Employment. Employment of production and related workers producing all industrial belts declined 11.9 percent from 1986 to 1987 and then increased 6.9 percent from 1987 to 1988.^{42/} These figures reflect a decrease in the number of workers producing V-belts and synchronous belts from 1986 to 1987 and an increase in the number of workers producing all belts in 1988.

Hours worked, wages, and total compensation for such workers declined from 1986 to 1987 and then rose from 1987 to 1988. Hourly wages and

^{37/} Report at a-26.

^{38/} Report at a-26.

^{39/} Report at a-26.

^{40/} Report at a-31.

^{41/} Report at a-31.

^{42/} Report at a-31.

productivity for industrial belt workers increased slightly during the period of investigation. Labor costs were also relatively constant. Workers' wages increased steadily over the period of investigation and total hourly compensation increased by 7.7 percent during this period.43/

Financial Performance. Domestic producers' net sales of all industrial belts increased steadily from \$248.1 million in 1986 to \$263.5 million in 1987, to \$280.1 million in 1988 for an overall increase of 12.9 percent.44/ Net sales for January-February 1989 were \$62.16 million, an increase of 3.6 percent over the same period of 1988.45/ Operating income was \$8.3 million in 1986, \$16.0 million in 1987, and \$8.4 million in 1988,46/ with three firms reporting operating losses in 1986 and two in 1987 and 1988.47/ Operating income margins for all firms were 3.3 percent in 1986, 6.1 percent in 1987, and 3.0 percent in 1988.48/

Net sales of industrial V-belts increased 4.3 percent from 1986 to 1987 and 5.4 percent in 1988.49/ Similarly, net sales of synchronous belts increased 4.8 percent from 1986 to 1987 and 13.2 percent in 1988. Net sales of other belts increased 42.1 percent from 1986 to 1987 and decreased 11.3 percent in 1988.50/

The U.S. belt industry certainly is not in a state of decline. Overall U.S. consumption of all industrial belts has increased as has the value of domestic producers' shipments. Production, exports, and average

43/ Report at a-31.

44/ Report at table 7, a-39.

45/ Report at table 7, a-39.

46/ Report at table 7, a-39.

47/ Report at A-table 7, a-39.

48/ Report at table 7, a-39.

49/ Report at a-41.

50/ Report at a-46.

hourly wages rose during the period of investigation. Inventories declined. Indeed, the industry is healthy, profitable, and viable. ~~the effect of~~ ~~prices~~

I have noted in other cases that a description of the condition of the industry should just be a backdrop for a rigorous analysis of the impact of dumped and subsidized imports on the domestic industry.^{51/} Decisions of the Court of International Trade support this view.^{52/} I therefore turn to consideration of the causal link between the imports under investigation and the condition of the domestic industry.

Material Injury by Reason of Dumped and Subsidized Imports

The evidence in these investigations on balance supports negative determinations with respect to all three like products. In particular, I note that there are substantial differences between the imported belts under investigation and the belts manufactured by domestic producers. Furthermore, the relatively low level of import penetration throughout the period of investigation suggests that any impact on the domestic industry by reason of the dumped and subsidized imports was minimal.

In prior investigations, I have set forth in great detail my approach to causation in a dumping/countervailing case.^{53/} This approach addresses

^{51/} See Certain Light-Walled Rectangular Pipe and Tube, *supra*, USITC Pub. 2169 at 10-14.

^{52/} See *id.* for a discussion of National Mirror Manufacturers Association v. United States, 12 Ct. Int'l Trade ___, 696 F.Supp. 642 (1988), and Republic Steel Corp. v. United States, 8 Ct. Int'l Trade 29, 591 F. Supp. 640 (1984).

^{53/} See Certain Light-Walled Rectangular Pipes and Tubes from Taiwan, Inv. No. 731-TA-410 (Final), USITC Pub. 2169 (March 1989) at 15-31 (Views of Acting Chairman Brunsdale and Commissioner Cass); Certain Electrical Conductor Aluminum Redraw Rod from Venezuela, Inv. No. 701-TA-287 (Final) and 731-TA-378 (Final), USITC Pub. 2103 (August 1988) at 42-52 (Dissenting Views of Acting Chairman Brunsdale).

the issues raised by the statute -- the effect of imports on domestic prices, the effect of imports on the volume of domestic production, and the impact on the domestic industry -- using the data on the record organized in a fashion that allows me to employ the basic tools of economics. These tools permit me to address the fundamental issue raised in the dumping and countervailing duty laws, i.e., the causal relationship between the subject imports and the condition of the domestic market. The parties have had the opportunity to review and comment on a discussion of these tools as applied to this case prepared by the Commission's Office of Economics. Based on the strength of all the arguments presented by the parties and the staff and my evaluation of the data on the record, I can reach a reasoned conclusion regarding the impact of the subject imports.

Price effect. In order to assess the effect of the subject imports on the price in the domestic market, I consider first the dumping margin as calculated by the Department of Commerce. The dumping margin reflects the difference between the actual price of the subject imports and the "fair" price as defined in the trade laws. While the dumping margin is not in itself does not measure the price effect of the subject imports precisely, it is the only measure available on the difference between the dumped or subsidized price and the "fair" price.^{54/} Furthermore, a larger dumping margin implies a correspondingly larger gap between actual prices and prices under fair trading conditions, other things being equal.

The dumping margins calculated by Commerce in this case range from the very small, 6.8 percent, to the very large, 100.6 percent. Commerce

^{54/} However, one can safely state that the price effect of the dumped imports will be no larger than the dumping margin. The dumping margin is therefore an outside boundary of the price effect on the domestic market.

also determined that imports from Israel enjoy subsidies of 15.42 percent ad valorem. It is most likely no coincidence that the larger dumping margins correspond with instances in which Commerce, lacking the cooperation of foreign producers, used the highest dumping margin in the petition as the best information available. Nonetheless, the Commission has no role in the calculation of dumping margins, and we must use the figures provided by Commerce.

The distribution of the dumping and subsidy margins suggests that, other things being equal, the subject imports had a moderate effect on the domestic price of industrial belts. Many of the larger dumping margins apply to foreign producers whose shipments to the U.S. have been minimal. While the calculation of an exact weighted margin would reveal confidential information, the data suggest that the exact figure would be lower than the median margin -- approximately 64 percent. This is a large dumping margin, but it is by no means unusually high.

Several factors diminish the price effect of the subject imports on the domestic industries. Most important, the record suggests that the domestic product and the subject imports are not substitutable on the basis of price. Petitioner has long stated that its belts are of much higher quality than foreign belts. The life span of foreign belts is only two thirds to one third the life expectancy of petitioner's belts, and the foreign belts were found to slip 200 to 300 percent more than petitioners' belts.^{55/} For those belt purchasers who are looking for the lowest total cost of a belt, which includes initial purchase price, lifetime maintenance, and downtime for replacement of worn belts, the initial cost

^{55/} Report at F-2.

of the belt appears to be the least important factor in that calculation.^{56/} Moreover, the record reveals that domestic producers provided a much higher level of technical service than did the importers. In light of these differences between the domestic and foreign product, the moderate price effect indicated by the dumping margins in this case are mitigated by the differences between the domestic and foreign product.^{57/}

The final factor that limits the price effect of imported belts is the high elasticity of supply in the domestic market.^{58/} In plain English, the elasticity of supply indicates whether the producers in an industry will respond to a change in market conditions by changing their price (low supply elasticity) or by changing the quantity they produce (high supply elasticity). In a market characterized by high supply elasticity, the withdrawal of dumped or subsidized imports will result in greater domestic production, limiting the price increase in the domestic market and for purposes of the dumping law limiting the price effect of the imports.

^{56/} Report at a-9 ("Factors such as cost, durability, type of motor, schedule of maintenance, accessibility of the existing belt on the machine, size and condition of the drive sheaves, and length of the belt will determine which type of belt or specifications will be the most efficient"). The abundant quantity of specific types of belts, plus the suggestion in the record that belts can be made to particular specifications, indicates that performance characteristics of particular belts are more important than price in the purchasers's selection.

^{57/} The staff estimates that the elasticity of substitution — the percentage change in the ratio of quantities demanded of two products that results from a one percent change in the ratio of their price — is between 1 and 4. Memorandum OE-M-182. The higher figure is based on the fact the all belts have essentially the same physical characteristics; the lower figure is based on the differentiating factors discussed in the text. As I have indicated, I believe that the elasticity of substitution is at the low end of the range.

^{58/} The supply elasticity is the percentage change in the amount of a product supplied resulting from a 1 percent change in its price.

Estimates of the elasticity of supply in the domestic belt market are high. Staff estimates an elasticity of supply greater than 5.^{59/} Petitioner suggests a lower supply elasticity, but concedes that it might be as high as two. Petitioner's argument for lowering the supply elasticity are based on a particular firm's purported strategies and not on the conditions of the market.^{60/} Even if, as petitioner suggests, firms would raise prices before they increased supply, competitive conditions in the market would lead some producers to increase supply as the price rose, thereby dampening, and perhaps reversing, any price increase. In sum, I conclude that the price effect of the subject imports on the domestic industry is minimal.

Volume effect. I assess the volume effect of the subject imports by looking first at their share of the domestic market. During the period of investigation, the market share of domestic industrial belt manufacturers declined by 4.0 percentage points, from 89.0 percent to 85.0 percent. However, the import penetration of subject imports increased from [***] percent to only [****] percent, [***] percentage points. Domestic producers therefore lost [***] percent of the domestic market -- over one quarter of the entire decline in market share -- to imports that are not alleged to be dumped or subsidized.^{61/} This overall pattern was reflected in all three of the domestic industries.^{62/} In sum, the record reflects

^{59/} Memorandum EC-M-182 at 6.

^{60/} Id. at 9.

^{61/} Report at A-71.

^{62/} Id. The domestic producers' share of the V-belt market declined from [****] percent to [****] percent, and the share of the market held by subject imports rose from [***] percent to [***] percent, while other imports' share increased from [***] percent to [***] percent. Id. The penetration of synchronous belt imports under investigation increased from
(continued...)

that the penetration of the subject imports has remained relatively low, and that decreases in the market share held by domestic producers are attributable in part to imports from countries not under investigation.

The degree to which the market penetration of the subject imports will affect the domestic market depends on the extent to which the presence of the imports has increased domestic consumption. Based on the law of demand — that consumers will purchase more of a product as the price of the product declines — one can posit that the existence of low-priced imports has generated purchases that otherwise would not have occurred, suggesting that these purchases have had a limited impact on the domestic industry. Economists can estimate the extent to which a decline in the price of a product (or the availability of cheap imports) will increase demand. The resulting quantity is known as the elasticity of demand.

The Commission's Office of Economics estimates that demand for industrial belts is highly inelastic, and I concur.^{63/} Demand for industrial belts depends on demand for the machines in which industrial belts are used. The cost of the belt is so small in proportion to the cost of the entire machine, that demand for the machine, and hence the belt, is unlikely to depend on small differences in the price of the belt. To be curt, the availability of cheap imports will not generate more machine

^{62/}(...continued)

[****] percent to [****] percent, while imports from all other sources increased from [***] percent to [***] percent of the domestic market. *Id.* One particular type of belting, nylon-core belting, showed a large import penetration, but petitioner does not produce that particular type of belting (and other domestic producers oppose the petition). The domestic market share of nylon-core belting therefore consists of belting that petitioner believes most closely competes with that product. Even so, the share of the market held by domestic producers rose from [****] percent in 1986 to [****] percent in 1988 (though it declined in 1987). *Id.*

^{63/} Memorandum OE-M-182 at 21-22.

production, and without more machine production, demand for belts will not increase. This means that, if the cheap imports were not available, purchasers would seek a nearly equal amount of belts elsewhere.^{64/}

Evidence on the record suggests, however, that the effect of imports on the volume of sales is only marginal. The imports have not penetrated deeply into the domestic market, so the total possible volume effect is relatively small. Further diluting the impact of the subject imports is the increasingly strong market penetration of imports from countries not under investigation. One could speculate that all of the subject imports displaced sales of the domestic product. But the domestic industries' loss of market share to both subject imports and other imports suggests that those purchasers that have chosen dumped or subsidized imports are as likely to choose other imports as they are the domestic product. Given the fact that import penetration is small, these factors lead me to the conclusion that the volume effects of the subject imports are immaterial.

Effect of the imports on the domestic industries. On this record, I conclude that the domestic industries producing industrial belts are not materially injured by reason of the subject imports. The market penetration of the imports is relatively small (very small when automotive belts are included), limiting the impact of the imports on the domestic industries in any circumstances. An analysis of the market for belts

^{64/} Frequently, the Commission analyzes the volume effect by examining the anecdotal lost-sales evidence collected by the staff. Except in rare cases, this appears to me to be a deficient approach. First, the evidence rarely accounts for more than a tiny fraction of the sales of imports. Second, it comes from sources who are not only biased but who also, being the parties on one side of a transaction, often lack complete information about the sales they purport to describe. The use of simple economic principles allows for a more comprehensive and less biased analysis of the degree to which the domestic industry actually lost sales to the subject imports.

reveals that the impact of the imported belts on the domestic industries is muted by the characteristics of the markets for these particular like products. In many circumstances, imported belts and domestic belts are not perfect substitutes, diminishing the willingness of some purchasers to cross over from imports to the domestic product, even at a fair price. Although domestic demand for belts is quite inelastic, meaning that purchasers of unfairly priced belts will seek alternate sources for belts should the availability of such imports decline, the evidence suggests that a substantial portion of those purchases will be of fair imports and not domestic belts. In sum, domestic producers are still the dominant players in the domestic market by far, their "decline" in recent years has been small, and little of that small decline can be directly attributed to the subject imports. I find that any injury by reason of the imports is immaterial.

Threat of Material Injury by Reason of the Subject Imports

I have considered each of the statutory factors relevant to a consideration of threat of material injury by reason of the subject imports.^{65/} Based on that review, I conclude that any finding of threat of material injury by reason of the subject imports would be mere conjecture or supposition.^{66/} I set forth below the factors that I believe overwhelmingly refute any threat claim.

^{65/} 19 U.S.C. § 1677(7)(F).

^{66/} 19 U.S.C. § 1677(7)(F)(ii) provides that a finding of threat cannot be based on conjecture or supposition.

End-of-period inventories held by importers of industrial belts have declined, both in absolute terms and as a percentage of total imports.^{67/} While the data on foreign producers' capacity utilization rates are confidential, it is fair to say that there is little chance in the near term that foreign producers will generate greater exports to the United States through increased production.^{68/} As discussed above, the increase in their exports to the United States thus far has not been rapid, and several of the foreign producers actually decreased such exports over the period of investigation.^{69/}

The only realistic source of increased exports to the United States is a shift in foreign producers' shipments from the home market or third countries' exports to the United States. While the record is somewhat mixed, the data supplied by many of the foreign producers indicates that their home-market or third-market sales are growing faster than their exports to the United States, and that diversion from the United States is at least as likely as the opposite.^{70/} Any reliance on this evidence to support a threat determination would require a larger measure of conjecture than the statute permits. I therefore conclude that there is no threat of material injury to the domestic industries.

^{67/} Report at a-58.

^{68/} Report at a-59.

^{69/} Id.

^{70/} Report at a-59-a-60.

VIEWS OF VICE CHAIRMAN CASS

Industrial Belts from Israel, Italy, Japan, Singapore,
South Korea, Taiwan, the United Kingdom, and West Germany
Invs. Nos. 701-TA-293 and 731-TA-412-419 (Final)

I. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

In final investigations under the antidumping and countervailing duty laws,^{1/} the Commission must determine whether LTFV or subsidized imports materially injured a domestic industry in the United States. The statute governing these investigations, Title VII of the Tariff Act of 1930, defines the relevant 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 proportion of the total domestic production of that product."^{2/} The term "like product," in turn, 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."^{3/}

The statute apparently contemplated investigation of a very narrow class of imports ("the article subject to an

^{1/} Tariff Act of 1930, ch. 497, Title VII, § 735, as added by the Trade Agreements Act of 1979, Pub. L. No. 96-39, Title I, § 101, 93 Stat. 150, 169 (codified as amended at 19 U.S.C. § 1673d(b)).

^{2/} 19 U.S.C. § 1677(4).

^{3/} 19 U.S.C. § 1677(10).

investigation") and, hence, commanded investigation of its effects on U.S. producers of a similarly narrow class of products that, if not identical to the import, were not meaningfully distinct. The import and the domestic like product would be sufficiently similar as to compete closely in the domestic market. Increasingly, however, the Commission has been called on to investigate quite broad classes of imports, covering many diverse products. For such investigations, the Commission must distinguish among a broad array of products that properly can be said to comprise a cogent class of goods sufficiently similar to the imports and to one another to fit the statutory definition. In some investigations, severable segregable categories of products will be found to constitute separate like product categories. While the Commission will not distinguish between products that differ only in minor respects,^{4/} it does define separate like products where these are clear dividing lines among products. In determining the appropriate like products(s), the Commission typically has considered a number of factors relating to characteristics and uses, including (1) product features, (2) interchangeability, (3) channels of distribution, (4) customer perception and product uses, (5) common manufacturing facilities and production employees, and (6) product price.^{5/} These factors

^{4/} S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); Sony Corporation of America v. United States, slip op. 89-55 (Ct. Int'l Trade, April 26, 1989) at 6.

^{5/} See, e.g., 3.5" Microdisks and Media Therefor from Japan, Inv. No. 731-TA-389 (Final), USITC Pub. 2170 (March 1989) (Dissenting Views of Commissioner Cass at 39-40). This approach has been

have not been ordered by the Commission in any definite manner and need not move toward similar like product determinations. In particular, information about end-products, which is the focus of all but one of these factors, may suggest a quite different line than would be drawn by relying on information about production processes. I believe that our principal focus should be the nature of the products at issue, and especially the information about the degree to which those products compete in the same markets.

The merchandise under investigation, for which we must determine the appropriate like products(s), is defined in the Commission's notice of institution of these final investigations in accord with the Department of Commerce's notices of final determination of sales at less than fair value for the products under investigation.^{6/} The definition broadly covers industrial belts, belts used in machinery primarily to transmit power, including "V-belts, synchronous belts, round belts, and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links."^{7/} The imports under investigation

approved by our reviewing courts. *Asociacion Colombiana de Exportadores de Flores v. United States*, 693 F. Supp. 1165 (Ct. Int'l Trade 1988).

^{6/} See, e.g., *Final Determinations of Sales at Less Than Fair Value: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From Israel*, 54 Fed. Reg. 15481 (1989).

^{7/} 53 Fed Reg. 52517 (1988); 54 Fed. Reg. 6970 (1989).

do not, however, include all similar or arguably similar belts. They specifically exclude noncorded belts, "conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks."8/

In its preliminary determination in these investigations, the Commission found on the facts then available that there was one like product, consisting of industrial power transmission belts, excluding conveyor and automotive belts.9/ The Commission made it clear, however, that it would revisit the like product question in any final investigations, and would pay particular attention to the issues of whether different industrial belts constitute separate like products and whether automotive and industrial belts should be separate or included in the same product categories.10/

Based on the facts of record, I conclude that there are three appropriate like products: (1) V-belts and round belts, (2) synchronous belts, and (3) flat belts. I also conclude that domestic automotive and industrial belts in each of the above categories are like the imports under investigation. For reasons explained below, the data collected in these investigations do

8/ Id.

9/ Industrial Belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany, Invs. Nos. 701-TA-293-295 (Preliminary) and 731-TA-412-419 (Preliminary), USITC Pub. 2113 (August 1988) at 7-9.

10/ Id. at 8-9.

not permit analysis of imports' effects on exactly the same basis as these like product determinations suggest.

These like product determinations are particularly difficult, given the vast array of products that are encompassed by the petition in these investigations which the Department of Commerce accepted essentially without modification as defining the scope of the investigations. Even as compared to other relatively broad product definitions, the class of imports defined by Petitioner and Commerce is exceptionally large and covers numerous disparate products. Petitioner has proposed that the Commission treat this array as a single product category having one domestic like product that includes most (but not all) industrial power transmission belts. Petitioner proposes that the Commission ignore the numerous differences that exist among this array of products. I find that Petitioner's proposed like product definition does not describe a cogent class of products, but both includes products that are not like one another and excludes products that are like. While the definition displays lawyerly care in its delineation of the contours for our "effects" inquiry that Petitioner would find most advantageous, it does not suit our statutory mandate.

1. Different Types of Belts

Several respondents have urged us to draw like product distinctions between different types of belts. Respondents Ernst Siegling and Siegling America Inc. (Siegling) and Nitta Industries Corp. and Nitta International, Inc. (Nitta) propose

that the Commission find flat belts to constitute a separate like product. IRO proposes that the Commission should find certain extruded cog belts to be a separate like product. Respondents Pirelli Industrial Products Corporation and Pirelli Trasmissioni Industriali, S.p.A. (Pirelli) and Continental AG (Continental) urge that the Commission find two like products, one including synchronous belts, the other including all non-synchronous belts.

Based on the information that the Commission has collected, I find distinctions embodied in arguments such as these persuasive that functional differences define three separate categories of belts, synchronous belts, V-belts and round belts, and flat belts. The investigations also cover miscellaneous other belts that do not fit within any of these three like product categories.

a. Synchronous and non-synchronous belts

Respondent Pirelli argues that synchronous and nonsynchronous belts, both automotive and industrial, constitute separate like products. In Pirelli's view, synchronous and nonsynchronous belts have fundamentally disparate characteristics and uses. They operate on different principles: synchronous belts transmit torque through the locking of their teeth with teeth on a pulley, while nonsynchronous belts transmit torque through frictional force.^{11/} This difference in conducting power leads to distinct applications for each.^{12/} There are also differences in

^{11/} Pirelli Prehearing Br. at 7.

^{12/} Id. at 7-8.

appearance, raw materials and manufacturing processes,^{13/} and Pirelli asserts that there is no record evidence to suggest that synchronous and nonsynchronous belts are interchangeable.^{14/} Finally, Pirelli asserts they are produced on different equipment.^{15/} Pirelli argues that the similarities between automotive and industrial synchronous belts are more pronounced than the differences between all automotive and all industrial belts. Petitioner, on the other hand, has made no effort to refute the asserted distinction between synchronous and nonsynchronous belts, alleging instead that the distinction between all automotive belts and all industrial belts is the more fundamental.

I am persuaded that synchronous belts constitute a separate like product category. First, synchronous belts simply are not interchangeable with belts not designed for timing purposes. One reason for this is the extremely low elongation characteristics required of belts which serve a timing function. Belts other than timing belts cannot be substituted for this purpose because they are made with tensile members which are excessively elastic. While synchronous belts typically have a tensile member of fiberglass, steel cable, or kevlar, belts which are not designed for timing purposes either have no tensile member or have tensile members which are substantially more elastic, such as of

^{13/} Id. at 10.

^{14/} Id. at 11-12.

^{15/} Id. at 12-13.

polyester cord.16/ Furthermore, synchronous belts transmit power through their teeth, and not along the flat surfaces of the belt; the use of belts which rely on flat surfaces for power transmission will result in substantial slippage and therefore loss of transmitted power.17/ Thus, synchronous belts cannot be interchanged with other belts, are viewed by consumers as fundamentally different, and must be manufactured in a manner quite different than belts not designed for timing purposes. For these reasons, I am persuaded that synchronous belts, whether used in industrial or automotive applications, should be regarded as a separate like product for the purpose of this investigation.18/

16/ Report at a-4; Tr. at 211.

17/ Tr. at 211.

18/ IRO, Inc., a U.S. manufacturer of yarn feeding devices, imports an extruded cog belt used exclusively in the textile industry which IRO contends should be seen as a separate like product. IRO contends that belt is used only in the textile industry, is made by a special patented process different from that used for other industrial synchronous belts and can be made only under license from its West German manufacturer; only one U.S. company (which opposes the petition) is licensed to make that belt, and that maker's belts are used exclusively in non-power transmission applications which are not subject to these investigations. Hence IRO argues that there is no domestic industry which produces or will imminently produce this belt.

Unfortunately, though there is some force to IRO's argument, I am unable to reach the conclusion that IRO suggests. Title VII commands that the Commission find that domestic industry "like" the imported products, "or in the absence of like, most similar" If it is true, as IRO suggests, that there is no domestic industry producing this very belt, then the Commission has no choice but to assess the impact of the imported belts on the "most similar" domestic industry. It appears from IRO's description of the belt in question that it is closely related to, though not identical with, other synchronous belts.

b. V-belts and flat belts

Though no party seeks a designation of V-belts as distinct from other belts, I am persuaded that the record evidence supports the conclusion that V-belts are sufficiently distinct from other belts that they should be included in separate like product category.

The shape of V-belts is significantly different than other belts, using a design which permits the transmission of power along two sides of the belt rather than a single side as with flat belts, or through the teeth of the belt as with synchronous belts. This fact allows more surface contact and less slippage between the belt and the machine sheave, so that more power can be transmitted by V-belts than by a flat belt.^{19/} For that reason, these belts are used in applications where greater power transmission is required.

V-belts differ from synchronous belts in some significant ways that affect their characteristics and uses, their prices, and their interchangeability with synchronous belts, and for these reasons differ significantly in the perceptions of consumers and users of belts. V-belts have significantly less requirement than synchronous belts for tensile strength because elongation of the belt is less damaging to the functioning of the

For that reason, we must include this belt in a like product category with other synchronous belts.

^{19/} Report at a-3-4.

belt than is true of synchronous belts.^{20/} For that reason, V-belts made either without an internal tensile member, or with a tensile member more elastic than permissible in synchronous belts, cannot be substituted for synchronous belts. Further, V-belts and synchronous belts are perceived by users of belts as significantly different. For example, though automobiles use some synchronous belts, virtually all belts used in automobiles are V-belts, indicating a distinct preference among auto makers for that belt design over the other.

Likewise, V-belts are significantly different than flat belts, in terms of interchangeability, consumer perception, and physical characteristics and uses. Flat belts, which transmit power through a single side, require a pulley surface to transmit power and cannot do so through the sheave appropriate for use with a V-belt.^{21/} Though a flat belt can be substituted for a V-belt on some types of machines, if the sheave of the machine which holds the V-belt is replaced by a pulley, nevertheless there exist strong incentives for the user not to effect such substitution. Witnesses at the Commission's hearing testified that such substitutions would be costly and, therefore, are quite unusual.^{22/}

Respondents Ernst Siegling, Siegling America, Inc., and Nitta Industries urge that flat belts be regarded as a separate

^{20/} Report at a-4.

^{21/} Report at a-5.

^{22/} Id.

like product. These parties note that flat belts are produced in a manner different than synchronous or V-belts, since they can be produced in any size simply by cutting a given length off a flat belt roll and splicing the belt, whereas other kinds of belts must be produced in given lengths.^{23/} Further, other kinds of belts could not be produced on the machines which produce flat belts, nor could the same employees produce the two kinds of belts without additional training.^{24/} In addition, flat belts are sold through different channels of distribution than are other kinds of belts. Indeed, Respondents in their pleadings before the Commission note that the Petitioner has failed to address the issues raised by several types of flat belts, and indeed argue that Petitioner never intended to include these flat belts within the scope of the investigation.^{25/} It therefore seems that Petitioner accepts these belts as sufficiently different than other belts that including them within the same like product category would be inappropriate.

2. Automotive and Industrial Belts

Although the Petitioner here would have us find no difference among the various types of belts discussed above,

^{23/} Siegling Prehearing Br. at 8.

^{24/} Id. at 9.

^{25/} Petitioner Gates apparently did not name certain kinds of flat belts in its petition, and these belts were included within the scope of the investigation only when the Department of Commerce expanded the number of Harmonized Tariff System numbers which it asked the Customs Service to monitor. Siegling Prehearing Br. at 4.

Petitioner urges us to distinguish between belts used in automobiles and belts used in industrial machinery. Petitioner argues that industrial and automotive belts are different in design and in application,^{26/} and have uses and characteristics different than those of industrial belts. Petitioner notes that automotive belts are produced in a much more restricted size range than are industrial belts, and have many fewer specifications than is true for industrial belts.^{27/} Because of different compositions which result from differing performance requirements, Petitioner contends that industrial belts cannot be interchanged with belts produced for automotive applications, and for that reason are not perceived by consumers as interchangeable. Finally, Petitioner argues that automotive and industrial belts are sold through disparate channels of distribution; auto and industrial belts are not stocked by the same distributors, bought by the same individuals, or catalogued in the same sales catalogues.^{28/} Petitioner also asserts that automotive belts are made by a more automated process, requiring fewer machines and less labor than industrial belt production,^{29/} in facilities separate from those used for the production of industrial belts, and using different production workers.^{30/}

^{26/} Petitioner's Prehearing Br. at 8.

^{27/} Tr. at 22.

^{28/} Petitioner's Prehearing Br. at 9.

^{29/} Tr. at 17-18.

^{30/} Id. at 20.

Several respondents make the contrary argument, declaring that no significant distinction exists between automotive and industrial belts. No respondent specifically supports such a distinction.

Respondent Magam United Rubber Industries, Ltd., of Israel, argues that industrial and automotive belts are divisible into the same functional groups, that industrial and automotive belts in fact perform the same functions, and that their operating characteristics depend on the load they carry and their operating conditions, which are only partly determined by the type of machine (including automobiles) in which they are to be used.^{31/} Indeed, the full range of possible compositions and proportions of belts are present among both industrial and auto belts.^{32/} Certain belts have both industrial and automotive uses and are interchangeable between the two. Furthermore, within the category of industrial belts, there are distribution channels as different from each other as are automotive belt channels from industrial belt channels, so that it is impossible to draw the simple distinction between automotive and industrial belt distribution channels that Petitioner proposes.^{33/} Customer perceptions also establish that, while not all industrial belts or all automotive belts are alike, automotive belts are not always distinct from industrial belts. Magam argues that the distinction between

^{31/} Magam Prehearing Br. at 1-2.

^{32/} Id.

^{33/} Id. at 10.

industrial and automotive belts leads to the conclusion that a power transmission belt for use on a window fan is to be included within the industry definition, but that an identical belt used on a fan in an automobile is not.^{34/} Furthermore, Respondent Magam argues that automotive belts have identical components to and are manufactured on the same equipment as industrial belts, and any machinery used for one could easily be used for the production of the other.^{35/}

Respondents Bando Chemical Industries Ltd., of Japan, and Pirelli Trasmissioni Industriali, S.p.A., of Italy, also dispute the distinction between automotive and industrial belts, on grounds similar to those advanced by Magam. Bando argues that the distinction between automotive and industrial belts is an artificial one; they are often interchangeable in application, and they are manufactured by the same production process on the same or essentially identical machines and equipment by the same work force. Many belts are used in both applications.^{36/}

Indeed, Bando argues that the distinction between automotive and industrial belts is far less significant than the distinction among various categories of belt design. There is little correlation between the physical characteristics of belts, such as their operating temperature range, and their use in either automotive or industrial applications; rather, the specific use

^{34/} Magam Posthearing Br. at 2.

^{35/} Magam Prehearing Br. at 14-16.

^{36/} Bando Prehearing Br. at 8.

in question either is or is not appropriate for the belt in question. Automotive synchronous belts, for example, are closely analogous to industrial synchronous belts, but are not at all similar to any non-synchronous belts.^{37/} Their constituent materials are essentially the same, and vary equally within the automotive and industrial categories with respect to the nature of the application for which the belt will be used. Automotive belts are more interchangeable with industrial belts of the same category, are more interchangeable, Bando alleges, than with automotive belts of different categories, and the same is true of industrial belts.^{38/}

Respondents who urge that particular types of belts be excluded from the like product definition, while not focussing particularly on the automotive versus industrial belt issue, apparently agree that the distinction between automotive and industrial application is less meaningful than various proposed distinctions among belts based on functional design, for their arguments place no emphasis on the automotive-industrial dichotomy. For example, IRO, Inc., urges that a certain synchronous cog belt which it imports be excluded from the like product definition, on the grounds that it is different from all other synchronous belts, including synchronous belts used in both automotive and industrial applications.^{39/} Similarly, Ernst

^{37/} Bando Prehearing Br. at 11.

^{38/} Bando Prehearing Br. at 12.

^{39/} IRO Posthearing Br. at 3.

Siegling and Siegling America, Inc., makers and importers of certain flat belts from West Germany, argue that such flat belts should be excluded from the definition of the domestic industry on the grounds that their flat belts are different from V-belts, from synchronous belts, and from flat belts made by any domestic manufacturer; no distinction between industrial and automotive applications enters Siegling's argument.

While it appears that a distinction between automotive and industrial belts exists, I believe that distinction is far less significant than Petitioner suggests, and not fundamentally meaningful in terms of the criteria on which the Commission has traditionally relied in making like product distinctions. It is true, as Petitioner suggests, that customers for replacement automotive belts would not ordinarily try to use for that purpose a belt marketed as an industrial belt. That point, however, is of little moment. The fact is that some belts are used for both purposes, are marked with both automotive and industrial part numbers, and are marketed through both automotive and industrial channels. Car manufacturers are unlikely to pay a premium for a belt identical to one available for industrial uses. Automobile owners may, as Petitioner claims, not be cognizant of the availability of similar belts in industrial machine parts markets. The separation of markets at the end-user stage reflects the difference in the sources of information readily available to different consumers. Automobile owners generally will not be able easily to determine which industrial belt is appropriate for

their needs. This does not, however, suggest any inherent difference between the belts, or any significant difference in the cost and availability of the belts to purchasers from the manufacturer, the initial consumers for these products. No such differences are apparent at that stage.

If I were to focus on the ultimate consumers of belts, such as the automobile owner, the more important question to ask is not whether they all buy from a single source but whether they perceive differences between the products marketed through sources from which they do not buy; that is, for instance, whether customers for automotive belts would discern any difference in function between comparable automotive and industrial belts. It seems that they would not. Automotive V-belts of cut-edge manufacture are, for example, made in a range of sizes which is entirely included within the range of sizes of cut-edge V-belts made for industrial uses.^{40/} Similarly, the cross-section designs of cut-edge automotive V-belts are essentially identical to the cross-section designs of certain categories of cut-edge industrial V-belts.^{41/} It thus appears that a consumer of automotive belts could without loss of function use an otherwise identical V-belt designated as

^{40/} Report at a-9-10. Essentially all automotive belts are cut-edge. Id.

^{41/} Id.

"industrial."^{42/} The same appears to be true with the other broad category of belts used in automotive applications, synchronous or timing belts.^{43/} The implication is that automotive belts are fundamentally a subset of the range of industrial belts, designated differently for marketing purposes. There is little reason to expect any substantial differences to exist between these groups with respect to characteristics and uses; the appropriate belt selected from either category is essentially interchangeable with the appropriate belt selected from the other.

Even in channels of distribution, the distinction between automotive and industrial belts is less significant than Petitioner suggests. While it is true that replacement automotive belts are marketed in a different fashion than are replacement industrial belts, a very substantial proportion of both industrial and automotive belts are sold directly to original equipment manufacturers (OEMs).^{44/} In both cases, the belt manufacturer sells directly to the OEM,^{45/} meaning that the

^{42/} The substitutability between belts of identical length and cross-section is further enhanced by the apparent flexibility which is permissible in the exact choice of belt for a given application. The report notes, for example, that as many as 25 or more different belts could be utilized on a single machine, depending on a variety of factors which relate to cost and not to technical compatibility. Report at a-8.

^{43/} Id.

^{44/} Report at a-30. Approximately 59% of industrial belts are sold to original equipment manufacturers; approximately 44% of automotive belts are sold to original equipment manufacturers.

^{45/} Report at a-21-22.

channels of distribution for automotive belts are no different than the channels through which industrial belts are marketed for approximately half of total belt production. And while channels of distribution for replacement belts differ, some domestic producers use independent factory representatives to cover the market for belts both types of accounts.46/

Correlatively, the same conclusion appears to hold when considering the production of automotive and industrial belts. Although there is some basis for a distinction between the two, ultimately that distinction is not persuasive. Of the ten U.S. firms producing industrial belts, four also produce automotive belts.47/ There are no other domestic automotive belt producers. In short, automotive belts are always made by manufacturers that also make industrial belts, at least among United States producers. It appears that some manufacturers segregate within a plant the production of automotive belts from that of industrial belts, a fact on which Petitioner relies heavily.48/ However, some manufacturers do not segregate their production,49/ and there appears to be no technical necessity to do so. Even when production is segregated, automotive and industrial belts are made by the same type of machines, using closely related materials compounds, by workers which do not appear to be

46/ Report at a-21-22.

47/ Report at a-20.

48/ Petitioner's Prehearing Br. at 18.

49/ Report at a-9.

specialized in the production of one or the other.^{50/} Though separate machines and workers are used, automotive and industrial belt production compete for the use of those machines and workers; if automotive belts, for example, became relatively more profitable, a larger proportion of those machines and workers could without any apparent difficulty be used to produce belts which would be marketed as automotive belts.

In sum, I find the case for including automotive belts in each relevant functional like product category compelling. Unfortunately, the Commission's investigation does not provide us with information fully coincident with the particular like product categories identified above. This unfortunate position, however, should not be surprising. The Commission has been presented in this investigation with a bewildering array of potentially separate products, involving distinctions both large and small. The Commission determined in its preliminary investigation that a single like product existed, embracing only industrial belts and excluding automotive belts, but noted the unusual complexity of the investigation and the need to revisit the like product issue in this final investigation, stressing particularly the need to explore whether different industrial belts constitute separate like products.^{51/} Obviously, in

^{50/} Report at a-9.

^{51/} Industrial Belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany, Invs. Nos. 701-TA-293-295 (Preliminary) and 731-TA-412-419 (Preliminary), USITC Pub. 2113 (August 1988) at 7-9.

designing this final investigation, the Commission staff did not have the benefit of its eventual findings, nor did it have the benefit of the arguments of those parties which now urge that relatively specialized products be separated into separate like products, and therefore could not have anticipated the possibility that there would be a need for detailed information on individual types of belts within the vast wilderness of industrial belts. As a result, some of that information, focusing particularly on several of the products proposed as separate like products, was not collected. Though in a sense this problem is faced in every investigation, the unusual complexity of this investigation and the extraordinary breadth of the like product definition presented to the Commission by the Petitioner made this problem almost unforeseeable in this investigation.

Petitioner suggests that the fact that the Commission staff chose, on the basis of information available at the start of this final investigation, to collect data on the basis of the industrial/automotive distinction should determine our like product decision at the end of our investigation.^{52/} This, however, would produce a like product description I cannot square with the governing law or with the facts of record here. I believe that the information before us, although collected on a basis that is not ideal, is adequate to make the determinations necessary to disposition of these investigations.

^{52/} Petitioner's Prehearing Br. at 11.

II. INJURY BY REASON OF UNFAIRLY TRADED IMPORTS

A. Framework for Analysis: The "Unitary" or "Comparative Approach"

1. The Basic Inquiry and its Statutory Origins

In assessing whether unfairly traded imports have caused material injury to a domestic industry in Title VII antidumping and countervailing duty cases, I have used an approach that is commonly known as the "unitary" or "comparative" approach. This approach is "comparative" because it compares the domestic industry's actual performance with the conditions that would have existed in the domestic industry had there been no unfairly traded imports.^{53/} The approach that I use in Title VII cases is "unitary" it seeks to answer the single question that the Commission is directed to address by the statute: has the domestic industry suffered material injury by reason of unfairly traded imports? By contrast, the bifurcated approach that has been employed by other Commissioners seeks to determine, as a threshold matter, whether the domestic industry is experiencing adverse conditions of some kind with a view toward determining whether those conditions can be characterized as "injury", without regard to the effects of unfairly traded imports. In

^{53/} See, e.g., Internal Combustion Forklift Trucks from Japan, USITC Pub. 2082 at 113-18, Inv. No. 731-TA-377 (Final) (May 1988) (Additional Views of Commissioner Cass) ("Forklift Trucks"); Certain Telephone Systems and Subassemblies Thereof from Japan, Korea and Taiwan, USITC Pub. 2156 at 64-67, Inv. Nos. 731-TA-426-428 (Preliminary) (Feb. 1989) (Additional Views of Commissioner Cass) ("Phone Systems").

other words, the bifurcated approach posits that it is a precondition to relief under Title VII that we conclude that the industry in question is in "ill health". As I have explained on several occasions, I believe that a unitary approach is more in keeping with the language and legislative history of Title VII (and the international agreement that Title VII implements) than is the bifurcated approach.^{54/} The unitary approach is also consistent with a considerable body of prior Commission practice and judicial precedent.^{55/} Accordingly, even if it might be permissible for us to impose a threshold requirement that the domestic industry be in "ill health", such an approach is not the preferable interpretation of our governing statute and does not comport well with the judicial decisions invoked as the principal support for the bifurcated approach.^{56/}

I will not discuss here all of the reasons why the unitary approach is preferable; as previously noted, I have discussed these matters at length in other opinions. Two points warrant brief repetition, however. First, there is nothing in the

^{54/} See, e.g., Digital Readout Systems and Subassemblies Thereof from Japan, USITC Pub. 2150 at 95-117, Inv. No. 731-TA-390 (Concurring and Dissenting Views of Commissioner Cass) ("Digital Readout Systems"); 3.5" Microdisks and Media Therefor from Japan, USITC Pub. 2076 at 59-74, Inv. No. 731-TA-389 (Preliminary) (April 1988) (Additional Views of Commissioner Cass) ("Microdisks Preliminary").

^{55/} Digital Readout Systems, *supra*, at 108-117; Microdisks Preliminary, *supra*, at 64-70.

^{56/} See *American Spring Wire Corp. v. United States*, 590 F. Supp. 1273 (Ct. Int'l Trade, 1984), *aff'd sub nom.*, *Armco, Inc. v. United States*, 760 F.2d 249 (Fed. Cir. 1985).

language of the statute or in its legislative history that explicitly suggests that the Commission is to deny relief to a domestic industry solely because I deem the industry sufficiently healthy. The legislative history of the statute, as amended, undoubtedly indicates that supporters of the statute had particular concerns about industries experiencing obvious difficulties, but it in no way suggests that the coverage of Title VII effectively extends only to such industries. Indeed, considerable evidence points to a contrary conclusion.

Second, the recently enacted Omnibus Trade and Competitiveness Act of 1988 emphasizes the concern of the legislative and executive branches that Title VII cases not be decided on the basis of a simplistic analysis of industry trends. Under this legislation, the Commission is explicitly instructed to take account of business cycles and other effects on industry performance before reaching conclusions on the effects that unfairly traded imports may have had on domestic industry.^{57/} This direction is quite at odds with the notion that relief is available only to declining industries, in that it makes clear that industries whose fortunes are improving because they are on the upswing of their business cycle should not be denied relief for that reason alone. In other words, even if the domestic

^{57/} Pub. L. No. 100-418, § 1328(2)(C), 102 Stat. 1107, 1205-06 (1988) (codified at 19 U.S.C. § 1677(7)(C)(iii)). Although this provision is not technically applicable to these investigations, which were instituted prior to the passage of the 1988 Act, I believe that the law as it previously existed, properly understood, was consistent with the explicit directive contained in the 1988 Act.

industry appears to be performing relatively well, we are nevertheless required to determine whether unfair trade practices have resulted in some quantum of damage to the domestic industry that is not "inconsequential, immaterial or unimportant".^{58/}

In this regard, I note Petitioner's contention that the information collected by the Commission's staff is not adequate to our statutory task. Petitioner argues that, despite standard Commission practice of having three-year periods of investigation, data collected by the Commission staff in these investigations (i.e., covering 1986, 1987 and 1988) improperly exclude 1985 as a base year.^{59/} Petitioner claims that 1985 is a particularly significant year because Dayco, a domestic producer, reduced its prices for industrial belts in the middle of that year in response to "deep underselling of domestic belts by imports," with the result that all other domestic producers were forced to follow suit. Petitioner asserts that "[c]omparisons of trends in domestic prices to visualize the impact of imports should therefore use 1985 as a base."^{60/} Moreover, Petitioner argues, since 1986 was a trough year in the business cycle, "to evaluate the trend in the statutory factors with 1986 as the base is to invite a comparison of the trend from the nadir to the peak

^{58/} 19 U.S.C. § 1677(7)(A).

^{59/} Prehearing Brief of Petitioner at 13.

^{60/} *Id.*

of the business cycle."61/ Such a trend analysis, Petitioner declares, "would be irrelevant to examining the trend in the factors to observe an impact relationship to imports. A more helpful data set would include 1985 as the base year."62/

Stating that Congress is "deeply aware of the need for the Commission to evaluate trends in the statutory factors by taking into consideration the business cycle,"63/ Petitioner furnishes the following quotation from a 1968 Senate Finance Committee report as "foreshadowing" Congress' concern:

An industry which is prospering can be injured by dumped imports just as surely as one which is foundering although the same degree of dumping would have relatively different impacts depending upon the economic health of the industry.64/

According to the Petitioner, this quotation shows that "Congress was aware that trend analysis of data moving along the upward slope of the business cycle can be misleading in the context of antidumping and countervailing duty injury analysis."65/

Petitioner traces a line from this statement to the recent amendment to the trade law, declaring that Congress' "concern

61/ Id. at 14.

62/ Id.

63/ Id.

64/ Id. (quoting S. Rep. No. 1835, 90th Cong., 2d Sess., pt. 2 at 11, and citing Republic Steel Corp. v. United States, 8 Ct. Int'l Trade 29, 591 F. Supp. 640, 649 (1984), reh'g denied, 9 Ct. Int'l Trade 100, dismissed (Ct. Int'l Trade Aug. 13, 1985) (order), and S. Rep. No. 249, 96th Cong. 1st Sess. 87 (1979)).

65/ Id. at 15.

over Commission practice crystallized in the amendment to the material injury definition in the Omnibus Trade Act of 1988:

'The Commission shall evaluate all relevant economic factors...within the context of the business cycle and conditions of competition that are distinctive to the affected industry.'"^{66/}

Petitioner is correct that Congress has for some time indicated its concern that the Commission's injury analysis be sensitive to actual business conditions and not be guided by uncritical readings of industry trends. Petitioner also is correct that the logic of the quoted statement is that the Commission, if it relies on trend information, should be sensitive to the various factors other than dumped imports that influence industry trends. The recent instruction to take account of business cycles is, as Petitioner argues, the logical continuation of the thought articulated in 1968.

We note, however, that the statement in the 1968 Senate report was directly concerned with a matter other than the period for which trend information should be gathered. That report arose during deliberations over the Renegotiation Amendments Act of 1968,^{67/} and concerned amendments to U.S. law proposed to conform to the International Dumping Code.^{68/} The specific context of

^{66/} Id. at 15 (quoting Pub. L. No. 100-4128, § 1328(2), 102 Stat. 1206 (1988) (codified at 19 U.S.C. § 1677(7)(C))).

^{67/} Pub. L. No. 90-634, ___ Stat. ___.

^{68/} S. Rep. No. 1385, 90th Cong., 2d Sess., pt. 2, reprinted in 1968 U.S. Code, Cong. & Admin. News 4539.

the language quoted was an analysis of how the Antidumping Act of 1921 would be modified by the International Antidumping Code.^{69/} In that context, the Senate Finance Committee made the observation that the Antidumping Act of 1921 was concerned not with "the extent to which other factors unrelated to the dumped imports may discount the effects of dumping," but with whether the dumped imports caused or threatened material injury.^{70/} The Committee did not want to change the focus of injury analysis under that law, but it feared that the new Code might do so. The Committee saw U.S. law as focused purely on the injury caused by dumping, and observed that the "health" of the domestic industry affects the impact of dumped imports on the industry, but it plainly does not establish the existence of absence of injury from dumped imports.^{71/}

The "business cycle" provision of the 1988 Act does not apply in these investigations, but even if it did, or if it merely codifies in clear language instructions already implicit in the law governing these investigations, it does not follow that I should adopt the frame of reference urged by Petitioner. The Petitioner has not present information establishing the cyclical nature of the industries at issue here, much less the

^{69/} Id., reprinted in 1968 U.S. Code, Cong. & Admin. News at 4548.

^{70/} Id.

^{71/} See, e.g., 3.5" Microdisks from Japan, USITC Pub. 2076 at 61-62, Inv. No. 731-TA-389 (Preliminary) (Additional Views of Commissioner Cass).

period over which that cycle holds. Petitioner has not presented evidence correlating performance in these industries with a broader, economy-wide business movement. Nor has Petitioner urged us to gather data over a period so extended as to make plain what cycles characterize these industries. Rather, Petitioner has offered an ad hoc argument for selecting a base year from which industry trends are more likely to evidence a decline. The legislative quotation relied on by Petitioner is plainly a directive to avoid simplistic trend analysis, not a directive to do such analysis on an information base that favors petitioning parties. The message in the "business cycle" provision is the same. We are not instructed to gather any identified data set but, instead, to evaluate the data we have "with regard to the normal business cycle for that industry and the normal conditions of competition for that product market."^{72/} I do not find any basis in Petitioner's argument for rejecting the information gathered in these investigations as an improper basis for disposition of the investigations.

In rejecting Petitioner's argument, I do not suggest that the health of an industry is irrelevant.^{73/} To the contrary, the Commission may, and indeed should, take the health of an industry into account in determining what, in a particular case,

^{72/} S. Rep. No. 71, 100th Cong., 1st Sess. 117 (1987).

^{73/} See, e.g., Digital Readout Systems, supra, at 117-19.

constitutes "material injury" to a domestic industry.^{74/} Although Title VII does not establish, and the Commission has never developed, a well-defined definition of what level of injury is "material",^{75/} Congress has indicated in clear terms that the health of an industry is one factor that I should consider in defining "material injury". That is, for example, one point made by the quotation from the Senate Finance Committee invoked by Petitioner and discussed above.^{76/} Accordingly, in

^{74/} See id; Certain Brass Sheet and Strip from Japan and the Netherlands, USITC Pub. 2099 at 57-58, Inv. Nos. 731-TA-379-80 (Final) (July 1988) (Dissenting Views of Commissioner Cass) ("Brass Sheet and Strip")

^{75/} Accordingly, there is, in my view, simply no basis for the suggestion, made by Petitioner in this case, that the Commission must treat certain amounts of revenues lost to a domestic industry consequent to unfair trade practices as material (and, presumably, other amounts as immaterial), irrespective of the size of the domestic industry. In other words, Petitioner has asserted that "material injury" connotes an absolute dollar standard, no matter how large or small an industry; according to Petitioner, if the unfair trade practices cause revenue losses above some given figure, material injury must be found, while revenue losses below that amount cannot satisfy the standard of materiality. I do not believe that there is any basis for this argument in the language or legislative history of the statute and none has in fact been cited by Petitioner. Indeed, all of the evidence points to a contrary conclusion. If the argument advanced by Petitioner were accepted, larger domestic industries find it far easier to obtain relief under our trade laws than would smaller industries. It is unlikely that Congress intended that our trade laws be administered in such a discriminatory fashion. Certainly, we should not reach such a conclusion without clear statutory direction.

^{76/} An industry which is prospering can be injured by dumped imports just as surely as one which is foundering although the same degree of dumping would have relatively different impacts depending upon the economic health of the industry.

S. Rep. No. 1385, 90th Cong., 2d Sess., pt. 2, at 11 (1968), reprinted in 1968 U.S. Code Cong. & Admin. News 4548 (emphasis

deciding what constitutes material injury in this case, I have, as in other cases, taken into account, among other things, the health of the domestic industry at issue.

In determining whether the various domestic industries at issue in these investigations have suffered material injury by reason of unfairly trade imports, I have carried out the three-part inquiry suggested by the statute. Title VII directs the Commission, in assessing the causation of injury by unfairly traded imports, to

consider, among other factors --

(i) the volume of imports of the merchandise which is the subject of the investigation,

(ii) the effect of imports of that merchandise on prices in the United States for like products, and

(iii) the impact of imports of such merchandise on domestic producers of like products....77/

The statute proceeds to identify various related data that should be taken into account in assessing these three major factors.

Although the statute does not list all of the factors relevant to an assessment of whether dumped or subsidized imports have materially injured a domestic industry,78/ the factors that are listed in the statute and the order in which they are listed offer important guidance concerning the nature of the inquiry that I am to undertake. The essential elements of three related

added).

77/ See 19 U.S.C. § 1677(7)(B).

78/ The statute contemplates that the Commission will consider relevant economic factors in addition to those identified explicitly in the statute. See 19 U.S.C.A. § 1677(7)(C)(iii) (West Supp. 1989).

questions are identified as critical to an assessment of the possible existence of injury by reason of unfairly traded imports. First, the volumes of imports of the merchandise under investigation must be considered; the absolute volumes of imports, their magnitude relative to domestic sales of the competing "like product", and the extent to which import volumes changed as a result of dumping or subsidization are relevant to evaluation of the effect of dumped or subsidized imports on the domestic industry. These changes in import volumes brought about by dumping or of subsidies will, in turn, be closely related to, and in large part a function of, changes in the prices of the imports that occurred as a result of dumping. Second, I must attempt to determine how the subject imports affected prices, and concomitantly sales, of the domestic like product. Finally, I must evaluate the extent to which these changes in demand for the domestic like product caused by LTFV or subsidized imports affected domestic producers, as manifested in such indicia of industry performance as return on investment and the level of employment and employment compensation in the domestic industry.^{79/}

Title VII, as amended by the Omnibus Trade and Competitiveness Act of 1988, has further directed that the Commission explicitly consider and state its conclusions on the

^{79/} Of course, the Commission must also evaluate whether these effects are "material" within the meaning of the statute. This assessment is, in some sense, a fourth part of our inquiry. See Digital Readout Systems, supra, at 117-19.

factors that form the basis for each of these three inquiries.^{80/} Moreover, as noted above, the statute, as amended, instructs the Commission, in making these inquiries, to consider the particular dynamics of the industries and markets.^{81/}

In succeeding sections of these Views, the three inquiries outlined above are undertaken for each of the like products and corresponding domestic industries in these investigations. However, as a preliminary matter, it is necessary to address the question of whether I should assess cumulatively the effects of the imports from the different countries covered by Commerce's investigations.

B. Cumulation

Title VII requires the Commission to assess cumulatively the volume and effect of imports subject to investigation from two or

^{80/} See Pub. L. No. 100-418, § 1328(1), 102 Stat. 1107, 1205 (codified at 19 U.S.C. § 1677(7)(B)(ii)). While the 1988 Trade Act is not technically applicable to these investigations, I believe that it is nevertheless relevant here to the extent that it reflects Congressional approval of the Commission's long-standing practice.

I have explained in detail in other opinions how the three-part inquiry that I employ considers the specific factors listed in the statute as well as certain other economic factors relevant to an assessment of the impact of unfairly traded imports on the domestic industry producing the like product. See, e.g., New Steel Rails from Canada, USITC Pub. 2135 at 35-37, Inv. Nos. 731-TA-422 and 701-TA-297 (Preliminary) (Nov. 1988) (Additional Views of Commissioner Cass); Generic Cephalixin Capsules from Canada, USITC Pub. 2142 at 56-58, Inv. No. 731-TA-423 (Preliminary) (Dec. 1988) (Dissenting Views of Commissioner Cass).

^{81/} See new Section 771(7)(C)(iii) of the statute (codified at 19 U.S.C. § 1677(7)(C)(iii)). See also S. Rep. No. 71, 100th Cong., 1st Sess. 117 (1987).

more countries if such imports "compete with each other and with like products of the domestic industry in the United States market."^{82/} The Commission has looked to four factors in determining whether the statutory criteria are met:

- (1) the degree of fungibility between the imports from different countries and between the imports and the domestic like product;
- (2) the presence (or absence) of sales or offers to sell in the same geographical market imports from other countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
- (4) whether the imports are simultaneously present in the market.^{83/}

On the basis of the evidence of record before us, I determine that it is appropriate to cumulate from all countries all imports subject to these investigations. Although the products from the different subject countries are not in all respects identical to one another and to the domestic like product, there is more than enough similarity within each like product category to demonstrate that the products from all countries selling each product compete with one another and with

^{82/} 19 U.S.C. § 1677(7)(C)(iv).

^{83/} Certain Light-Walled Rectangular Pipes and Tubes from Argentina, USITC Pub. 2187 at 6-7, Inv. No. 731-TA-409 (Final) (May 1989) (Views of Chairman Brunsdale and Vice Chairman Cass). I note that these four factors neither add to nor substitute for the two statutory factors -- that imports (1) are subject to investigation, and (2) compete with each other and with the domestic like product -- but, instead, are used to assess the statutory factors. See *Asociacion Colombiana de Exportadores des Flores v. United States*, 12 Ct. Int'l Trade ___, 704 F. Supp. 1068 (1988).

the domestic like product. No party denies that the various products satisfy the tests of presence in the market, both geographic and temporal. And the products from all countries are marketed through similar channels. Both domestic producers and importers sell belts in the U.S. market directly to unrelated original equipment manufacturers (OEMs) and to distributors. Distributors, in turn, resell belts to small OEMs and to the end-user replacement market. Large volume end-users may purchase belts from distributors or directly from foreign producers.^{84/}

With the exception of Respondents Pirelli and Magam, the parties do not advance any objection to cumulation. Pirelli argues that many of its belts do not compete with domestic like products, and that only those of its belts that are "directly competitive" should be cumulated.^{85/} Pirelli offers no guides on how to determine which of its imports are directly competitive with the domestic like product. Moreover, the test urged by Pirelli appears to reformulate, and narrow, the statutory standard. The statute requires cumulation if competition among the imports and the domestic products exists.^{86/} The statute does not require direct competition between each individual producer's product and an identified domestic like product. Of course, Pirelli is correct in suggesting that the statutory term "compete" cannot be construed to mean compete for customers in

^{84/} Report at a-22.

^{85/} Prehearing Br. of Pirelli at 29-30.

^{86/} 19 U.S.C. § 1677(C)(iv).

any way, however remote. Were that construction adopted, cumulation would become almost axiomatic. At some point, products from one country may compete sufficiently indirectly with other imports or with domestic products as to be noncompetitive within the meaning of the statute. I do not, however, believe that the cumulation provision embodies a notion of competition substantially more limited than that embedded in the like product determination.^{87/}

The second respondent challenging cumulation of its products, Magam, contends that imports from Israel should not be cumulated with those from other countries because the Omnibus Trade and Competitiveness Act of 1988 exempts negligible imports from mandatory cumulation if the Commission determines that "imports of merchandise subject to investigation are negligible and have no discernible impact on the domestic industry."^{88/} As Magam states, the Act further provides that

the Commission may treat as negligible and having no discernible impact imports that are the product of any country that is a party to a free trade area agreement with the United States which entered into force and effect before January 1, 1987, if the Commission determines that the domestic industry is not being materially injured by reason of such imports.^{89/}

^{87/} *Fundicao Tupy S.A. v. United States*, 678 F.Supp. 898, 902 (Ct. Int'l Trade 1988), *aff'd*, 859 F. 2d 915 (Fed. Cir. 1988).

^{88/} Pub. L. No. 100-418, § 1330(b), 102 Stat. 1107, 1207 (codified at 19 U.S.C. § 1677(7)(C)(v)).

^{89/} *Id.*

Israel is the only country to have entered into such a free trade area agreement with the United States prior to January 1, 1987. The legislative history to the 1988 Act confirms that this provision is intended to apply only to Israel.^{90/} Magam notes, moreover, that Israeli imports (all of which are produced by Magam) are small, amounting to only \$750,000 per annum, or only 0.5 percent of U.S. consumption, and that such imports are declining. Magam argues that, under the terms of the 1988 Act, Israeli imports are therefore negligible and that such imports should not be cumulated with those from other countries, and that, on a non-cumulated basis, Israeli imports cannot be found to have materially injured a U.S. industry or to threaten such injury.^{91/}

Magam's argument turns, first, on application of the 1988 Act. The Act, however, states that:

^{90/} Prehearing Brief of Magam at 42-43. In support of its argument that the intent of the provision is to exempt Israel, Magam quotes the following passage from the legislative history of the 1988 Trade Act:

The conferees agreed to an amendment that provides a special rule for investigations involving imports from Israel. The amendment authorizes the ITC to treat as negligible and having no discernible adverse impact on the domestic industry imports from a country with which the United States had entered into a free trade agreement prior to January 1, 1987, i.e., Israel, if the ITC finds that a domestic industry is not materially injured by reason of such imports.

Id. at 42 (quoting H.R. Conf. Rep. No. 576, 100th Cong. 2d Sess. 621 (1988)).

^{91/} Id. at 43.

Except as otherwise provided in this section, the amendments made by this part [part 2, concerning antidumping and countervailing duty laws] shall take effect on the date of enactment of this Act. . . . The amendments made by sections 1312, 1315, 1318, 1325, 1327, 1329, 1331, and 1332 shall only apply with respect to --

- (1) investigations initiated after the date of enactment of this Act.^{92/}

The 1988 Act was enacted on August 23, 1988. Under the statute, therefore, investigations initiated before the effective date of the 1988 Act are not subject to the new provisions concerning, inter alia, cumulation.

An antidumping or countervailing duty investigation is initiated when Commerce determines that a petition alleges the elements necessary for the imposition of countervailing or antidumping duties and sets forth information reasonably available to the petitioner, and publishes notice thereof in the Federal Register.^{93/} Commerce alone determines whether the petition is sufficient. The statute provides only for one initiation in the course of an antidumping or countervailing duty investigation, and only by the Commerce Department; there is no subsequent "initiation" at any other point in either the Commerce or Commission proceedings. The Commission is not authorized, by statute or regulation, to initiate an investigation. Rather, the Commission institutes its preliminary and final

^{92/} Omnibus Trade and Competitiveness Act of 1988, section 1337.

^{93/} 19 U.S.C. §§ 1671a(c), 1673a(c); 19 C.F.R. §§ 355.6(b), 355.26, 353.11(b), 353.36; S.Rep. No. 96-249, 96th Cong., 1st Sess. (1979) at 46-47, 62.

investigations.^{94/} The statutory scheme, moreover, envisions that both the preliminary and final stages of countervailing duty and antidumping investigations are part of one investigation and do not constitute two separate, and separately initiated, investigations.^{95/}

Although Magam recognizes that these investigations were "initiated" prior to passage of the 1988 Trade Act, it argues that (1) the Commission's "institution" of the final injury investigation "long after" the date of enactment, (2) the "overriding Congressional intent in passing this provision [i.e.,] to specifically help Israel in trade cases" and (3) the intent of the Free Trade Agreement (which Magam reads as supposing exception of Israel from the generally applicable trade law governing imports from other nations, or at least eliminating the prospect of trade sanctions against Israel on the basis of injury to which its products only marginally contributed),^{96/} all

^{94/} 19 C.F.R. §§ 207.12, 207.20.

^{95/} See 19 C.F.R. §§353.12(b), 355.6(b). "An investigation refers to that time between the publication of a notice of initiation and the publication of the earliest of (1) a notice of terminations; (2) a negative determination that has the effect of terminating the administrative proceedings; or (3) an [antidumping or countervailing duty] Order."

^{96/} Magam claims that the Israeli Government, in negotiating its free trade agreement with the United States, understood that Israeli products would not be subject to mandatory cumulation, and subsequently understood that the 1988 Act would exempt Israeli products from the mandatory cumulation provisions. See letter from Pinhas Dror, Minister (Economic Affairs), Embassy of Israel to the Commission (May 2, 1989).

support application of the cumulation exception in this case.^{97/} Magam's argument would be persuasive were it not for the fact that the text of the 1988 Trade Act makes it clear that the Commission has no authority to exempt negligible imports, including imports from Israel statutorily deemed to be negligible, from cumulation in investigations "initiated" before August 23, 1988, i.e., the date of enactment.^{98/} There is no statement to the contrary in that Act's legislative history, nor is there explicit contradiction in the text of our Agreement with Israel. Thus, there is no basis for ignoring the explicit Congressional directive in the statute governing these investigations. In light of the fact that these investigations were "initiated" on July 26, 1988,^{99/} when the Department of Commerce determined that "a formal investigation is warranted into the question of whether the elements necessary for the imposition of a duty" under Title VII,^{100/} imports from Israel cannot be exempt from cumulation.

C. Injury by Reason of LTFV Imports: Belts

1. V-Belts and Round Belts

^{97/} See Prehearing Brief of Magam at 44-45.

^{98/} Pub. L. No. 100-418, § 1337(c), 102 Stat. 1211 (1988) (emphases added).

^{99/} See 53 Fed. Reg. 28033, 28042 (1988).

^{100/} 19 U.S.C. § 1671a, 1673a. See also S. Rep. No. 249, 96th Cong., 1st Sess. 46-47, 62 (1979).

In these investigations, I have made a negative determination respecting the subject imports of V-belts and round belts. I reach this conclusion because, for reasons explained below, the record evidence indicates that these unfairly traded imports did not have a materially adverse effect on prices and sales of domestically-produced V-belts and round belts, and did not have a significantly detrimental effect on the financial performance of the domestic industry producing V-belts and round belts or on the level or terms of employment in that industry.

a. Volumes and Prices of Subject Imports

The Commission has not been able to compile data on the volume of imports of round belts from the subject countries. However, as discussed infra, round belts are a minor category at best, comprising no more than a small fraction of the "other industrial belts" category. Accordingly, for purposes of analyzing the impact of the subject imports on the domestic industry producing V-belts and round belts, the data that we have on V-belts is the best information available.

The volume of the subject imports of V-belts from the countries subject to these investigations increased significantly over the period covered the investigation. In 1986, slightly more than [***] such V-belts were imported from Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom and West Germany.^{101/} The volume of imports of such belts increased

^{101/} Report at a-62, Table 22. We do not have data on the quantity of such imports from Israel. Id.

significantly in 1987, to about [***] belts, before falling to approximately [***] units in 1988 (which encompassed the six-month period during which Commerce found that dumping was occurring).102/ During the first two months of this year, the volume of imports fell again, to about one-third the level experienced during the same period in 1988.103/

The value of the subject imports of V-belts also increased appreciably over the period covered by our investigation. In 1986, the value of these imports was about [***].104/ By 1988, the total value of such imports was slightly more than [***].105/ The value data, like the quantity data, reflect a significant fall-off in imports during the first two months of this year relative to the same two-month period in 1988.106/

Japan and Singapore together accounted for over [***] of the total imports in 1986.

102/ Id. at C-11, Table C-7. Again, Japan and Singapore accounted for in excess of [***] of the total import quantity.

Because the Israeli Respondent Magam withdrew its questionnaire response, Commerce's subsidy determinations for Israel were based upon best information available, i.e., information developed in prior countervailing duty investigations of Israel. See International Trade Administration's Final Affirmative Countervailing Duty Determination: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, from Israel, 54 Fed. Reg. 15510 (April 18, 1989), set forth in the Report at Appendix A at A-36.

103/ Id.

104/ Report at a-63, Table 22.

105/ Id. Japan and Singapore accounted for a large portion of the total value, but West Germany also accounted for a significant share -- approximately [*]%. Id.

106/ See id.

In assessing the extent to which dumping or subsidization affected the volumes of the subject imports, it is necessary to examine the manner in which such practices affected the prices at which those imports were sold.^{107/} The record evidence in these investigations indicates that, for most of the subject countries, these unfair trade practices resulted in significant decreases in the prices of the subject imports.

For all of the subject producers in each of the subject countries, the Department of Commerce calculated a single dumping margin that covers sales of all types of belts. Accordingly, in evaluating the effects of dumping on the prices of the imported products, I have used these margins as the best information available in accordance with the statutory command generally applicable to Title VII proceedings.^{108/}

Commerce determined that sales of the subject imports by many of the foreign producers were made at prices reflecting sizable margins of dumping, amounting to as much as 100%.^{109/} For certain other producers, however -- for example the Taiwanese Respondents and British Respondent J.H. Fenner -- only relatively small margins were found.^{110/} In most instances, Commerce used

^{107/} See, e.g., Digital Readout Systems, supra, at 25-26.

^{108/} See 19 U.S.C. § 1677e(b).

^{109/} See Report at a-13-a-14.

^{110/} The final dumping margins calculated by Commerce for the subject foreign producers are as follows:

<u>Country/Producer</u>	<u>Margin</u>	<u>Country/Producer</u>	<u>Margin</u>
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the margins alleged in the Petition as the best information available because the subject foreign producers failed, for one reason or another, to supply the information requested in Commerce's questionnaire.111/

In addition, Commerce found that the Israeli Respondent Magam received countervailable subsidies amounting in total to 15.42% of the value of the subject belts produced by Magam.112/ Imports from South Korea and Singapore were also the subject of countervailing duty investigations by Commerce, but negative final determinations were made for each of those countries.113/

The analytical issues involved in determining how dumping affected the prices of the subject imports are somewhat different from those presented in assessing the effects of subsidization.

Israel:		South Korea:	
Magam	79.25%	Dongil	64.37%
All others	79.25%	All others	64.37%
Italy:		Taiwan:	
Pirelli	74.90%	Hsing Kwo	12.13%
All others	74.90%	All others	12.13%
Japan:		United Kingdom:	
Bando	93.16%	J.H. Fenner	6.80%
All others	93.16%	Optibelt	74.16%
		All others	73.85%
Singapore:		West Germany:	
Mitsuboshi	31.73%	Optibelt	100.60%
All others	31.73%	All others	100.60%

Report at a-13-a-14.

111/ See Appendix A of the Report.

112/ Id. at a-13.

113/ Id. at a-1.

In cases where dumping is at issue, even where there are relatively large dumping margins of the kind calculated for many of the subject foreign producers in these investigation, this does not necessarily mean that dumping caused the price of the subject imports to decline by the full amount of the relevant dumping margins. The fall in the price of LTFV imports that accompanies dumping will usually be less than the full amount of the dumping margin.^{114/} In cases where the dumping margins reflect a finding by Commerce that the subject foreign producers/exporters have charged a lower price for their product in sales to the United States than the price that they have charged in sales to their home market (or another foreign market used as the surrogate for the home market), the actual decrease in the U.S. price of the subject imports that will have occurred consequent to dumping will be only a fractional percentage of the dumping margin. This percentage, in turn, will be in large measure a function of the proportion of the total sales of the subject foreign producer(s) in the U.S. and the exporter's home market that is accounted for by sales in the home market.^{115/}

^{114/} See, e.g., Digital Readout Systems, *supra*, at 125; Certain All-Terrain Vehicles from Japan, USITC Pub. at 53-54, Inv. No. 731-TA-388 (Preliminary) (Mar. 1988) (Additional Views of Commissioner Cass) ("All-Terrain Vehicles").

^{115/} See, e.g., All-Terrain Vehicles, *supra*, at 58-60; Granular Polytetrafluoroethylene Resin from Japan and the Netherlands, USITC Pub. 2112 at 74, Inv. Nos. 731-TA-385 and 386 (Final) (Aug. 1988) (Additional Views of Commissioner Cass); Certain Bimetallic Cylinders from Japan, USITC Pub. 2080 at 44, Inv. No. 731-TA-383 (Final) (May 1988) (Additional Views of Commissioner Cass).

In reality, an estimate of the decrease in the price of the

That is, the price decline will be a fraction of the dumping margin that reflects the ratio of the sales made by the subject producers in their home market as a proportion of their combined U.S. and home market sales.^{116/}

In these investigations, all of the margins determined by Commerce were based upon a finding by Commerce that the subject foreign producers charged higher prices for their product in their home market (or other surrogate foreign market) than they charged in the United States.^{117/} With the exception of the

dumped product that is derived in this fashion will be somewhat overstated as it represents an approximate upper bound of that decrease. For a thorough explication of this subject, see Office of Economics, Assessing the Effects on the Domestic Industry of Price Dumping, USITC Memorandum EC-L-149, Part I at 1, n. 1, 13, 19-21 (May 10, 1988). A more accurate statement of the effects of dumping on import prices also may require some adjustment to reflect the fact that dumping margins are calculated on an ex-factory, rather than final sales price, basis. However, the information that would be necessary to make such an adjustment is not available in these investigations.

As previously noted, under certain circumstances, Commerce will use another foreign market as the surrogate for the foreign producer's home market. When that occurs, the relevant comparison is the proportion of the producer's combined third market and U.S. market sales that is accounted for by sales to the third market.

^{116/} See, e.g., Digital Readout Systems, supra, at 125; Microdisks Preliminary, supra, at 82. In cases where such differential pricing is the basis for a dumping finding, this will generally be the case, irrespective of the motivation for dumping. For a thorough explication of this subject, see USITC Memorandum EC-L-149, supra.

^{117/} See Appendix A at A-8 (Israel), A-12 (Japan), A-10 (Italy), A-14 (South Korea), A-16-A-17 (Singapore), A-23 (Taiwan), A-27-A-28 (United Kingdom), A-32 (West Germany). Singapore was the only country for which Commerce used a surrogate foreign market, Canada. As previously noted, in most instances, the final margin, as determined by Commerce, was the margin alleged in the Petition, which Commerce used as best information available.

Israeli and Singapore Respondents, all of the subject foreign producers sold far more industrial belts in their home market than they did in the United States during 1988, when the Commerce Department determined that dumping occurred.^{118/} Accordingly, in most instances, dumping caused the price of the subject imports to decline by a fractional percentage closely corresponding to the full amount of the dumping margin.

As previously noted, Commerce also determined that the subject imports from Israel were subsidized. Where subsidy margins are at issue, the analysis required to determine the effects that the unfair trade practice had on subject import prices is quite different than that required for dumping. As Commerce's investigation of the Israeli imports illustrates, subsidies can take many different forms. Some subsidies may be direct payments for exports. Two of the programs that were the subject of Commerce's investigation of the Israeli imports -- an exchange rate risk insurance and a research and development grant program -- fit that description. Other subsidies may be payments for production not tied in any way to exports. Still other subsidies may be payments for the use of particular inputs to production. The effect of these different types of subsidies will differ, and in each case a careful evaluation of the manner in

^{118/} See Report at a-60. The home market shipment data available to the Commission are not broken down by belt type. Accordingly, in assessing the effects that dumping had on prices of the subject imports, in accordance with the direction of Title VII, I have used as the best information available the data that we have developed for the imported belts as a group. See 19 U.S.C. § 1677e(b).

which the subsidy operates is necessary to determine whether and by how much the subsidy lowered the price and altered the volume of imports.^{119/} In this case, however, a precise assessment of the degree to which the subsidies have affected import volumes and prices is unnecessary because, for the reasons explained in the succeeding subsection of these Views, I have concluded that the subsidies in question in these investigations could not have had a material effect on the domestic industry even if the full amount of the subsidy margin is used as the measure of the extent to which the subsidies affected prices of the subject imports and even if the effects of the subsidies are assessed cumulatively with those associated with dumping.

In sum, then, the record evidence indicates that dumping and subsidization produced sizable decreases in the prices of the subject imports from most of the countries subject to these investigations. However, even large decreases in the prices of subject imports do not necessarily produce correspondingly large increases in sales of those imports. The extent to which decreases in subject import prices cause increases in subject import sales is largely a function of the degree to which the imported goods are substitutable for the domestically produced product. As explained in more detail below, the evidence suggests

^{119/} For a general discussion of this point, see Diamond, Toward an Economic Foundation for Countervailing Duty Law, Workshop Paper for Georgetown University Law Center Law and Economics Program, October 1988. In some instances, a foreign subsidy tied to use of particular production inputs actually can reduce the volume of U.S. imports from that country. See Silberberg, The Structure of Economics: A Mathematical Analysis 209-211 (1978).

that there is only a moderate degree of substitutability between the subject imports and the domestic like product; this evidence, together with other evidence respecting the markets for these products, including the evidence respecting changes in import prices, indicates that the unfairly traded imports at issue produced, at most, small changes in the prices and sales of domestic like products. Put another way, the other factors discussed below prevented the rather substantial decreases in import prices that resulted from the unfair trade practices from producing similarly large increases in import volumes.

b. Prices and Sales of the Domestic Like Product

In these investigations, the record evidence indicates that the changes in demand for the imported V-belts and round belts that resulted from dumping and subsidization, as discussed above, did not produce significant adverse effects on prices and sales of the corresponding domestic like product. Understanding the markets for the domestic and imported products, especially consumers' reactions to these products, is an essential predicate to any evaluation of the effects of subject imports on domestic prices and sales. In that context, the evidence bearing on three issues is critically important: the share of the domestic market held by the subject imports; the degree to which consumers see the imported and domestic like products as similar (the substitutability of the subject imports and the domestic like product); and the degree to which domestic consumers change their purchasing decisions for these products based on variations in

the prices of these products. The record evidence developed in these investigations on each of these three issues is examined in turn.

The Commission has not been able to compile data that would permit a precise estimation of the percentage of total domestic consumption of V-belts that is accounted for by the subject imports. However, certain data that have been collected by the Commission enable us to arrive at a reasonably accurate approximation of the level of import penetration in the domestic market for V-belts. During 1988, which encompassed the six-month period during which Commerce found that dumping took place, the subject imports accounted for only [*]% of total domestic consumption of V-belts used in industrial applications.^{120/} Measured by value, the subject imported V-belts accounted for an even smaller share of total domestic consumption of V-belts used for industrial purposes -- only [*]% in 1988.^{121/}

In reality, however, these figures seriously overstate the penetration of the subject imports in the domestic market for V-belts, for they do not take into account the enormous domestic

^{120/} See Report at a-70, Table 23. During 1986 and 1987, quantity-measured market penetration was marginally lower: [*]% in 1986 and [*]% in 1987. Id. As previously noted, we do not have separate data on imports (or domestic consumption) of round belts, but it is clear that round belts were, at most, a small percentage of the total reported figures for "other industrial belts"; these figures, in turn, were very small in comparison to the reported data for V-belts.

^{121/} Id. at a-71, Table 23. In 1986 and 1987, the subject imports accounted for [*]% and [*]%, respectively, of the total value of V-belts consumed domestically for industrial uses. Id.

consumption of V-belts for automotive uses. We do not have precise data on the number of V-belts used in automotive applications in the United States. However, we know that, throughout the period covered by our investigation, the number of belts consumed domestically for automotive applications was consistently greater than the number consumed for industrial purposes.^{122/} We also know that the vast majority of belts used in automobiles are V-belts,^{123/} and that no such belts are included among the subject imports.^{124/} Accordingly, it is apparent that the actual level of market penetration of the subject V-belts in the domestic market for such products was substantially less than indicated above, in all probability on the order of roughly one-half of the level suggested by the data that I have compiled for V-belts used in industrial applications -- in other words, about [*]% of domestic consumption measured by quantity and less than [*]% measured by value. In short, market penetration by the subject imports was quite low.

The weight of the evidence also indicates that there was, at most, a moderate degree of substitutability of imported V-belts and round for the domestically produced product. Although these belts, like other belts, are manufactured to meet industry

^{122/} See Report at C-16, Table C-8. Measured by value, domestic consumption of belts for industrial purposes exceeded the value of belts consumed in automobiles, but only slightly. Id. at C-17-C-18, Table C-8.

^{123/} See Report at a-9.

^{124/} By definition, such belts were excluded from the scope of these investigations by Petitioner and by Commerce.

standard specifications, this does not mean that belts are a "commodity" product. Industry standards generally specify only the cross-section dimensions, lengths, and horsepower rating of a belt; they do not specify the precise rubber chemistry, cord stock or the number of layers that a belt must have.^{125/} As a result, there can be, and in fact are, quality differences among the belts within a particular specification. Indeed, Petitioner has, in other contexts, asserted that there are significant quality differences between its belts and imported belts; according to Petitioner, imported belts "slip" 200% to 300% more than Petitioner's belts and last only one-third to two-thirds as long as Petitioner's belts.^{126/} In light of such claims, Petitioner's argument in this proceeding that the quality of the subject imported belts and domestically produced belts are "similar" must be taken with more than the proverbial grain of salt.^{127/}

The substitutability of the imported product for the domestic like product was also significantly limited by the fact that there are certain belts that are made overseas and imported into the United States, but not made domestically, and vice

^{125/} See USITC Memorandum EC-M-182 (May 19, 1989) from the Office of Economics ("OE Posthearing Memorandum") at 18.

^{126/} See Report at a-84.

^{127/} It should also be noted that there is other record evidence before us that strongly suggests that the quality of imported belts from Israel, Singapore and South Korea in particular is lower than that of the domestically produced product. Tr. 144-45; OE Memorandum at 18-19.

versa. One example of such a V-belt is the narrow V-belt made by West German Respondent Continental AG. This belt is made to European standards as replacement parts for imported West German machinery,128/ and is not manufactured in the United States.

Finally, there is uncontroverted record evidence before us that the services, particularly technical assistance, provided in conjunction with sales of the domestically produced product are superior to those provided by the importers. Certain of the subject foreign producers provide little or no technical assistance,129/ and the data collected by the Commission suggest that the subject foreign producers as a group spend less on technical assistance than does the domestic industry.130/

The low market share of the subject imports and the limited degree of substitutability between the subject imports and domestically produced V-belts together constitute compelling evidence that the imports did not have a significant adverse effect on prices or sales of the domestic like product. The evidence bearing on the third major factor relevant to an assessment of the extent to which the subject imports affected prices and sales of domestically produced V-belts and round belts -- the degree to which domestic consumers' purchasing decisions for these belts (both imported and domestic) were affected by

128/ See OE Posthearing Memorandum at 20-21.

129/ See Tr. 149.

130/ OE Posthearing Memorandum at 21.

variations in the prices of those products -- does not, in these investigations, alter that conclusion.

Other things being equal, when consumer demand for these products as a group is highly responsive to changes in price, the effects of dumping on prices and sales of the domestic like product are attenuated, for in that case the lower prices resulting from dumping will stimulate significantly increased domestic demand for the lower-priced product. It is unlikely, however, that this was the case in these investigations because the record evidence suggests that domestic demand for V-belts and round belts is relatively unresponsive in the short-term or medium-term to changes in the price of such belts. Demand for V- and round belts, like demand for the other belts at issue in these investigations, is a derived demand; demand for such belts is wholly a function of demand for the products in which the belts are used.^{131/} Moreover, these belts, like the other belts at issue, account for only a small percentage of the cost of these products.^{132/} However, although it appears that no products other than belts may serve to any appreciable degree as a reasonably good substitute for belts in those applications for they are used,^{133/} other types of belts, such as flat belts, can be substituted for V-belts in at least some of the applications

^{131/} See Report at a-7-10; OE Posthearing Memorandum at 21.

^{132/} OE Posthearing Memorandum at 22.

^{133/} See id. at 22-23.

in which V-belts are used.^{134/} This would tend to increase the responsiveness of domestic demand for V-belts and round belts to changes in the prices of those products, but that responsiveness, according to the evidence of record, including estimates by Commission staff, appears to be quite low.^{135/} On balance, it is evident that the availability of the subject imported V-belts and round belts at reduced prices consequent to dumping and subsidization did not stimulate significantly increased demand for those products. However, given the low level of import market penetration and the limited degree of substitutability between the imported and domestic like product, a finding of such increased demand is not essential to the inference, otherwise suggested by the record evidence, that the subject imports did not significantly affect either prices or sales of domestically produced V-belts and round belts.

c. Investment and Employment

The remaining part of the inquiry concerns the evidence that the Commission has developed concerning the condition of the domestic industry, including, inter alia, various indicia of the financial strength and performance of the industry and employment in the industry. Put another way, we must consider, in light of the conclusions reached regarding the market for the subject imports and the effect of unfairly traded imports on domestic prices and sales, the extent, if any, to which returns on

^{134/} Report at a-5.

^{135/} See OE Memorandum at 21-23.

investment have been affected by unfairly traded imports, and the extent, if any, to which employment in the domestic industry has declined or become less remunerative due to the unfairly traded imports. Title VII identifies numerous factors that can assist the Commission in evaluating these questions -- actual and potential negative effects on employment and wages, actual and potential negative effects on profits, return on investment, cash flow, the level of investment and so on. The record that the Commission has developed in these investigations contains considerable data relating to these factors, and the trends that these data reveal. By itself, however, such evidence will rarely, if ever, form a sufficient basis for drawing any ultimate conclusions concerning the effect that unfairly traded imports have had on the domestic industry, for the financial performance of an industry and the level and terms of employment in an industry are heavily affected by a plethora of factors that have nothing at all to do with unfairly traded imports. However, if the relevant financial and employment data are considered in conjunction with other evidence of record respecting the manner in which the subject imports affected prices and sales of the domestic like product, the Commission can find such data useful in arriving at its judgment on the ultimate causation issue.

In these investigations, for example, the financial data for the domestic industry producing V-belts for both industrial and automotive uses are quite consistent with the previously-discussed evidence suggesting that the subject imports did not

have a significant adverse impact on the industry.^{136/} The data compiled by the Commission for the domestic industry's production of V-belts for industrial uses are admittedly ambiguous; reported operating income for those operations more than quintupled from approximately \$[***] in 1986 to over \$[***] in 1987 before falling back in 1988 to about half the 1987 level.^{137/} However, as previously suggested, the Commission's data on automotive belts must also be given substantial weight because automotive belts are predominantly V-belts. The operating income reported by domestic firms for automotive belt production was substantial by any standard throughout the period covered by our investigation; annual operating income consistently exceeded \$50 million on net sales of roughly \$250 million.^{138/} Moreover, the operating return on total assets for the domestic industry's automotive belt operations approached or exceeded 40% during each year covered by the investigation, including 1988, which encompassed the six-month period during which Commerce found that dumping was occurring.^{139/}

^{136/} The Commission does not have separate data for round belts. However, as previously noted, round belts represent only a small percentage for the "other industrial belts" for which the Commission has collected data. The data for these "other" belts are considered below in the section of these Views that discusses flat belts. These data are likewise consistent with the conclusion that the subject unfairly traded imports did not cause material injury to the domestic industry.

^{137/} Report at a-42, Table 9.

^{138/} Id. at a-49, Table 15.

^{139/} Id. at a-54, Table 17.

The employment data, while less strikingly positive, likewise provide no basis for an inference of material injury by reason of unfairly traded imports. Reported employment of production and related workers involved in the production of V-belts for industrial uses dropped slightly, but employment of production workers making automotive belts -- which are, again, predominantly V-belts -- rose slightly.^{140/} Viewed together, these data suggest that there was, at most, a very modest decline in the total number of workers making V-belts. However, the total compensation paid to these workers increased, as did the hourly wage paid to such workers.^{141/} In short, there is nothing in the employment data that suggests in any way that the domestic injury was injured by reason of the subject imports.

2. Synchronous Belts

I have also made a negative determination in these investigations respecting the subject imports of synchronous belts. I reach this conclusion because, as with V-belts, the evidence adduced in these investigations indicates that these imports did not have a materially adverse effect on prices and

^{140/} Id. at a-34, Table 5.

^{141/} Total compensation paid to workers involved in the production of V-belts for industrial uses was at about the same level in 1988 as it was in 1986, but total compensation paid to workers making belts for automotive uses increased significantly over the period covered by our investigation. Id. The average hourly wage paid to production workers increased both for workers involved in the production of industrial V-belts and for automotive belt workers. Id. at a-35, Table 5.

sales of domestically-produced belts, and did not have a significantly detrimental effect on the financial performance of the domestic industry producing belts or on the level or terms of employment in that industry.

a. Volumes and Prices of Subject Imports

The volume of the subject imports of synchronous belts from the countries subject to these investigations increased quite substantially over the period of our investigation. About [***] synchronous belts were imported from the countries under investigation in 1986, about [*]% of those belts from Japan.^{142/} By 1988, imports of synchronous belts from these countries had more than tripled, rising to [***] units; though Japan remained a very large exporter of synchronous belts to the United States, by 1988 [* * *].^{143/} Most of the rise in import volume occurred during 1988. However, imports appeared to abate somewhat during the first two months of 1989, falling to a total of [***] units in that period compared to a total of some [***] units during the comparable period of 1988.^{144/}

The increase in imports of synchronous belts into the United States during our period of investigation can also be seen in value terms. In 1986, the value of imports of synchronous belts was some \$[***]. By 1988 that figure had nearly doubled, rising

^{142/} Report at a-62.

^{143/} Id.

^{144/} Id.

to some \$[***].^{145/} During the first two months of 1989, imports of synchronous belts declined somewhat in value terms, falling to about \$[***] as compared to about \$[***] in the comparable period of 1988.^{146/}

As I explained in discussing the impact of imports of V-belts and round belts, the extent to which dumping or subsidization affected the volumes of the subject imports depends on the manner in which such practices affected prices at which those imports were sold. The data available for assessing this matter with respect to belts other than V-belts and round belts is the same as that which was used to assess the effects of unfair trade practices in V-belts and round belts. The Commerce Department has not calculated separate LTFV margins for synchronous or flat belts; rather, the Commerce Department calculated a single margin for all belts. Furthermore, the Commission's data on home market shipments by the various exporting countries is not broken down by type of belt. For that reason, these data for all belts must be used as the best information available for assessing the impact of unfair trade practices on prices of the subject imports. As previously discussed, this information indicates that unfair trade practices

^{145/} Report at a-63. Again, Italy and Japan dominated the import statistics for this category of belts.

^{146/} Report at a-63. During this interim period, imports from Italy fell dramatically, more than offsetting the rise in imports from Japan relative to the comparable period in 1988.

caused substantial declines in the prices of the imports from most of the subject countries.

Evidence of such decreases, however, does not necessarily lead to the conclusion that unfair trade practices produced correspondingly large increases in sales of the subject imports. As discussed above, the extent to which decreases in subject import prices cause increases in subject imports sales is largely a function of the degree to which the imported goods are substitutable for the domestically produced product. As discussed in more detail below, for synchronous belts, as for V-belts and round belts, there is only a limited degree of substitutability between imports and domestic belts. Accordingly, the record evidence indicates that the volume of the subject imports did not increase significantly due to the unfair trade practices that were the subject of these investigations.

b. Prices and Sales of the Domestic Like Product

As I have noted earlier in these Views, the nature of the markets for the domestic and imported products, especially consumers' reactions to these products, is an essential predicate to any evaluation of the effects of subject imports on domestic prices and sales. The evaluation of these issues requires evidence on three issues of critical importance: the share of the domestic market held by the subject imports; the degree to which consumers see the imported and domestic like products as similar (the substitutability of the subject imports and the domestic like product); and the degree to which domestic consumers change

their purchasing decisions for these products based on variations in the prices of these products.

The evidence relating to the last two of these three issues, discussed above in the context of V-belts and round belts, is generally relevant here. In particular, it should be noted that there is, at most a moderate degree of substitutability between the subject imported synchronous belts and synchronous belts produced domestically. Although the dimensions of the domestic and imported products are comparable, users and producers appear to agree that there may be significant quality differences between imported and domestically-produced belts.^{147/} The record evidence indicates that this is true for the subject belts generally, including synchronous belts.

The only remaining issue on which the evidence relevant to an assessment of the effect of the subject imports on prices and sales of the domestically produced product is significantly different than that discussed in the context of V-belts and round belts relates to the magnitude of the imports' market share. The evidence on that issue, together with the other evidence relevant to these belts' price and sales effects, suggests that the imported synchronous belts had no more effect on prices and sales of domestically made synchronous belts than the subject imports of V-belts and round belts had on prices and sales of the domestic like products corresponding to those imports. During the period in which Commerce found that dumping was occurring, the

^{147/} See, e.g., Report at a-142.

domestic market share of the subject imports of industrial synchronous belts was roughly the same as the comparable market share of imports of V-belts.^{148/} The Commission has not been able to compile data that would permit a precise estimation of the percentage of total domestic consumption of synchronous belts that is accounted for by the subject imports. However, certain data that have been collected by the Commission enable us to make a reasonably accurate approximation of the level of import penetration in the domestic market for synchronous belts. As with V-belts, the Commission's market share data seriously overstates the penetration of the subject imports in the domestic market for synchronous belts, for, as with V-belts, the Commission's data accounts only for industrial synchronous belt applications, and does not take into account the domestic consumption of synchronous belts for automotive uses. We do not have precise data on the number of synchronous belts used in automotive applications in the United States. However, we know that number was not insignificant, since a substantial share of all synchronous belts are used in automotive applications.^{149/}

^{148/} In 1988, which encompassed the six-month period during which the Commerce determined that dumping occurred, the subject imports accounted for [*]% of the total quantity and [*]% of the total value of domestic consumption of synchronous belts for industrial applications. Report at a-70, Table 23; a-71, Table 23. In other words, quantity-measured market penetration was lower than for V-belts, but value-measured market penetration was higher. Measured by both quantity and value, market penetration during the preceding years covered by our investigation was somewhat lower than it was in 1988.

^{149/} Report at a-9.

Accordingly, it is apparent that the actual level of market penetration of the subject synchronous belts in the domestic market for such products was less than the level suggested by the data that we have compiled for synchronous belts used in industrial applications. In short, market penetration by the subject import synchronous belts was not high. Although the level of import market penetration was probably higher than for V-belts and round belts, it was not so much higher as to suggest that the subject imports had a significant effect on prices or sales of domestically produced synchronous belts.

c. Investment and Employment

The data that the Commission has collected respecting the financial performance of the domestic industry producing synchronous belts are, on balance, consistent with the conclusion otherwise suggested by the record evidence -- that is, that the subject imports did not cause material injury to the domestic industry. Net sales of industrial synchronous belts increased [*]% between 1986 and 1987, and an additional [*]% in 1988.^{150/} For the two month period at the start of 1989, net sales increased substantially over the comparable period in 1988.^{151/} Although operating income fell substantially in 1987 from the high levels reported for 1986, operating income rebounded substantially in 1987, and gives every indication of continuing to do so; for example, operating income on operations producing

^{150/} Report at a-41, Table 11.

^{151/} Id.

synchronous belts was nearly [**] in interim 1989 than in the comparable period of 1988.^{152/}

Similar conclusions are suggested by the data that the Commission has compiled respecting employment in the domestic synchronous belt industry. Total employment of production and related workers in the industry; hours worked by such workers; and the wages paid to, and the total compensation of, those workers; have all grown steadily over the period of our investigation.^{153/} This evidence clearly provides no indication that the domestic industry producing synchronous belts has been injured by reason of the subject imports.

3. Flat Belts

a. Volumes and Prices of Subject Imports

The Commission has not been able to compile data on the volume of imports of flat belts per se. However, the data that is available to us suggest that such imports increased quite substantially over the period of investigation.

First, many flat belts have nylon cores; Commission data indicates that imports of nylon core belting into the United States increased substantially over the period of investigation.^{154/} Second, record evidence indicates that belts are of four basic styles -- V-belts, synchronous belts, round

^{152/} Id.

^{153/} See Report at a-34-a-35, Table 5.

^{154/} Report at a-62.

belts, and flat belts^{155/} -- and that round belts are a minor category at best.^{156/} For that reason, the category described as "Other Industrial Belts" in the Commission's report appears to consist largely of flat belts. Again, imports recorded in that category increased quite substantially over the period of investigation.^{157/}

The increase in imports of flat belts into the United States during our period of investigation can also be seen in value terms. In 1986, the value of imports of nylon-corded belts from the subject countries was about \$[*].^{158/} By 1988 that figure had nearly doubled, rising to some \$[*].^{159/} The patterns are evident in the data that we have compiled for imports of "other industrial belts" from the subject countries, with the value of such belts rising from approximately \$[*] in 1986 to about \$[*] in 1988.^{160/}

As I explained in discussing the impact of imports of V-belts and round belts, the extent to which dumping or subsidization affected the volumes of the subject imports depends on the manner in which such practices affected prices at which those imports were sold. The data available for assessing this

^{155/} Report at a-3-5.

^{156/} Report at a-5.

^{157/} Report at a-63.

^{158/} Id. at a-64, Table 22.

^{159/} Report at a-64.

^{160/} Id. at a-64, Table 22.

matter with respect to flat belts is the same best available information as that used to assess the effects of unfair trade practices on prices of the subject V-belt and round belt imports. The Commerce Department has not calculated separate LTFV margins for flat belts; rather, the Commerce Department calculated a single margin for all belts. Furthermore, the Commission's data on home market shipments by the various exporting countries is not broken down by type of belt. As I have indicated above, this record evidence suggests that, for most of the subject countries, unfair trade practices resulted in significant decreases in the prices of the subject imports.

However, as discussed above, evidence of such price decreases does not necessarily lead to the conclusion that unfair trade practices produced correspondingly large increases in sales of the subject imports. The extent to which decreases in subject import prices cause increases in subject imports sales is largely a function of the degree to which the imported goods are substitutable for the domestically produced product. As discussed in more detail below, for flat belts, as for V-belts and round belts, there is only a limited degree of substitutability between imports and domestic belts. This evidence indicates that the volume of the subject imports did not increase significantly due to the unfair trade practices that were the subject of these investigations.

b. Prices and Sales of the Domestic Like Product

As I have noted earlier in these Views, in order to assess the impact of subject imports on prices and sales of the domestic like product, it is necessary to consider the nature of the markets for the domestic and imported products, especially consumers' reactions to these products. The evaluation of these issues requires evidence on three issues of critical importance: the share of the domestic market held by the subject imports; the degree to which consumers see the imported and domestic like products as similar (the substitutability of the subject imports and the domestic like product); and the degree to which domestic consumers change their purchasing decisions for these products based on variations in the prices of these products.

The evidence relating to the last two of these three issues, discussed above in the context of V-belts and round belts and synchronous belts is generally relevant here. Again, the only issue on which the evidence relevant to an assessment of the effect of the subject imports on prices and sales of the domestically produced products is substantially different than that discussed in the context of V-belts and round belts relates to the magnitude of the imports' market share. The evidence on that issue, together with the other evidence relevant to these belts' price and sales effects, suggests that the imported flat belts had no more effect on prices and sales of domestically made flat belts than the subject imports of V-belts and round belts had on prices and sales of the domestic like products corresponding to those imports. During the period in which

Commerce found that dumping was occurring, the record evidence indicates that the domestic market share of the subject imports of flat belts was lower than, or roughly the same as, the comparable market share of the subject imported V-belts.^{161/}

As previously noted, flat belts are included in the category of "other industrial belts" for which the Commission has collected import and market penetration data. Although this data may somewhat overstate market penetration in that it does not take into account flat belts consumed domestically for automotive uses, it is, nevertheless the best data available to us, and corresponds closely to the actual level of market penetration for most automotive belts are, in fact, V-belts. In 1988, which encompassed the six-month period during which the Commerce Department determined that dumping was occurring, the subject imports accounted for only [*]% of domestic consumption of "other" belts for industrial purposes.^{162/} Measured by value, market penetration was slightly higher -- approximately [*]%.^{163/} By any measure, the level of market penetration was not significantly higher than in the case of V-belts. Accordingly, the record evidence indicates that for flat belts, as for the other types of belts under investigation, the subject imports did not have a significant effect on prices or sales of the domestic like product.

^{161/} Report at a-70.

^{162/} See Report at a-70, Table 23.

^{163/} Id. at a-71, Table 23.

c. Investment and Employment

The data that the Commission has collected respecting the financial performance of the domestic industry producing flat belts are also consistent with the conclusion, otherwise suggested by the record evidence, that the subject imports did not cause material injury to the domestic industry. The operating income reported by domestic firms for their operations involving belts other than V-belts and synchronous belts increased significantly in 1987 before falling back to slightly below 1986 levels in 1988.^{164/} During the first two months of this year, however, operating income was substantially higher than during the comparable period in 1988.^{165/} In short, the evidence respecting the industry's financial performance is mixed. The employment data is, however, consistently positive by all measures: total employment of production and related workers in the industry; hours worked by such workers; the wages paid to, and the total compensation of, those workers. Standing alone, the evidence that the industry's profitability declined somewhat in 1988 does not counterbalance the other substantial evidence indicating the subject imports did not cause material injury to the domestic industry.

CONCLUSION

^{164/} Id. at a-47, Table 13.

^{165/} Id.

For all of the foregoing reasons, I have concluded that the domestic industries producing V-belts and round belts; synchronous belts; and flat belts have not been materially injured by reason of the subject imports.

Views of Commissioner Seeley G. Lodwick

Inv. #'s 701-TA-293 (Final) and 731-TA-412-419 (Final)
Industrial Belts from Israel, Italy, Japan, Singapore,
South Korea, Taiwan, the United Kingdom and West Germany

I find that a domestic industry is not materially injured or threatened with material injury by reason of subsidized imports of industrial belts from Israel and less than fair value imports of industrial belts from the countries cited above. ¹

I. Like Product and Domestic Industry

As a threshold matter in title VII investigations, the Commission must determine what constitutes the domestic industry. The statute defines domestic industry as "the domestic producers as a whole of a like product." ² "Like product" in turn is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with" the articles subject to investigation. ³

The Department of Commerce defines the imported merchandise that is subject to the investigation, and the Commission determines the domestic products "like" the imports. The starting point of the Commission's like product analysis is therefore Commerce's definition of the imported merchandise.

¹ Material retardation is not an issue in this case.

² 19 U.S.C. § 1677(4)(A).

³ 19 U.S.C. § 1677(10).

In its Notice of Initiation, Commerce defined the articles subject to investigation as industrial belts and components and parts thereof, whether cured or uncured.⁴ The petitioner excluded conveyor and automotive belts from the definition of power transmission belts, and Commerce accepted this definition in defining the scope of the investigation. The petitioner then proposed to the Commission a single like product definition, excluding automotive and conveyor belts from the like product determination in our preliminary investigation. At the preliminary stage, I joined my colleagues and accepted the petitioner's arguments. However, our opinion recognized the need to reexamine the exclusion of automotive belts in the event of a final determination.⁵ Also at the preliminary stage, we rejected the petitioner's claim that the Commission is legally precluded from defining the like product to be different than the products subject to the investigation, as defined by Commerce.⁶ I reaffirm my rejection of the petitioner's position on the same grounds.

The Commission's decision concerning like product is factual and is made

4

Commerce defined the scope as:

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether endless (i.e. closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses and lift trucks.

53 Fed. Reg. 28034 (July 26, 1988).

⁵ See Industrial Belts From Israel, Inv. Nos. 701-TA-293-295 (Preliminary) & 731-TA-412-419 (Preliminary), USITC Pub. No. 2113 at 6-8 (August 1988).

⁶ Id.

on a case-by-case basis.⁷ The Commission has traditionally considered: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) customer and producer perceptions, (5) common manufacturing facilities and employees, and (6) price.⁸ The Commission has not drawn distinctions based on minor physical differences,⁹ and instead has looked for clear dividing lines between articles before considering them to be separate like products.¹⁰

This case involves a rather broad category, power transmission belts, that encompasses several unique product descriptions, including synchronous belts, V belts, round and flat belts. There are varying degrees of interchangeability and similarities in characteristics and uses, customer and producer perceptions, distribution channels, and manufacturing processes among these subsets of power transmission belts.¹¹ However, I could find no logical clear dividing lines between the types of power transmission belts. Further, I find the uniqueness of automotive belts, as opposed to industrial belts, to be no more compelling than among the subsets of power transmission

⁷ *Asociacion Colombiana de Exportadores de Flores v. United States*, 12 CIT ____, 693 F. Supp. 1165, 1169 & n.5 (1988); See also *3.5" Microdisks and Media Therefor from Japan (Microdisks)*, Inv. No. 731-TA-389 (Final), USITC Pub. 2170 (March 1989) at 6.

⁸ *Certain All-Terrain Vehicles from Japan (ATVs)*, Inv. No. 731-TA-388 (Final), USITC Pub. 2163 (March 1989) at 4; *Dry Aluminum Sulfate from Sweden*, Inv. No. 731-TA-430 (Preliminary), USITC Pub. 2174 (March 1989) at 4.

⁹ S. Rep. 249, 96th Cong., 1st Sess. 90-1 (1979).

¹⁰ *Certain Telephone Systems and Subassemblies thereof from Japan, Korea, and Taiwan*, Invs. Nos. 731-TA-426-428 (Preliminary), USITC Pub. 2156 (February 1989) at 4.

¹¹ Given the lack of interchangeability between belts even in one class, such as synchronous belts, there could arguably be many possible like product definitions.

belts described above. I, therefore, find one like product: power transmission belts, including both industrial and automotive.

The petitioner argues that industrial and automotive belts are fundamentally different in design; that automotive belts are designed for specific applications, while industrial belts are designed to industry standards.¹² The design differences, the petitioner argues, are reflected in the manufacturing processes. The petitioner argues that because of different performance requirements and hence, compositions, automotive belts and industrial belts have virtually no interchangeability.¹³

I find the reasoning of dividing the like product between industrial and automotive belts to be unconvincing. I believe that some automotive belts are designed to meet industry standards and some industrial belts are designed for specific applications.¹⁴ It would appear that Gates separates the manufacturing processes because of a business decision to improve economies of scale and not because these processes are fundamentally different.¹⁵ The

¹² Transcript of the hearing at 17-18.

¹³ Id. at 22-23.

¹⁴ See Post-Hearing Brief of Magam at 4-5 and Hearing Transcript at 172. Magam points out that "many OEM specific industrial belts are made to customer requirements rather than to specific industrial specification." An example was referenced to Mr. Batchelar's point at the hearing, in which he claimed that the belts used in the Hoover and Electrolux products are very much different. Conversely, Magam pointed out "Although there are no specific RMA standards for automotive belts, automotive belts are made to specific industry-wide standards, which are set by the SAE (Society of Automotive Engineers.)" Magam makes the point that "there are more "recipes" for industrial belts (as opposed to automotive) only because there more OEM specific standards."

¹⁵ The video tape Gates provided at the hearing presented the manufacturing processes of larger belts as industrial belts and smaller belts as automotive belts. As Bando points out, the presentation ignored the substantial number of smaller-sized industrial belts that are practically identical to automotive
(continued...)

degree of interchangeability among the various classes of industrial belts is no different than between automotive belts and some industrial belts. ¹⁶ As respondent Bando argued, automotive and industrial belts of the same category, such as synchronous belts, are more interchangeable than industrial belts of different categories. ¹⁷

Based on characteristics and uses, manufacturing processes, and interchangeability, I find a more logical dividing line between synchronous and nonsynchronous belts, although I determined these distinctions not sufficient to divide them as separate like products. ¹⁸

The petitioner further argues that the range of size differences between

¹⁵(...continued)

belts. "Technically, the small industrial belts can and are made on the same equipment that produces similar size automotive belts. It is the size of the belt that is important for equipment purposes, not whether the belt will be used in automotive or industrial applications." See Bando's Post-Hearing brief at 1-2. Representatives of both Goodyear and Durkee-Atwood acknowledged at the hearing that they produce both industrial and automotive belts in the same plants. Transcript of the Hearing at 67 and 96.

¹⁶ At the hearing Mr. Pete Batchelar of Jason Industrial illustrated the similarities in characteristics and uses between automotive and industrial belts. He left the Commission building and bought an automotive belt at a nearby gas station. The belt he returned was almost identical in characteristics and uses to the industrial belt Magam had provided the Commission. See Post-Hearing Brief of Magam at page 4.

¹⁷ Prehearing brief of Bando at 10-14.

¹⁸ Respondent Perelli argued that synchronous and nonsynchronous belts, both automotive and industrial, constitute separate like products. Synchronous belts transmit torque through the locking of their teeth with teeth on a pulley, while nonsynchronous belts transmit torque through frictional force. This leads to somewhat different uses and makes them less interchangeable. They are also produced on different equipment. See Prehearing brief of Pirelli, pages 7-13. I determined for reasons set forth below not to separate synchronous from nonsynchronous belts in the like product determination. However, based upon my review of the record, I would not have changed my injury determination even if I had adopted this alternative like product determination.

automotive and industrial belts are different, ¹⁹ although there is substantial overlap. I consider this distinction to be of minor relevance. The petitioner asserts that primarily auto manufacturers and automotive distributors buy automotive belts, while equipment manufacturers and industrial distributors buy industrial belts. ²⁰ This point is relevant but does not provide sufficient reason to constitute separate like products.

All power belts, both for industrial and automotive uses, share the same essential purpose: to transmit power. Although there are some distinctions in secondary characteristics, these distinctions may provide the basis to separate for like product purposes, types of belts, such as synchronous and V-belts, but not separate automotive and industrial belts. All belts are primarily of the same chemical composition, since the raw material for both industrial and automotive belts is mixed in the same equipment. ²¹ Virtually all belts share the three main components of a tensile member, a base material and adhesion material. The record does not show consistent price differences between any subsets of power belts that would lead one to separate like products. ²² The manufacturing processes are similar to all power transmission belts. ²³

For the reasons set forth above, I find one like product and one

¹⁹ The Petitioner has stated that automotive belts typically range from 25 to 110-115 inches in size, while industrial belts vary from several inches to 650-700 inches. See Transcript of the Hearing at 22.

²⁰ Id. at 23-24.

²¹ Report of the Commission at A-5-6.

²² Id. A-79-83.

²³ Id. at A-8-9.

domestic industry producing all power transmission belts, both for industrial and automotive uses.

II. Condition of the Domestic Industry

In determining the condition of the domestic industry, the Commission considers, among other factors, domestic production, capacity, capacity utilization, domestic consumption, shipments, inventories, employment, and financial performance.²⁴ No single factor is determinative. In each investigation the Commission must consider the particular nature of the relevant industry in making its determination. Examination of these factors reveals that the industrial belts industry has maintained its prosperity throughout the investigation period.

Apparent U.S. consumption changed from 204.5 million units valued at 506.4 million dollars in 1986 to 194.8 million units valued at 564.2 million dollars in 1988. Consumption for the interim period 1989 decreased slightly in quantity terms and increased slightly in value terms from the 1988 interim period.²⁵ These trends demonstrate that fewer belts were consumed at higher prices.

Domestic production decreased slightly in terms of units but increased slightly in pounds over the three full years 1986 to 1988 and in the 1988 to 1989 interim period comparisons.²⁶ Both total production capacity and

²⁴ 19 U.S.C. 1677 (7) (C) (iii).

²⁵ Report of the Commission at C-2, Table C-1.

²⁶ Id. at C-4, Table C-2.

capacity utilization remained relatively flat through the investigation period. ²⁷

The value of domestic shipments increased steadily throughout the period from 468.1 million dollars in 1986 to 501.5 million dollars in 1988 and from 77.9 million dollars in the interim 1988 period to 82 million dollars in the interim 1989 period. ²⁸ Inventories decreased slightly in pounds and units over the period of investigation. ²⁹

The number of employees producing belts decreased very slightly over the period of investigation from 3,186 workers in 1986 to 3,149 workers in the interim 1989 period. Gains were realized in wages and total compensation paid to production related workers, and hourly wages in the industry. ³⁰

Financial performance of the domestic industry maintained a solid position throughout the period of investigation. ³¹ Net sales increased substantially from 500.4 million dollars in 1986 to 544.5 million dollars in

²⁷ Id.

²⁸ Id. at C-5, Table C-3.

²⁹ Id. at C-7, Table C-4.

³⁰ Id. at A-34-35, Table 5.

³¹ One of the domestic producers, in its industrial belts production, suffered large losses because of a failed product introduction. Without these related losses, the profitability of the domestic industry of all power transmission belts would have been better. Report at A-56, Table 8.

At the preliminary stage of these investigations, I found there was a reasonable indication that the domestic industry is materially injured. However, I did join Commissioners Eckes and Rohr in stating that the economic indicators of the industry are mixed. See Industrial Belts (Preliminary) at 13. This finding was based on the record for the domestic industry producing industrial belts, excluding automotive belts. The petitioner's exclusion of automotive belts from his proposed like product definition, excluded the most lucrative segment of the power belts business.

1988. Sales were also up in 1989 from the 1988 interim period. Both operating income and gross profits declined slightly from 1986 to 1988, but showed slight improvement in the 1989 interim period.³² I find this industry to be in the same financial condition it was in at the beginning of the investigation.

In summary, the above indicators show a continuing prosperous industry. Therefore, I conclude the domestic industry is not materially injured, nor in a condition to be vulnerable to material injury. Also, since I find no evidence of material injury, I do not address the issue of causation of present injury.

III. Cumulation

In the preliminary investigation, the Commission determined that the imports compete with each other and with the domestic like product and that it must cumulatively assess the volume and price effect of the LTFV imports from each country subject to the investigation.³³ The record for this final investigation has produced no new evidence to change this finding, so I reaffirm that the subject imports should be cumulated to assess their effects on the domestic industry. Since I find that this domestic industry is not materially injured, the issue of cumulation to determine material injury by reason of the subject imports has no bearing on the outcome for any of the subject countries.

IV. No Threat of Material Injury By Reason of Imports

³² Id. at C-8, Table C-5.

³³ See Industrial Belts from Israel, pages 13-16.

In assessing the threat of material injury, the primary factors considered are the trends in market penetration of the subject imports, the probable effects those import prices have on domestic prices, the changes in the foreign industry's capacity and capacity utilization, the potential for product shifting, and other adverse trends indicating the probability of actual injury.³⁴ The statute provides that any "threat of material injury is real and that actual injury is imminent." In addition, the Commission's "determination may not be made on the basis of mere conjecture or supposition."³⁵

The subject imports increased their U.S. market share somewhat from 1986 to 1988 and declined slightly from the interim 1988 period to the 1989 period.³⁶ Over the period of investigation, production capacity increased only slightly among the foreign companies and countries subject to these investigations. The vast majority of the data shows capacity utilization rates near full capacity or in the case of Japan, exceeding full capacity, perhaps due to overtime or reporting anomalies.³⁷ The low import penetration and the full global capacity makes the "imminent danger" of the subject imports an unreasonable proposition.

Importers' inventories of the subject imports decreased both in weight

³⁴ 19 U.S.C. 1677(7)(F).

³⁵ Id.

³⁶ Staff report at C-20, Table C-8.

³⁷ Id. A-60, Table 21. See Bando Chemical Industries Post-Hearing Brief, Appendix D for explanation of why overtime was necessary to meet increased domestic demand in Japan.

and quantity terms. ³⁸ These inventories represent only about 2% of total U.S. consumption in 1988. ³⁹

Prices of the domestically produced product have increased substantially over the period of investigation. ⁴⁰ Prices of the subject imports have also increased substantially. ⁴¹ However, there were reported margins of underselling in most of the product comparisons throughout the period of investigation. ⁴² Some of the underselling may represent preferences to a higher added value domestic product. ⁴³ I do not consider the subject imports to have a material price suppressing effect on the market, given the large increases in domestic prices. I consider the positive trends in the economic factors related to the condition of the domestic industry, as evidence that the domestic industry is unlikely to experience material injury in the foreseeable future.

There does not appear to be a potential for product shifting from other manufacturing operations to the subject belts that may become a cause of material injury. Each of the countries under investigation exports to the U.S. a small share of their total production. Japan, in particular, has a very large home market. The countries subject to the investigation sell the

³⁸ Id. A-58, Table 20.

³⁹ Id. C-2, Table C-1.

⁴⁰ Id. at A-79, Table 24.

⁴¹ Id. at A-80-83, Tables 25-29.

⁴² Id. A-85-89, Tables 30-36.

⁴³ See Hearing transcript at 91-93, where Mr. Reiss of Gates confirms "There is a broader range of services available from the domestic manufacturers as part of the line that they offer to their distribution than is available from the foreign manufacturer."

vast majority of their exports to countries besides the United States.⁴⁴ There is the potential for these foreign producers to shift their exports to the United States and subsequently cause material injury. However, there is no evidence on the record that the U.S. will become a more attractive export market, particularly with U.S. government efforts to reduce the trade deficits. Predicting such a shift in exports to the U.S. market would be speculative.

The statute directs the Commission to address "any rapid increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level."⁴⁵ I do not consider the rise in subject imports to have been a "rapid increase in market penetration" and find no reason for a future increase to an injurious level.

Given the health of the domestic industry, the ability of U.S. firms to raise prices in spite of increasing imports, the lack of any rapid increase in market penetration of the subject imports, and near full capacity utilization rates of the subject foreign producers, I do not consider a potential increase in imports from any of the subject countries to be a real and imminent threat of material injury.

I conclude that a domestic industry is not materially injured or threatened with material injury by reason of subsidized imports of industrial belts from Israel and less than fair value imports of industrial belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom and West Germany.

⁴⁴ Staff Report at A-60, Table 21.

⁴⁵ 19 U.S.C. 1677 (7)(F).

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

Following preliminary determinations by the U.S. Department of Commerce that imports of industrial belts 1/ from Israel and South Korea 2/ are being subsidized by the Governments of Israel and South Korea and that imports of industrial belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany are being, or are likely to be, sold in the United States at less than fair value (LTFV), the U.S. International Trade Commission, effective December 2, 1988, instituted investigations Nos. 701-TA-293 and 295 (Final) and, effective February 1, 1989, instituted investigations Nos. 731-TA-412 through 419 (Final) under sections 705(b) and 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b) and 1673d(b)) to determine whether 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 imports of such merchandise. Notice of the institution of the Commission's final investigations, and of the public hearing 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 of February 15, 1989 (54 FR 6970). 3/ The hearing was held in Washington, DC, on April 27, 1989. 4/

Commerce's final subsidy 5/ and LTFV determinations were published in the Federal Register of April 18, 1989. The applicable statute directs that the Commission make its final injury determinations within 45 days after the final determination by Commerce.

1/ The products covered by these investigations are industrial belts and components and parts thereof, whether cured or uncured, currently classifiable under Harmonized Tariff Schedule subheadings 3926.90.55, 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7326.20.00 (formerly provided for under Tariff Schedules of the United States Annotated items 358.0210, 358.0290, 358.0610, 358.6090, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510, and 773.3520.

The merchandise covered by these investigations includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts, and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. These investigations exclude conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

2/ Commerce's preliminary subsidy determination with respect to Singapore was negative, 53 FR 48677, Dec. 2, 1988.

3/ Copies of cited Federal Register notices are presented in app. A.

4/ A list of the participants in the hearing is presented in app. B.

5/ Commerce's final countervailing duty (CVD) determinations with respect to Singapore and South Korea were negative; therefore, the Commission is only required to make a CVD injury determination with respect to subsidized imports from Israel, inv. No. 701-TA-293 (Final).

Background

These investigations result from a petition filed by The Gates Rubber Company on June 30, 1988, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of industrial belts from Israel, Singapore, and South Korea and LTFV imports of industrial belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany. In response to that petition the Commission instituted investigations Nos. 701-TA-293-295 (Preliminary) and investigations Nos. 731-TA-412-419 (Preliminary) under sections 703 and 733 of the Tariff Act of 1930 (19 U.S.C § 1671b(a) and 1673b(a)) and, on August 15, 1988, determined that there was such a reasonable indication of material injury.

The Products

Description

Industrial belts can be divided into two broad categories: (1) power drive belts used for transmitting power, and (2) conveyor belts used for transporting goods or materials. These investigations cover only imports of those power drive belts (excluding automotive belts) 1/ that are in part or wholly of rubber or plastics and also have a tensile member of cord, yarn, or fabric for reinforcement purposes. Automotive belts are under-the-hood or front-end engine drive belts that are utilized to assist in propelling or moving motor vehicles such as automobiles, vans, trucks, etc., and industrial and agricultural vehicles such as road graders, cranes, tractors, and combines. Belts for industrial and agricultural vehicles and equipment that are not utilized for front-end engine drive, and unfinished or partially completed belts, such as sleeves or cores, whether cured or not, are considered industrial power belts or components of such belts and are included in the scope of these investigations.

Industrial power drive belts are flexible bands that pass around two or more pulleys, sprockets, or sheaves and are used to transmit power from one drive (driveR, the source) to another drive (driveN, the recipient). Thus, the type and specifications of the appropriate or most efficient belt to be selected will depend on the type of application, machine, work to be done, the horsepower rating and speed (RPM) of the driveR, the required speed (RPM) of the driveN sheave or pulley, and the approximate center distance. A proper belt drive must accomplish the following three basic functions to be usable: (1) transmit the power without slippage; (2) transmit the power at a usable driveN shaft speed; and (3) transmit the power between two or more shafts separated by some distance.

Most industrial power belts consist of three main components: (1) a tensile member (a textile, fiberglass, or steel cord, yarn, or fabric), which adds strength to withstand the tension imposed in transmitting power; (2) the base material (usually synthetic rubber, such as neoprene, or plastics), which forms the bulk of the belt and encloses the tensile member, and is referred to as the undercord and the overcord; and (3) adhesion material or gum, which

1/ The petition was filed on only industrial belts, and petitioner states that the Commission should examine only U.S. operations on industrial belts in making its determinations. However, respondents contend that the entire power drive belt industry (i.e., industrial plus automotive belts) should be examined.

bonds all the components together. These components would be layered in the following top-to-bottom order in the cross section of a typical industrial power transmission belt. The wrap or band would be outermost and would consist of a textile fabric cover, which protects the core of the belt from dirt, grit, oil, and other damaging materials. The wrap would be followed by the overcord layer, consisting of rubber. Next an adhesion gum or material, which is impregnated into a layer of rubber, would bond the overcord to the tensile cord and provide reinforcement and tensile strength to the belt. The tensile cord would then be followed by a second layer of adhesion gum or material that bonds the tensile cord to the undercord. The undercord would also consist of rubber (neoprene), the same as the overcord, but would not consist of the identical formula of ingredients such as chemicals, carbon black, etc. The bottom cross section layer would be the wrap or band which covers the entire outside surface of the belt.

There are two broad subdivisions of industrial power belts: (1) V-belts, and (2) synchronous or timing belts. There are also two other less significant subdivisions of industrial power belts: flat belts and round belts. Although the basic structure of each type and style is similar, the variations in the cross sections, tensile cord selection, and ingredient mix of the rubber or plastic results in different kinds and styles of belts, as well as different qualities within a single belt style. The appropriate combination of these variables will be determined by the particular power transmission requirements and the environment in which the belt will be utilized. The size of an industrial power belt is identified by its width and thickness (cross section) and its length, and is designated with a fixed nomenclature and standards set by the Rubber Manufacturers Association (RMA), the Mechanical Power Transmission Association (MPTA), and the International Standard Organization (ISO). More complete descriptions of industrial V-belts, synchronous belts, flat belts, and round belts, and their various styles are presented below.

V-belts. --V-belts are shaped with a cross section like a "V" or a wedge, with all the power being transferred through the side or angle of the belt. The "V" shape allows more surface contact and less slippage between the belt and the sheave, because of the wedging action of the belt in the groove. Therefore, more power or force can be transmitted from a V-belt than from a flat belt, which has only one surface in contact with the sheave. There are two basic V-belt constructions: bandless (raw edge or cut edge), and banded. Bandless V-belts have cut edge side walls, cut precisely to exact dimensions, and notches molded in the belt to add more flexibility and lessen stress when bending. Banded V-belts have a fabric cover wound around the top surface to prolong the life of the belt by protecting it from damaging elements.

V-belts may be also classified as heavy duty or light duty (fractional horsepower). Heavy-duty belts are utilized on equipment with motors of one or more horsepower, and light-duty or fractional horsepower belts are used on equipment with a motor or power source of less than one horsepower. Heavy-duty industrial V-belts have two basic cross section styles: classical and narrow. There are three different sizes for the cross section of the narrow style belt (designated as 3V, 5V, and 8V) and five sizes for the classical style (designated as A, B, C, D, and E), with some overlap in dimensions between the two styles. The narrow belt has a narrower width on top, which provides more surface on the side of the belt because of the angle of the wedge, whereas the classical belt has a wider top in proportion to its side surfaces. Because the cross section profile differs between the two styles of belts, the narrow style is considered a thicker belt in relationship to the

width, which allows better support to the tensile member, therefore providing greater horsepower carrying capability. Each of these two styles can further be classified as a joined classical or joined narrow, when the classical or narrow belts are joined together by a high-strength tie band at the top surface. The classical or narrow molded-notch V-belt has notches molded into the belt, which are designed for relief or stress from bending. These can be either a single or joined type of V-belt. The notches also help in dissipating the heat created by rapid flexing, when the belt is run on fast, small-diameter sheaves. Double V-belts (hex belts) are generally used when the regular V-belt would have to transmit the power load or force to a flat pulley from the top (back) side of the belt, or in serpentine drives, which require the power load to be transmitted to sheaves from both the top and the bottom of the belt. V-ribbed belts are designed and constructed with a greater side surface exposed for use on a small-diameter pulley, which results in less wedging between the belt and sheave because of a 60-degree groove angle. The wedge angle for conventional type V-belts described above ranges from 36 to 40 degrees.

V-link belting is similar to spliced belting and is used when the installation of endless V-belts is impractical. V-link belting is made of two or more links or segments of belting which are spliced together or joined with fasteners. V-link belting is usually available in most standard V-belt cross section sizes or nominal top widths. Such belting is usually sold in minimum stock lengths of 50 to 100 feet and standard rolls of 200 to 500 feet. V-link belting consists of a special tensile member of strong pulling cord to keep belt stretching to a minimum and layers of square cut fabric which are often impregnated with rubber. The layers of fabric allow the cleats in the fastener to grip more securely. V-link belting does not ordinarily provide as long a service as endless belts.

Synchronous belts.--Synchronous belts are referred to as timing belts or positive drive belts, with the transfer of power through the teeth on the belt. They are utilized primarily when the rotation of the drive shaft must be synchronized with the rotation of the drive shaft. Synchronous belts consist of four major parts: (1) tensile cord, (2) facing, (3) backing, and (4) teeth. The tensile cord must have low elongation characteristics, since expansion could result in a misfit of the teeth. Fiberglass is most commonly used, although steel cables, kevlar, and polyester cord are used for certain applications. The facing is usually a textile fabric, which acts as a buffer surface to protect the teeth and to reduce friction. The backing and the teeth consist of rubber or neoprene. Double-sided synchronous belts are engineered with the teeth on both the front and back surfaces of the belt to transmit the maximum power load from either side of the belt. High-torque drive synchronous belts are engineered with curvilinear teeth that provide superior stress distribution and improve the load capacity and power transmission efficiency. Depending on the drive conditions, high-torque drive synchronous belts can transmit 20 to 100 percent more power per inch of width than conventional synchronous belts.

Flat belts.--Flat belts are best described by their cross section; i.e., a rectangular shape that is wider than it is thick. There are two basic types of flat belts: (1) cordless (the entire belt consists of rubber or plastic plies or layers and does not contain a tensile member--these belts are excluded by petitioner from the scope of the investigations), and (2) corded (the rubber or plastic belt contains a tensile member, which provides additional support and strength). Corded flat belts have better strength properties than the cordless

or plied flat belts, which allows the corded flat belt to operate better on smaller pulleys. Flat belts usually have four major parts: (1) the cover (which completely surrounds the belt or, in some cases, is omitted entirely), (2) base material consisting of rubber or plastics, (3) tensile members such as cords of textile, fiberglass, steel, or yarns, or a sheet of plastics material, and (4) the adhesion materials that bond all the parts together. A flat belt can be substituted for a V-belt on numerous types of machines, if the sheave is replaced with a pulley. However, witnesses at the Commission's hearing testified that such substitutions would be costly and, therefore, are unusual. The pulley offers a flat surface necessary for the transfer of power through the bottom of the belt. High-speed flat belts are made as light as possible by having two layers of tensile cord, each laid in different directions between the two thin plies of base materials.

Nylon-core belting is a prominent type of flat belt that is manufactured in a continuous strip of several hundred or thousand feet in length and 2 to 4 feet in width. The cross section is of a multilayer material composed of a combination of rubber or textile laminated on a nylon-tension member. The top layer, or surface, is made of nylon (polyamide) fabric or rubber (elastomer), the core consists of a highly oriented sheet of nylon, and the bottom layer or friction coating is made of nylon or rubber. Nylon-core belting is put up on roll lots, so the proper length can be cut off, depending on the size of belt needed. After the required length is obtained, the belt is slit to the required width. The belting ends are cut on an angle, sanded, and cemented together to form an endless or closed belt. Heat and pressure are applied to add strength to the splice. This allows nylon-core belts to be made to virtually any length or width. To install this type of belt, the machinery does not have to be dismantled and reassembled or readjusted, since the belt is joined or fastened while the pulleys remain on the machine. These belts are highly resistant to abrasion, chemicals, and flex fatigue. They are used mostly for light- and medium-duty drives on machinery operated by the textile (spinning frames, twistors, and winders), papermaking (collectors and folders), printing (sheeters and slitters), and flour mill (roll stands and sifters) industries.

Round belts. --Round belts consist of the same components as most other industrial power belts and have four major parts: (1) the cover, (2) base material, (3) tensile member, and (4) adhesion material. Round belts are usually made similar to V-belts and can utilize the sheaves made for V-belts. Usually round belts are special ordered and are made to specified lengths for original equipment (OE) purposes. The cross section of a round belt is shaped in a circle with the circumference wrapped with a cover material. This is followed by the base material (rubber or plastic), which has a center core of a tensile member. The tensile member is usually rectangular, rather than round in shape, which provides greater strength. Round belts are produced in nine common sizes, ranging in diameter from 3/16 inch to 1-1/6 inches. Although not utilized as much as other types of industrial belts, round belts are used mostly for agricultural machinery and some light-duty or appliance drives.

Manufacturing processes

There are four main stages in the manufacturing of industrial power transmission belts: (1) parts manufacturing, (2) assembling or building, (3) curing or vulcanizing, and (4) finishing and packaging.

The first step of parts manufacturing involves mixing selected ingredients to produce the rubber (neoprene) stock and treating or coating the tensile cord. The tensile cord (yarn or fabric) usually consists of polyester, polyester/nylon, cotton/rayon, or cotton/polyester blends, and in some cases "high performance" aramid or Kevlar cords or yarns. These tensile cords are then coated with a latex or adhesive, heated, cured, and wound on spools for later use. At the same time in the compound room, ingredients of various chemicals, such as polymers, oil, fillers, carbon black, and pigments, are mixed to exact recipes. A typical recipe will include seven or eight ingredients, which are measured into paper bags. The contents of each bag will often weigh 3 to 6 pounds and must be accurate within one-tenth of an ounce. These ingredients and an exact amount of neoprene are then poured into a Banbury mixer to begin making the undercord and overcord stock. The sequence, timing, and temperature during mixing will determine the quality of the finished product. The batch of mixture is deposited on a mill or coil in a soft, taffy form to cool. This mixture, along with other batches of mixtures, is run through rollers several times to insure uniform blending of all the ingredients. The neoprene and chemical mixture is rolled out on a conveyor belt in a strip approximately 2 feet wide, one-half inch thick, and 30 to 60 feet long. Several strips are then placed on top of each other and passed between heated drums during the calendaring process. This results in a uniform width of 52 inches and of a particular thickness to be placed on a continuous 420-yard roll to be used for undercord. A different roll of blended neoprene is further heated and cooled with a fabric impregnated with rubber or adhesive to form a roll of adhesive gum material. To produce overcord stock, another mixture of neoprene is bonded to a textile fabric, unrolled on a conveyor belt, cut into sections every other one of which is then pivoted 90 degrees and rejoined with a heat splice to the piece in front of it, and then rerolled. Cutting, pivoting, and rejoining the sections at 90 degree angles adds strength to the overcord stock.

The second main manufacturing stage is the assembly or building process. The following procedures will explain the steps necessary to manufacture a typical banded belt. Parts previously made or prepared are assembled in a building operation to produce uncut belt sleeves or cut belt cords. The undercord is built from several plies or layers of different undercord stock consisting of various mixtures of ingredients, which are each wrapped once around the building drum until the desired thickness and composition of undercord is obtained. The hollow steel building drum is expandable and is set to an exact circumference during this operation. Next the previously completed undercord is applied with an adhesive gum. This is followed by winding the tensile cord onto the undercord. Another ply of adhesive gum is applied over the tensile cord and then the overcord stock is wrapped around the drum in plies in the same manner as the undercord until the desired thickness and composition is obtained. 1/ The building operation is now complete with a sleeve configuration built on the drum. The sleeve, which is the proper thickness and construction and measures from 36 to 42 inches wide, is ready to be cut into uncured or raw cores. The sleeve is now cut with gang knives into belt cores. The drum is collapsed and the cores removed. The uncured cores are then skived. In this step, the rectangular cross-section cores are cut on the lower sides to a predetermined angle and weight to form a wedge or V-shaped cross section. The skived uncured belts then go to the "flipper," a machine

1/ To build sleeves larger than the circumference of the drum, two drums are used, with the distance between them adjusted for the proper belt length.

that wraps one to three plies of fabric onto the belt, depending upon the size and intended end use.

The belt cores are then cured or vulcanized in either of the following methods: (1) The shorter length belts are cured by the circular-mold method, using a number of circular rings stacked together so that the top of one ring and the bottom of the next ring form a V-shaped cavity. This type of mold uses multiple cavities (usually 24 to 30 belt cores, depending on the width) as a unit. The assembled mold is placed in a bag or diaphragm-type casing, which in turn is placed in a steam vulcanizer. High pressure steam forces the air bag against the tops of the belts and they are cured or vulcanized to their final shape. (2) The other type of cure is the gooseneck or open-end method. This type is utilized mostly for longer belts. In this method, the belts are held under tension and cured in sections as the molds are closed by the press. The belts are rotated two or more times after each sectional cure, until the entire length of the belt is cured.

The final manufacturing stage involves finishing and packaging. The belts are measured on two rotating pulleys and inspected for uniformity and length. Many of these belts have a tolerance of not more than several one-hundredths of an inch variation in length to be deemed acceptable and to pass inspection. Although belts are inspected during the measuring operation, they are further inspected for visual defects by final quality inspectors before being released for packaging. Finally the belt is packaged and shipped to customers or to warehouses for inventory.

The assembly stage varies somewhat, however, for bandless V-belts and synchronous belts. The building process for a bandless V-belt is virtually identical to that for the banded product until the step of cutting the uncured sleeve in cores. At this point, in manufacturing a bandless belt, after the belt sleeve has been built, instead of square cutting raw belt cores, the knives are used to trim the ends of the raw, uncured sleeve. The uncured sleeve is removed from the building drum as a single unit and taken to be cured. The entire uncured sleeve is loaded into a cylindrical metal sleeve, which is the mold. High-pressure steam forces an air bag out against the belt sleeve, which is against the metal cylinder, and the belt is cured. After curing, the sleeve is removed from the mold and placed on a machine that will cut the V-belt sections from the sleeve to the required wedge-shaped belt specifications. The bandless belts are then measured, matched, inspected, and packaged for distribution.

Synchronous or timing belts are also made somewhat differently. A nylon fabric is wrapped around the building drum before the undercord is added. The undercord is followed by a fiberglass yarn with an s-twist wrapped once the entire width; then a fiberglass yarn with a z-twist is wrapped over it. After the adhesion fabric and overcore are added, it is ready for curing. The built-up drum is cured in a round mold where the sleeve is vulcanized and the teeth on the belt are molded in. The sleeve will then be cut to proper width, and the belt cores planed and sanded to insure proper width and thickness.

Uses

Industrial power drive belts are produced for two major purposes: (1) for original equipment, and (2) for replacement purposes. The belts used as OE generally have more required specifications than belts designated for

replacement. Also, belts used for OE are usually made to special order from specifications and tolerances requested by the OE manufacturer, whereas belts for replacement are usually selected by maintenance engineers or machinery operators from existing inventories. The replacement belt selected is often of different specifications than the OE belt.

Generally, no one type or group of specifications for an industrial power drive belt is used exclusively for a particular machine or piece of equipment. As many as 25 or more different belts could be utilized on 1 machine depending on the various circumstances involved. Factors such as cost, durability, type of motor, schedule of maintenance, accessibility of the existing belt on the machine, size and condition of the drive sheaves, and length of the belt will help determine which type of belt or specifications will be the most efficient. Also, the expected frequency of operation of the equipment is a deciding factor. How often the belt is used, whether for intermittent service (3-5 hours daily or seasonal use), normal service (8-10 hours daily), or continuous service (16-24 hours daily) will affect the choice of belt to be installed.

Industrial power belts are utilized by almost every industry in the United States and come in a wide range of sizes and specifications. The following list includes many of the various types of machinery and equipment that utilize industrial power belts:

Agitators for liquids	Laundry machinery
Air compressors	Mining machinery
Appliances	Office equipment
Blowers and exhausters	Paper mill beaters
Brick machinery	Piston pumps
Bucket elevators	Printing machinery
Centrifugal pumps	Pulverizers
Circular saws, planers	Punches-presses-shears
Drill presses	Rotary pumps
Dough mixers	Revolving and vibratory screens
Fans	Saw mill machinery
Generators	Textile machinery
Hammer mills	Washers
Hoist elevators	Woodworking machinery
Lime shafts	

Virtually all of these machines or equipment can use different types or specifications of belts. In some cases, the sheaves will be replaced at the same time as the belts.

Industrial and automotive belt comparison

Imported automotive belts are not included in the scope of these investigations, but are often referred to in this report, and the similarities and differences are often discussed.

Automotive belts (usually V-belts) are used to drive the accessories (alternators, air conditioners, etc.) on passenger cars, trucks, buses, and other vehicles. These automotive belts can transmit from less than 1 horsepower (fractional) up to 15 or 20 horsepower, depending on the engine size and speed. Automotive belts are usually used individually, although multiple belts are also used on large engines to increase the horsepower range.

Gates and other domestic producers separate their production operations on industrial belts from their operations on automotive belts. 1/ Automotive belts are manufactured on some of the same type of equipment as industrial belts; however, their production is not intermingled, and the equipment is designated for either industrial or automotive belt manufacturing. There is an exception when producing the undercord and overcord stock. All rubber compounds are made in the same Banbury mixers according to various specifications and then directed to the appropriate production line.

According to information supplied by the petitioner, automotive belts have fewer layers or components than industrial belts. There are also fewer recipes for undercord and overcord stock and fewer sizes in comparison with the industrial belts. The cross-section characteristics (top width, thickness, and drive angle) usually differ between the automotive and industrial belts. Automotive belts must generally provide more flexibility, have higher heat resistance, and be able to function in somewhat oily conditions, whereas industrial belts must provide greater strength and durability. Automotive belts are usually operated for not more than several hours at a time, whereas certain industrial belts will run continuously. Automotive belts are usually not replaced for 4 or 5 years, whereas many industrial belts used in the machinery in the nation's factories are replaced on a scheduled maintenance plan after specified hours of operation. Automotive belts are usually not replaced until there is a malfunction or breakdown of the automobile.

Customers of automotive belts need the belt manufacturer's catalog to purchase the correct belt size, since they are listed by automobile type, model, and year. Purchasers of industrial belts have numerous choices, depending on the belt characteristics and properties that are considered the most important. The domestic industry provides separate catalogs and brochures with different nomenclature for industrial belts and automotive belts. All types of automotive belts are distributed throughout the country, whereas the distribution of industrial belts is often limited to more of the types of belts that are used in that particular geographic location by the local industries and customers. For example, a distributor in the Pacific Northwest will stock industrial belts for the timber industries, whereas a distributor in a farm area will stock industrial belts for farm machinery.

Occasionally, the same automotive belt can be used on different types and models of automobiles, but it is usually designed for one particular engine that may be used in different models of automobiles. Because each automobile requires certain types and sizes of belts, the substituting of other types and sizes would probably not allow the automobile to operate properly. However, many industrial belts are designed to function on various machines, therefore allowing one type of machine to utilize more than one specification or type of belt. Thus, the interchangeability or crisscross of a particular type and size of a belt for both industrial and automotive use is very limited. Although the dimensions for the length and cross section may be similar, the industrial belt and the automotive belt would generally differ because of differences in construction and recipes.

Industrial power transmission belts are classified in one of the following categories: V-belts, synchronous, flat, and round, whereas automotive belts are classified as either V-belt or synchronous belts. V-belts account for most

1/ * * * . * * * . * * * .

of the industrial belts and nearly all of automotive belts. Automotive V-belts are virtually all cut-edge (unwrapped), whereas the majority of industrial V-belts are banded (wrapped). Industrial cut-edge V-belts range in length from 20 to 150 inches, whereas industrial wrapped V-belts are from 20 inches up to 600 inches. The automotive cut-edge belt ranges between 30 and 60 inches, although the automotive cut-edge, serpentine belt 1/ ranges from 60 to 120 inches in length. Therefore an overlap in length for industrial and automotive cut-edge V-belts exists between the 30 and 60-inch range.

Industrial belts have three standard cross section styles (sizes) for narrow V-belts (3V, 5V, and 8V), and five standard cross section styles (sizes) for classical V-belts (A, B, C, D, and E). Each of these cross sections is different and indicates an exact measurement in the top width and thickness of the belt. Automotive V-belts have only three standard cross section sizes (SAE 380, SAE 440, and SAE 500), which also differ in top width and thickness. However, the automotive "SAE 380" cross section corresponds in part to the industrial "3V style" with both having a top width of 3/8 inch. In addition, the top width of the automotive "SAE 500" corresponds with the one-half inch top width of the industrial "A style." Although there are two styles of automotive and industrial belts with the same top width dimensions, the cross sections may not correspond completely because the thickness can vary. Generally, an automotive belt with the same top width as an industrial belt will be thicker. This allows the automotive sleeve to be cut deeper so the sides of the belt will have greater contact.

Synchronous belts for industrial use range in length from 6 inches to 12 feet, whereas synchronous belts for automotive use range from 30 to 50 inches. Industrial belts have two common standard cross section styles for synchronous or timing belts (L and H). Both of these styles are different and indicate an exact pitch length (distance between each tooth) and tooth profile (size of each tooth). Automotive synchronous belts do not use the standard styles such as "L" or "H," but will mix or combine the dimensions of different ones to form a hybrid style.

Although two belts, one for industrial and the other for automotive use, may be of the same type, style (cross section), and length, they can still differ because of various constructions and recipes. If a belt is marked with both an automotive and industrial stock number, it would probably be marketed for the replacement market. Consumers of replacement belts are usually more willing to accept a compromise in construction and recipes than the initial purchasers of OE belts. Most OE belts, depending on their designated end use, require exact specifications of the construction and recipes. Differences in construction or recipes can affect a belt's properties such as speed, torque, and power ratings. These are important factors in choosing between two belts of same type, style, and length, as to which is more suitable for either automotive or industrial use.

U.S. tariff treatment

The Harmonized Tariff Schedule (HTS) of the United States, which replaced the Tariff Schedules of the United States (TSUS), became effective January 1,

1/ A type of V-belt used on most new automobiles, which replaces two or three of the traditional, shorter V-belts.

1989. 1/ In general, the tariff treatment of industrial power drive belts in the HTS is similar to that previously in effect under the TSUS. The industrial power drive belts under investigation are classified in HTS chapter 39 (Plastics and Articles Thereof), chapter 40 (Rubber and Articles Thereof), chapter 59 (Articles of a Kind Suitable For Industrial Use), and chapter 73 (Articles of Iron or Steel). Industrial power drive belts classified in chapter 39 (HTS subheadings 3926.90.55, 3926.90.56, 3926.90.57, 3926.90.59, and 3926.90.60) are included with those for machinery, all of plastics. Industrial power drive belts classified in chapter 40 (HTS subheadings 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, and 4010.99.50) are included with transmission belts and belting, of rubber. Industrial power drive belts classified in chapter 59 (HTS subheadings 5910.00.10, and 5910.00.90) are included with transmission belts and belting, and those in chapter 73 (HTS subheading 7326.20.00) are included with those containing iron or steel wire. The column 1 general rates of duty for imports of industrial belts and belting pursuant to the HTS range from a low of 2.4 percent ad valorem to a high of 8 percent ad valorem, as shown in the tabulation on the following page.

Preferential tariff treatments for all the HTS subheadings covered in the investigations, as shown in the tabulation, are listed in the special rates of duty subcolumn of column 1 followed by the codes A, A*, B, C, CA, E, E*, or IL. As indicated by codes A and A*, the Generalized System of Preference (GSP), enacted as title V of the Trade Act of 1974 and extended by the Trade and Tariff Act of 1984, provides duty-free entry to specified eligible articles imported from designated beneficiary developing countries and is scheduled to remain in effect until July 1993. Israel is eligible for treatment as a designated beneficiary developing country pursuant to the GSP.

Imports under tariff provisions with codes E and E* are eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA). 2/ None of the countries listed in the petition is eligible for CBERA special duty rates. Those duty rates followed by the code IL are applicable to products of Israel under the United States-Israel Free Trade Area Implementation Act of 1985, as provided in general note 3(c)(vii) of the HTS. Where no preferential

1/ Serving as the basis for the HTS, the Harmonized Commodity Description and Coding System, known as the Harmonized System or HS, is intended to serve as the single modern product nomenclature for use in classifying products for customs tariff, statistical, and transport documentation purposes. Based on the Customs Cooperation Council Nomenclature, the HS is a detailed classification structure containing approximately 5,000 headings and subheadings describing articles in trade. The provisions are organized in 96 chapters arranged in 20 sections that, along with the interpretation rules and the legal notes to the chapters and sections, form the legal text of the system. Parties to the HS convention agree to base their customs tariffs and statistical programs upon the HS nomenclature.

2/ The CBERA affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67 and implemented by Presidential Proclamation 5133 of Nov. 30, 1983, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after Jan. 1, 1984; it is scheduled to remain in effect until Sept. 30, 1995. See general note 3(C)(V) to the HTS.

HTS Subheading	Rates of duty		
	Column 1 General	Special	Column 2
-----Percent ad valorem-----			
3926.90.55	5.1 percent	Free (B,E,IL) 4.5 percent (CA)	30 percent
3926.90.56	5.1 percent	Free (A,E*) 2.1 percent (IL) 4.5 percent (CA)	30 percent
3926.90.57	8.0 percent	Free (A) 3.2 percent (IL) 7.2 percent (CA)	74 percent
3926.90.59	2.4 percent	Free (E*) 1.0 percent (IL) 2.1 percent (CA)	25 percent
3926.90.60	4.2 percent	Free (A,E,IL) 3.7 percent (CA)	25 percent
4010.10.10	5.1 percent	Free (B,E*,IL) 4.5 percent (CA)	30 percent
4010.10.50	4.2 percent	Free (A,E,IL) 3.7 percent (CA)	25 percent
4010.91.11	5.1 percent	Free (A,E*) 2.1 percent (IL) 4.5 percent (CA)	30 percent
4010.91.15	8.0 percent	Free (A) 3.2 percent (IL) 7.2 percent (CA)	74 percent
4010.91.19	2.4 percent	Free (E*) 1.0 percent (IL) 2.1 percent (CA)	25 percent
4010.91.50	4.2 percent	Free (A,E,IL) 3.7 percent (CA)	25 percent
4010.99.11	5.1 percent	Free (A,E*) 2.1 percent (IL) 4.5 percent (CA)	30 percent
4010.99.15	8.0 percent	Free (A) 3.2 percent (IL) 7.2 percent (CA)	74 percent
4010.99.19	2.4 percent	Free (E*) 1.0 percent (IL) 2.1 percent (CA)	25 percent
4010.99.50	4.2 percent	Free (A,E,IL) 3.7 percent (CA)	25 percent
5910.00.10	8.0 percent	Free (A) 3.2 percent (IL) 7.2 percent (CA)	74 percent
5910.00.90	5.1 percent	Free (E*) 2.1 percent (IL) 4.5 percent (CA)	30 percent
7326.20.00	5.7 percent	Free (A,B,C,E,IL) 5.1 percent (CA)	45 percent

rate is provided for products of Israel (IL,A or A*), the column 1 general duty rate applies. Those imports followed by the code B are covered by the Automotive Products Trade Act, and those indicated by the code C enter free of duty under the Agreement on Trade in Civil Aircraft. Those imported products receiving duty-free or reduced-duty treatment under the United States-Canada Free-Trade Agreement are indicated by the code CA.

Nature and Extent of Subsidies
and Sales at LTFV

Commerce's final countervailing duty determinations

Effective April 18, 1989, Commerce determined that benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters of industrial belts in Israel (54 FR 15509). The estimated net subsidy is 15.42 percent ad valorem for Israeli manufacturers. In addition, Commerce found that critical circumstances do exist in this case. 1/

Commerce's final countervailing duty determinations were negative for Singapore (54 FR 15520) and South Korea (54 FR 15513). The Israeli programs determined to constitute subsidies and the details of Commerce's final determinations are contained in Commerce's notices of April 18, 1989 (app. A).

Commerce's final LTFV determinations

Effective April 18, 1989, Commerce determined that industrial belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany are being, or are likely to be, sold in the United States at LTFV (54 FR 15481-15507). Commerce's final LTFV margins are presented in the following tabulation (in percent ad valorem):

Israel:	
Magam.....	79.25
All others.....	79.25
Italy:	
Pirelli.....	74.90
All others.....	74.90
Japan:	
Bando.....	93.16
All others.....	93.16
Singapore:	
Mitsuboshi.....	31.73
All others.....	31.73
South Korea:	
Dongil.....	64.37
All others.....	64.37

1/ Commerce assumed that there were massive imports of the subject merchandise over a relatively short period based on import statistics that were based on basket tariff categories. Respondents did not supply verifiable data on company-specific exports of the subject merchandise.

Taiwan:	
Hsing Kwo.....	12.13
All others.....	12.13
United Kingdom:	
J.H. Fenner.....	6.80
Optibelt.....	74.16
All other.....	73.85
West Germany:	
Optibelt.....	100.60
All other.....	100.60

For reasons stated in its notices of April 18, 1989 (app. A), Commerce used the highest margin contained in the petition for each of the product types for the period of the investigations as "the best information available" to establish final dumping margins for Israel, Italy, Japan, South Korea, and West Germany. The best information available from the petition was also used with respect to the United Kingdom to establish the LTFV margin for Optibelt Corp., whereas J.H. Fenner cooperated with Commerce by completing its questionnaire. The Singapore producer and Taiwan producer cooperated with Commerce in its final investigations with respect to those countries.

The producer in Singapore makes sales through a related sales agent in the United States. Commerce found that the merchandise in question was shipped directly from the manufacturer to the unrelated buyer without being introduced into the inventory of the related selling agent. For Taiwan, Commerce's investigation was limited to Hsing Kwo Rubber Mfg. Co., Ltd. (Hsing Kwo), the producer in Taiwan responsible for the bulk of exports to the United States of the subject merchandise during the period January 1, 1988, through June 30, 1988. According to Commerce (54 FR 15496), virtually all of Hsing Kwo's sales are made through a related sales agent in the United States prior to importation. The related sales agent, Hsing Kwo USA, receives orders and transmits them to Taiwan. The manufacturer in Taiwan then packs the merchandise for each order in cartons stamped with shipping marks identifying the ultimate customer. The cartons are then packed into international shipping containers (along with cartons of V-belts destined for other customers as well as cartons of merchandise not covered by the investigation), which are shipped to Hsing Kwo USA. Hsing Kwo USA unpacks the containers and forwards the individual cartons on to the ultimate purchaser.

A breakdown of the LTFV sales examined by Commerce for the period January 1, 1988, through June 30, 1988, is presented in the following tabulation:

<u>Country</u>	<u>U.S. Sales</u>		<u>Sales at LTFV</u>	
	<u>(Units)</u>	<u>(Value)</u>	<u>(Units)</u>	<u>(Value)</u>
Singapore	***	\$***	***	\$***
Taiwan	***	***	***	***
United Kingdom:				
Fenner (only)	***	***	***	***

Petitioner alleged that critical circumstances exist within the meaning of the Tariff Act of 1930 with respect to each of the eight subject countries. Commerce found in its final determinations, as described in its notices (app. A), that critical circumstances exist with respect to imports of the subject merchandise from Magam (Israel), from Pirelli (Italy), from Bando (Japan), from

Dongil (South Korea), from Optibelt (United Kingdom), and from Optibelt (West Germany). 1/ Commerce, in its final determinations, found that critical circumstances do not exist with respect to imports of the subject merchandise from all other producers in Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany.

The U.S. Market

The petitioner states that there is only one product subject to investigation and that product is all industrial belts, whether timing or V-belts, round or flat belts. The Commission, however, stated that in these final investigations, it would consider whether or not automotive belts should be included with industrial belts and, in addition, it would collect data on various types of industrial belts. 2/ The industrial belts included within the scope of the petition are many and varied. They range in size from small belts, such as those in sewing machines and electronic equipment, to huge belts over 100 feet long used on the larger machinery in many industries. They are sold as individual belts in endless (i.e., closed loop) form, as sleeves of endless product that are then cut to the appropriate width by distributors, and as long lengths of V-beltting or flat beltting that are then cut to size by either a distributor or jobber or by the end user.

Apparent U.S. consumption

Apparent U.S. consumption of industrial belts, as calculated by adding domestic firms' U.S. shipments of their own production plus U.S. shipments of imported product, is shown in table 1. 3/ Apparent U.S. consumption of all industrial belts increased 7.8 percent (based on units) from 1986 to 1987 and increased 2.3 percent from 1987 to 1988. U.S. producers' shipments increased 3.6 percent from 1986 to 1987 and then declined 0.7 percent from 1987 to 1988. Importers' shipments of all industrial belts from all countries increased 50.1 percent (based on units) from 1986 to 1987 and increased 23.4 percent from 1987 to 1988. The value of apparent U.S. consumption of all industrial belts increased 11.1 percent from 1986 to 1987 and increased 4.9 percent from 1987 to 1988. The value of U.S. producers' shipments of all industrial belts increased

1/ Of the companies listed above, only Pirelli (Italy) provided monthly export data for the period November 1987 through January 1989, as requested by Commerce. With respect to the remaining companies listed above, Commerce assumed that there were massive imports of the subject merchandise over a relatively short period based on import statistics that were based on basket tariff categories. Respondents did not supply verifiable data on company-specific exports of the subject merchandise.

2/ Industrial Belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany--Determinations of the Commission in Investigations Nos. 701-TA-293-295 (Preliminary) and 731-TA-412-419 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations, USITC Pub. 2113, Aug. 1988, pp. 1-40.

3/ In the following statistical tables, data for unspecified "other" industrial belts are believed to be comprised predominantly of certain flat belts and round belts. However, in tables where V-link and nylon-core beltting are not listed separately, such beltting is also included in the "other" category.

Table 1

Industrial belts: U.S. shipments of domestic and imported product and apparent U.S. consumption, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. - Feb. - -	
				1988	1989
	Quantity (1,000 units)				
V-Belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***
Synchronous belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***
Nylon-core belting:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***
V-Link belting:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***
Other industrial belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***
All industrial belts:					
Producers' U.S. shipments..	75,413	78,123	77,572	13,394	13,104
U.S. shipments of imports..	7,435	11,158	13,770	2,600	1,810
Total, apparent U.S. consumption.....	82,848	89,281	91,342	15,994	14,914
	Value (1,000 dollars)				
V-Belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***
Synchronous belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***
Nylon-core belting:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***

Table 1--Continued

Industrial belts: U.S. shipments of domestic and imported product and apparent U.S. consumption, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
Value (1,000 dollars)					
V-Link belting:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***
Other industrial belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	***	***	***	***	***
All industrial belts:					
Producers' U.S. shipments..	225,586	250,725	255,666	42,310	43,143
U.S. shipments of imports..	27,876	36,119	45,104	7,526	6,570
Total, apparent U.S. consumption.....	253,462	286,844	300,770	49,836	49,713
As a share of the quantity of apparent U.S. consumption (percent)					
V-Belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
Synchronous belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
Nylon-core belting:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
V-Link belting:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
Other industrial belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
All industrial belts:					
Producers' U.S. shipments..	91.0	87.5	84.9	83.7	87.9
U.S. shipments of imports..	9.0	12.5	15.1	16.3	12.1
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0

Table 1--Continued

Industrial belts: U.S. shipments of domestic and imported product and apparent U.S. consumption, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
	As a share of the value of apparent U.S. consumption (percent)				
V-Belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
Synchronous belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
Nylon-core belting:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
V-Link belting:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
Other industrial belts:					
Producers' U.S. shipments..	***	***	***	***	***
U.S. shipments of imports..	***	***	***	***	***
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
All industrial belts:					
Producers' U.S. shipments..	89.0	87.4	85.0	84.9	86.8
U.S. shipments of imports..	11.0	12.6	15.0	15.1	13.2
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0

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

11.1 percent from 1986 to 1987 and increased 2.0 percent from 1987 to 1988. The value of importers' shipments of all industrial belts from all countries increased 29.6 percent from 1986 to 1987 and increased 24.9 percent from 1987 to 1988.

The U.S. producers' share of total apparent consumption of all industrial belts declined from 91.0 percent (based on units) in 1986 to 87.5 percent in 1987 and to 84.9 percent in 1988. Thus, importers' share of total apparent consumption of all industrial belts, imported from all countries, rose from 9.0 percent (based on units) in 1986 to 12.5 percent in 1987 and to 15.1 percent in 1988.

Quantities were collected, and reported in most of the following tables, in both units and in pounds; however, more firms were able to provide data in units than in pounds, and this was true among U.S. producers 1/ and many importers of product sourced from the subject eight countries. The HTS and TSUS require importers to report imports of power belts in pounds and, consequently, some importers were able to report in pounds or dollars, but not in units. However, belts are marketed in units, and there is no indication that belts are sold by the pound. Thus, for belts, the parties to these proceedings agreed (at the Commission's hearing) that quantity in units is more accurate than quantity in pounds. Some belting, such as V-link belting, is sold in feet, whereas other belting, such as nylon-core belting, is often sold in strips, inch-feet, or in square inches or square meters.

Respondents contend that there is no clearcut distinction between industrial belts and automotive belts in the types of production processes, the skills of the labor force employed, and the types of machinery used, 2/ and they have encouraged the Commission to consider the U.S. industry to be U.S. producers of all power belts, both industrial and automotive, and the domestic "like" product to be all power belts. Therefore, data have again been collected on automotive belts. Consumption and trade data for automotive belts have been added with data for industrial belts to obtain totals for "all power belts." Data for all power belts are presented in appendix C.

U.S. producers

There have been several changes in plant ownership among firms producing power belts during the period under investigation. In June 1986, Gates bought the timing belt business from Uniroyal; in October 1986 Armtek Corp. bought the worldwide rubber operations of Dayco Corp. and turned the U.S. assets over to a newly formed, wholly owned subsidiary called Dayco Products, Inc. (Dayco); and in December 1986 the B.F. Goodrich Co. sold the assets of its Hose and Belts Division to the H.K. Porter Co., Inc., which in turn transferred the assets to its wholly owned subsidiary, Thermoid, Inc. (Thermoid). In responding to the Commission's questionnaire, firms were required to report data for the entire period of investigation, not just for the period since purchase. Likewise,

1/ All U.S. producers completing questionnaires provided information on their U.S. shipments of industrial belts in units; however, * * *, accounting for * * * percent of the value of 1988 U.S. shipments, did not provide information on pounds.

2/ Transcript of the public conference, pp. 115-119.

throughout this report, unless otherwise specified, a reference to a firm encompasses not only the current firm, but also its predecessor.

There are 10 U.S. firms producing, or believed to be producing, industrial belts and of these 10 firms, 4 also produce automotive belts. The production of both types of belts is heavily concentrated, with three firms, * * *, accounting for about 85 percent of the number of industrial belts produced during 1986-88. There are two new plants as of 1988. One, the Illinois Manufacturing Division of MBL (USA) Corp. (MBL), began production in March 1988. The second new plant, Bando Manufacturing of America, begin production of * * *. Both of these new plants can produce both industrial and automotive belts.

* * * does not produce nylon-core belting or V-link belting, but * * * reported data for products that it claims are competitive with nylon-core and V-link belting. The petitioner stated that three firms, J.E. Rhoads & Sons, Page Belting Co., and Shingle Belting Co., produce nylon-core belting in the United States. * * *. * * * provided a worthless response to the Commission's producers' questionnaire. * * * made a "good faith" effort to respond to the Commission's producers' questionnaire; however, the firm was unable to separate products produced by the firm that are subject to these investigations from products that are not subject to these investigations. * * *. 1/ * * *. Only one U.S. producer, * * *, reported actual production of V-link belting.

The responding U.S. producers, their position with respect to the petition, their shares of total U.S. industrial belt production in 1988 (on the basis of units produced), and their plant locations are shown in the following tabulation:

<u>Firm</u>	<u>Position on petition</u>	<u>Share of reported U.S. production of industrial belts Percent</u>	<u>Plant location</u>
BMA <u>1/</u>	Opposes	<u>1/</u>	Bowling Green, KY
Dayco	***	***	Fort Scott, KS Springfield, MO Walterboro, SC Waynesville, NC Williston, SC
Durkee- Atwood	***	***	New Hope, MN <u>2/</u> Red Wing, MN

See footnotes at end of tabulation.

1/ John McGough, President, J.E. Rhoads & Sons, testified at the Commission's hearing that his firm supports Gates' petition with respect to certain products, but opposes the petition with respect to products produced by Rhoads. McGough stated that Rhoads imports, from West Germany, the special nylon used for the core of Rhoads' belting and that such nylon is potentially subject to dumping duties depending on the outcome of the Commission's investigations.

Fenner America Inc. (Fenner Manheim) <u>3/</u>	***	***	Manheim, PA
Gates	Supports	***	Denver, CO Elizabethtown, KY Moncks Corner, SC Siloam Springs, AR
Goodyear MBL <u>4/</u>	Supports Opposes	*** ***	Lincoln, NE Lombard, IL (Chemi-flex Div.) Ottawa, IL <u>5/</u>
Thermoid	***	***	Elgin, SC

1/ Subsidiary of Bando Chemical Industries, Ltd., of Japan. BMA began production in September 1988, with a * * * units/year capacity for all power belts.

2/ Ceased production of power drive belts as of May 1, 1988.

3/ Subsidiary of J.H. Fenner & Co., Ltd., of Marfleet Hull, the United Kingdom.

4/ Subsidiary of Mitsuboshi Belting, Ltd., of Kobe, Japan (with * * *-percent ownership by Kuriyama Corp., Osaka, Japan).

5/ Plant began operation in March 1988 with * * * units/year capacity.

At the Commission's hearing, counsel for Gates and counsel for Bando were asked their views with respect to whether or not the questionnaire data for the new MBL plant at Ottawa, IL, and the new Bando plant at Bowling Green, KY, should be excluded from the domestic industry. Both counsels share the opinion that the Commission should not use these data, but differ as to reasons. MBL withdrew from the Commission's proceedings prior to the hearing; consequently, counsel for MBL did not address this question. * * *.

MBL's Chemi-flex plant and Fenner Manheim's plant, which have been in operation throughout the period of investigation, are included in the domestic industry data presented.

U.S. importers

The Commission sent importers' questionnaires to each of the firms identified by petitioner as a U.S. producer or a U.S. importer of industrial belts and to over 100 additional firms identified by the Customs net import file as importers under the relevant basket tariff items. The Commission received usable data from about 40 firms that reported imports of industrial belts and/or automotive belts during the period of investigation. These firms are believed to account for over 80 percent of imports of industrial belts during January 1986-February 1989.

Channels of distribution

Domestic producers and importers sell industrial belts in the U.S. market directly to unrelated original-equipment manufacturers (OEMs) and to distributors. Distributors, in turn, sell to small OEMs and supply the end-

user replacement markets in the geographical regions they serve. Large volume end users may at times negotiate prices with producers and importers, but generally are supplied by distributors. Some large end users import belts directly for their own use.

Industrial belts are marketed through different channels of distribution than are automotive belts. Automotive warehouse distributors do not distribute industrial belts and vice versa. Industrial belt distributors sell to professional maintainers of industrial equipment and to appliance parts outlets serving the replacement market, or to small OEMs directly. Auto parts outlets do not carry replacement belts for appliances such as washers, dryers, vacuum sweepers, etc. Although distributors stock a full line of industrial belts, distribution of industrial belts reflects a pattern of market specialization focused on the power transmission demands of each distributor's geographic location. Generally, distributors carry a single brand of industrial belts.

Some domestic producers use independent factory representatives (reps) to cover the market for industrial belts for both types of accounts. Prior to 1986, Goodyear used distributors of pulleys to cover the distributor market. Since then, Goodyear has developed a network of industrial belt distributors that buy direct.

The replacement market provides the largest segment of demand for industrial belts, estimated by Gates at roughly 60 percent of total demand in terms of quantity. Overall, Gates serves the market from seven strategically located regional warehouses. The channels of distribution for automotive and industrial belts are shown in figures 1 and 2.

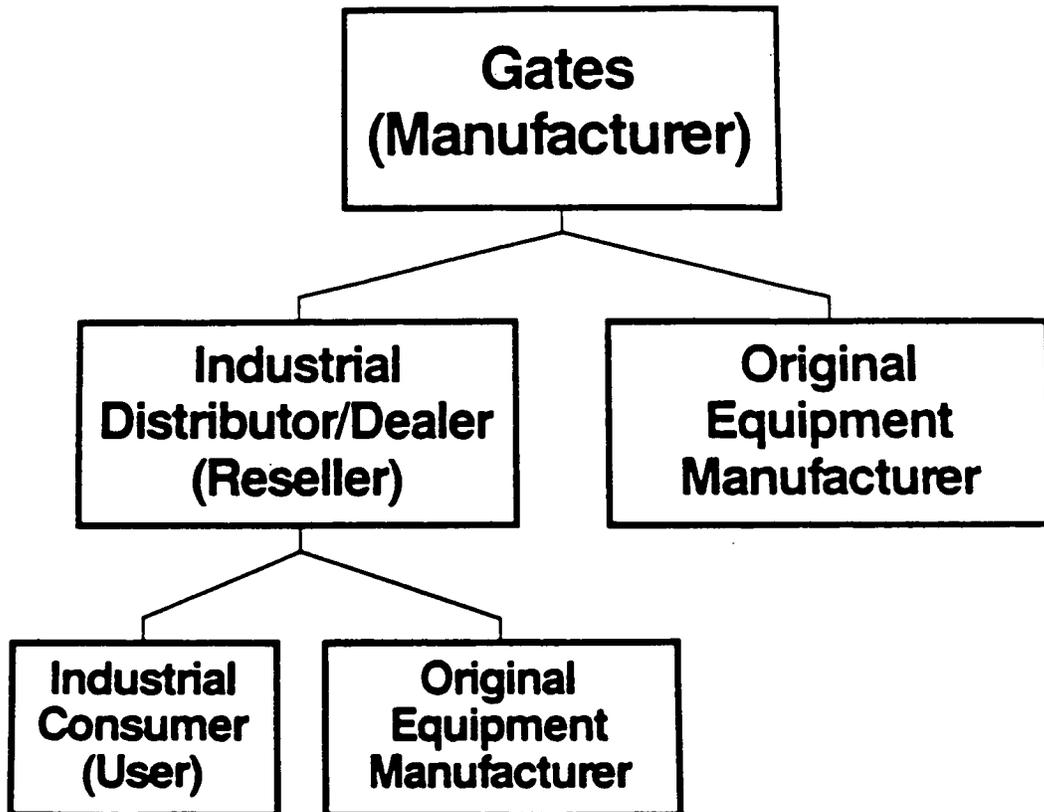
Consideration of Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

Table 2 shows U.S. producers' production and average capacity, on the basis of both units and weight, for industrial belts (data for automotive belts and for all power belts are presented in appendix C, table C-2). Because * * *, accounting for about * * * percent of reported industrial belt capacity and production in units in 1988, could not provide the Commission with information on the basis of weight, units are the more reliable measure of quantity. U.S. production of all industrial belts decreased 1.1 percent in units from 1986 to 1987 and increased 7.0 percent from 1987 to 1988. The reported average practical capacity to produce industrial belts increased 2.4 percent from 1986 to 1987 and increased 1.2 percent from 1987 to 1988, on the basis of units. Average capacity utilization for all industrial belts, on the basis of units, was relatively constant at about 62-66 percent during 1986-88.

Figure 1
Channels of distribution for industrial belt products

Industrial Belt Products Movement Into The Marketplace



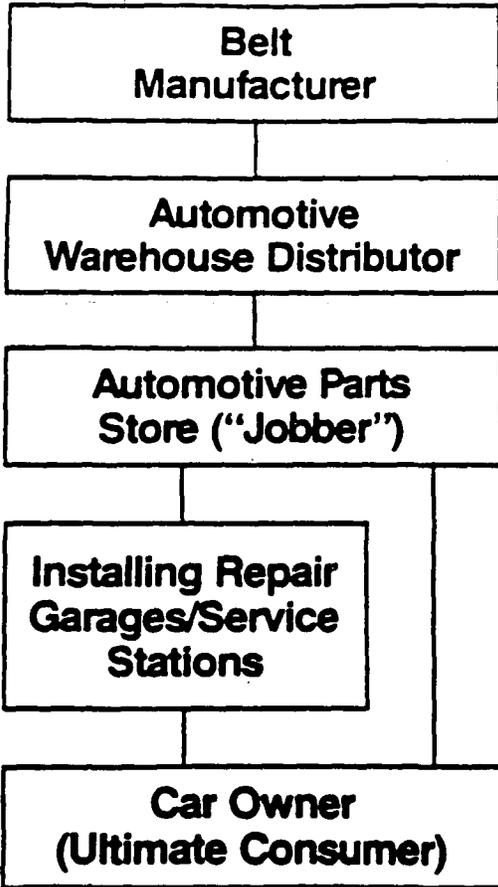
Note: Original equipment manufacturers may purchase either directly from belt manufacturers or from industrial distribution depending upon such factors as:

- Price competition
- Inventory carrying requirements
- Packaging of components (other goods and services)
- Other value-added services required by the original equipment manufacturer

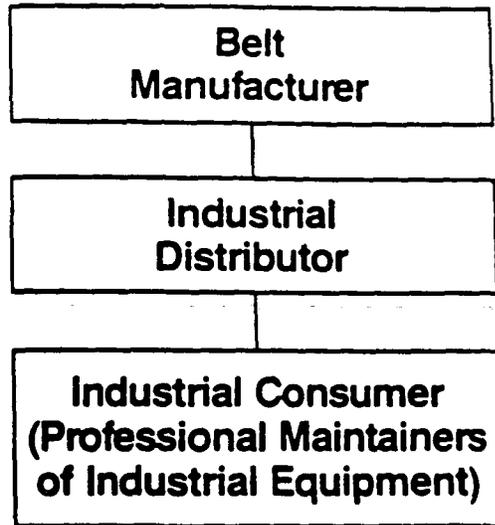
Source: The Gates Rubber Co., conference exhibits.

Figure 2
Channels of distribution for automotive and industrial replacement belts

Automotive Belt Replacement Channel



Industrial Belt Replacement Channel



Channel Characteristics

- Ultimate consumer makes purchases infrequently (due to limited exposure — 2 cars, approx. 6-8 belt drives, average belt life 5 years).
- Consumer depends on manufacturer and value adding intermediaries to specify belt size/type.
- Belt manufacturer must make substantial effort developing application information.
- Product line is relatively consolidated (2 basic belt categories, approx. 600 part numbers total).
- Manufacturer provides detailed inventory recommendations to all intermediaries in channel.

Channel Characteristics

- Industrial Consumer routinely purchases replacement belts (due to broader number of drives typically maintained and average 1000 to 4000 hour belt life).
- Industrial Consumer develops history and expertise in specifying belts due to frequent exposure.
- Belt Manufacturers do not develop formal application information for Industrial drives.
- Product line is very broad — 10 major categories, over 3400 part numbers.
- Manufacturer does not provide inventory recommendations to Distributors or Industrial Consumers.

Source: The Gates Rubber Co., conference exhibits.

Table 2
Industrial belts: U.S. capacity, production, and capacity utilization, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. - Feb. - 1988	1989
Quantity (1,000 pounds) 1/					
Average capacity:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Production:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts:					
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts...	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Total, all industrial belts.....	***	***	***	***	***
Quantity (1,000 units)					
Average capacity:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	126,448	129,504	131,106	23,180	22,996
Production:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts:					
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts...	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Total, all industrial belts.....	81,250	80,364	86,018	15,217	14,132
Capacity utilization 2/ (percent)					
On the basis of pounds:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
On the basis of units:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	64.3	62.1	65.6	65.6	61.5

1/ Firms accounting for * * * percent of units produced in 1988 could not provide data on the basis of pounds.

2/ Capacity utilization rates are based on data for those firms that provided figures for both capacity and production; therefore, ratios based on capacity and production figures as presented may not reconcile.

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

U.S. producers' U.S. shipments and export shipments

Data reported by domestic firms on their shipments for the U.S. market and their shipments for the export market are presented in table 3. ^{1/} Units are considered a more reliable indication of quantity because weight data were not provided by * * *, which accounted for about * * * percent of the units and value of U.S. shipments of industrial belts in 1988.

Shipments of all industrial belts for the U.S. market increased 3.6 percent from 1986 to 1987, on the basis of units, and then decreased 2.8 percent from 1987 to 1988. The value of U.S. shipments of all industrial belts increased 11.1 percent from 1986 to 1987 and increased 2.0 percent from 1987 to 1988.

Exports of industrial belts, in units, increased throughout the period 1986-88, and then continued to rise during January-February 1989 compared with exports in the corresponding period of 1988. On the basis of value, exports exhibited similar increases. In general, U.S. producers reported exports of industrial belts to Asia, Europe, and Latin America. More specifically, U.S. producers reported exports to Australia, Argentina, Canada, Japan, the United Kingdom, and West Germany.

^{1/} Shipments of automotive and all power drive belts are presented in app. C, table C-3.

Table 3
 Industrial belts: Shipments of U.S. producers, by types and by products,
 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. - Feb. --	
				1988	1989
Quantity (1,000 pounds)					
U.S. shipments: 1/ 2/					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Export shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Total shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Quantity (1,000 units)					
U.S. shipments: 2/					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	75,413	78,123	77,572	13,394	13,104
Export shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	3,870	5,036	6,679	830	1,796
Total shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	79,283	83,159	84,251	14,224	14,900

See footnotes at end of table.

Table 3--Continued

Industrial belts: Shipments of U.S. producers, by types and by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
Value (1,000 dollars)					
U.S. shipments: 2/					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	225,586	250,725	255,666	42,310	43,143
Export shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	12,285	16,338	22,083	2,895	5,455
Total shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	237,871	267,063	277,749	45,205	48,598
Unit value (per pound) 3/					
U.S. shipments: 2/					
V-Belts.....	\$***	\$***	\$***	\$***	\$***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
Export shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
Total shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	***	***	***	***	***

See footnotes at end of table.

Table 3--Continued
 Industrial belts: Shipments of U.S. producers, by types and by products,
 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. -Feb. --	
				1988	1989
	Unit value (per unit) 3/				
U.S. shipments: 2/					
V-Belts.....	\$***	\$***	\$***	\$***	\$***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	2.99	3.21	3.30	3.16	3.29
Export shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	3.19	3.24	3.31	3.48	3.03
Total shipments:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	3.00	3.21	3.30	3.18	3.26

1/ Firms accounting for * * * percent of the value of U.S. shipments in 1988 were unable to provide quantity data on the basis of pounds.

2/ U.S. shipments consists of company transfers plus domestic shipments.

3/ Computed from data supplied by firms providing figures for both quantity and value.

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

Reported U.S. shipments in 1988 to distributors and to original equipment manufacturers by firms able to estimate their shipments by industrial belt type are shown in the following tabulation:

<u>Type belt</u>	<u>Distributors</u>		<u>Original equipment manufacturers</u>	
	<u>Quantity</u> <u>(1,000)</u> <u>units</u>	<u>Value</u> <u>(1,000)</u> <u>dollars</u>	<u>Quantity</u> <u>(1,000)</u> <u>units</u>	<u>Value</u> <u>(1,000)</u> <u>dollars</u>
Industrial belts:				
V-Belts:				
Classical.....	***	***	***	***
Narrow.....	***	***	***	***
Jointed classical.....	***	***	***	***
Jointed narrow.....	***	***	***	***
Classical molded notch....	***	***	***	***
Double-V or hex.....	***	***	***	***
Fractional horsepower.....	***	***	***	***
V-ribbed.....	***	***	***	***
Variable speed.....	***	***	***	***
Spliced or link open end.....	***	***	***	***
Special light-duty.....	***	***	***	***
Total.....	***	***	***	***
Timing belts:				
Synchronous or positive drive.....	***	***	***	***
Double-sided synchronous..	***	***	***	***
High torque drive synchronous.....	***	***	***	***
Total.....	***	***	***	***
Nylon-core belting <u>1/</u>	***	***	***	***
Polyurethane or segmented V-link belting.....	***	***	***	***
Other industrial belts.....	***	***	***	***
Total.....	***	***	***	***
Automotive belts:				
V-belts.....	***	***	***	***
Timing belts.....	***	***	***	***
Other automotive belts.....	***	***	***	***
Total.....	***	***	***	***
Grand total.....	90,615	312,005	70,599	180,914

U.S. producers' inventories

U.S. producers' reported end-of-period inventories of all industrial belts that were produced in their U.S. establishments are presented in table 4. ^{1/} Inventories in units decreased 12.3 percent from 1986 to 1987 and then increased slightly (0.9 percent) from 1987 to 1988. Inventories at the end of February 1989 were lower than those at the end of February 1988.

The ratio of end-of-period inventories (in units) to preceding period U.S. shipments ranged from 24.6 to 30.8 percent for all industrial belts during the period of investigation.

U.S. employment, wages, and productivity

Data on total employment and hours worked by and compensation paid to production and related workers (PRWs) in establishments wherein industrial and automotive belts are produced are presented in table 5. Employment of PRWs producing all industrial belts fell 11.9 percent from 1986 to 1987 and then increased 6.9 percent from 1987 to 1988. Employment of such workers increased during January-February 1989 when compared with that in January-February 1988. Hours worked, wages, and total compensation for such workers similarly declined from 1986 to 1987 and then rose from 1987 to 1988. Hourly wages and productivity (on the basis of units) for industrial belt workers increased slightly during 1986-88. Unit labor costs (on the basis of units) were relatively constant during 1986-88.

In response to a question in the Commission's questionnaire, two firms indicated that they had reduced the number of PRWs producing industrial belts some time after January 1986 and two additional firms reported such reductions in PRWs producing all power belts, as shown in the following tabulation:

<u>Firm</u>	<u>Product</u>	<u>Date of reduction</u>	<u>PRWs (Number)</u>	<u>Duration of reduction</u>
*	*	*	*	*

Certain production and related workers of four of the U.S. firms are unionized. The PRWs of Dayco (Springfield and Waynesville), Goodyear, Durkee-Atwood (Red Wing), and Gates (Denver and Elizabethtown Belting and Hose plant) belong to the United Rubber Workers; the PRWs of Gates (Elizabethtown Polyflex plant) belong to the International Union of Electrical Workers; PRWs at Durkee-Atwood (New Hope), which ceased production of power belts in May 1988, belong to the United Auto Workers. PRWs employed by MBL's Chemi-flex plant, by Gates' Moncks Corner and Siloam Spring plants, by Thermoid, and by Bando do not belong to a union.

^{1/} Data for automotive belts and all power drive belts are presented in app. C, table C-4.

Table 4

Industrial belts: End-of-period inventories held by U.S. producers, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
<u>End-of-period inventories (1,000 pounds)</u>					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
<u>End-of-period inventories (1,000 units)</u>					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	22,385	19,642	19,811	20,395	18,973
<u>Ratio to U.S. shipments (percent) 1/</u>					
On the basis of pounds:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
On the basis of units:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	30.8	26.0	26.4	25.8	24.6

See footnotes at end of table.

Table 4--Continued

Industrial belts: End-of-period inventories held by U.S. producers, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. - Feb. - -	
				1988	1989
	<u>Ratio to total shipments (percent) 1/</u>				
On the basis of pounds:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
On the basis of units:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	29.3	24.5	24.4	24.4	21.6

1/ Ratios are based on data supplied by firms that reported both inventory and shipments information. Partial-year ratios are based on annualized shipments.

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

Table 5

Total establishment employment and average number of production and related workers producing industrial and automotive belts, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-February 1988, and January-February 1989 3/

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
Average number of employees..	7,119	6,838	7,094	6,907	7,192
<u>Number of production and related workers (PRWs)</u>					
All products of establishments.....	5,385	5,264	5,471	5,309	5,538
Industrial belts:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	2,124	1,872	2,001	1,937	2,016
Automotive belts.....	1,062	965	1,097	1,066	1,133
<u>Hours worked by PRWs (thousands)</u>					
All products of establishments.....	10,975	11,025	11,356	5,565	5,788
Industrial belts:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	4,443	4,206	4,364	1,853	1,845
Automotive belts.....	2,231	2,060	2,325	864	882
<u>Wages paid to PRWs (1,000 dollars)</u>					
All products of establishments.....	120,187	120,055	126,979	44,171	56,530
Industrial belts:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	45,153	43,245	46,182	15,684	15,587
Automotive belts.....	24,330	22,968	26,708	8,586	8,003
<u>Total compensation paid to PRWs (1,000 dollars)</u>					
All products of establishments.....	158,123	158,248	171,224	72,821	76,479
Industrial belts:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	58,663	55,764	61,222	20,920	20,567
Automotive belts.....	30,777	29,096	34,614	10,211	10,455

See footnotes at end of table.

Table 5--Continued

Total establishment employment and average number of production and related workers producing industrial and automotive belts, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-February 1988, and January-February 1989 3/

Item	1986	1987	1988	Jan. -Feb. --	
				1988	1989
<u>Hourly wages paid to PRWs 4/</u>					
All products of establishments.....	\$10.95	\$10.89	\$11.18	\$7.94	\$9.77
Industrial belts:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	10.16	10.28	10.58	8.46	8.45
Automotive belts.....	10.91	11.15	11.49	9.94	9.07
<u>Hourly total compensation paid to PRWs 5/</u>					
All products of establishments.....	\$14.41	\$14.35	\$15.08	\$13.09	\$13.21
Industrial belts:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	13.20	13.26	14.03	11.29	11.15
Automotive belts.....	13.80	14.12	14.89	11.82	11.85
<u>Productivity (per hour) 6/</u>					
On the basis of pounds:					
Industrial belts:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts...	***	***	***	***	***
Average.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
On the basis of units:					
Industrial belts:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts...	***	***	***	***	***
Average.....	17.6	18.4	19.0	8.1	7.5
Automotive belts.....	55.1	51.4	44.8	19.9	20.3

See footnotes at end of table.

Table 5--Continued

Total establishment employment and average number of production and related workers producing industrial and automotive belts, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-February 1988, and January-February 1989 3/

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
<u>Unit labor costs 7/</u>					
On the basis of pounds:					
Industrial belts:					
V-Belts.....	\$***	\$***	\$***	\$***	\$***
Synchronous belts.....	***	***	***	***	***
Other industrial belts...	***	***	***	***	***
Average.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
On the basis of units:					
Industrial belts:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Other industrial belts...	***	***	***	***	***
Average.....	0.75	0.72	0.74	1.40	1.48
Automotive belts.....	0.25	0.28	0.33	0.59	0.58

1/ Includes hours worked plus hours of paid leave time.

2/ Includes wages and contributions to Social Security and other employee benefits.

3/ Firms providing employment data accounted for * * * percent of reported quantity (in units) of total shipments of industrial belts, and * * * percent of such shipments of automotive belts, in 1988.

4/ Calculated using data from firms that provided information on both wages paid and hours worked.

5/ Calculated using data from firms that provided information on both total compensation paid and hours worked.

6/ Calculated using data from firms that provided information on hours worked and production.

7/ On the basis of total compensation paid. Calculated using data from firms that provided information on total compensation paid and production.

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

Financial experience of U.S. producers

Seven producers, accounting for virtually all of reported U.S. production of industrial belts in 1988, supplied separate income-and-loss data on overall operations of their establishments in which power belts are produced, including industrial belts. 1/ Five producers supplied income-and-loss data on industrial V-belts, 2/ and four each on industrial synchronous belts, all other industrial belts, and automotive belts. 3/ * * *.

Two Japanese-owned firms (MBL and Bando) have recently invested in new plants. 4/ MBL's investment was \$* * * and Bando's expenditures are estimated at \$* * *. * * *. Bando started operations in September 1988, * * *. * * *. The company further indicated that production consisted of * * * percent automotive belts and * * * percent industrial belts but did not provide sales or costs for the two categories separately. * * *. * * *.

Overall establishment operations.--In addition to automotive and industrial belts, some of the companies produce automotive hoses and other rubber products within their establishments. Belts accounted for 59.7 percent of overall establishment net sales in 1988. The overall establishment income-and-loss experience of the U.S. producers is presented in table 6.

Operations on all industrial belts.--Net sales of industrial belts increased 6.2 percent from \$248.1 million in 1986 to \$263.5 million in 1987, as shown in table 7. Sales rose 6.3 percent to \$280.1 million in 1988. Operating income was \$8.3 million in 1986, \$16.0 million in 1987, and \$8.4 million in 1988. Operating income margins, as a percent of sales, were 3.3 in 1986, 6.1 in 1987, and 3.0 in 1988. Operating losses were reported by three firms in 1986 and two firms in 1987 and 1988.

Net sales for the interim period ended February 28, 1989, were \$62.2 million, an increase of 3.6 percent over interim 1988 sales of \$60.0 million. Operating income was \$2.6 million and \$5.1 million in interim 1988 and interim 1989, respectively. Operating income margins, as a percent of sales, were 4.4 and 8.3 in interim 1988 and interim 1989, respectively. One firm reported an operating loss in interim 1988, and three firms reported operating losses in interim 1989. * * * did not provide comparable interim data.

1/ The firms are * * *.

2/ The firms are * * *, accounting for * * * percent of reported production of V-belts and * * * percent of reported production of all industrial belts.

3/ For synchronous belts, the firms are * * *, accounting for * * * percent of reported production of synchronous belts and * * * percent of reported production of all industrial belts. For all other industrial belts, the firms are * * *, accounting for * * * percent of reported production of all other industrial belts and * * * percent of reported production of all industrial belts. For automotive belts, the firms are * * *, accounting for * * * percent of reported production of automotive belts.

4/ * * *. MBL: The State of Illinois provided a \$2 million loan for plant and equipment and \$500,000 in job training funds. The city of Ottawa spent \$900,000 on road, land, water, and sewer improvements to prepare the 30-acre site. The plant also has been given sales tax and real estate tax benefits and abatements (see petition at p. 9). * * *.

Table 6

Income-and-loss experience of U.S. producers on the overall operations of their establishments within which industrial and automotive belts are produced, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989 ^{1/}

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989 ^{1/}
<u>Value (1,000 dollars)</u>					
Net sales.....	782,224	813,946	912,141	227,723	259,020
Cost of goods sold.....	534,074	558,430	634,310	156,682	180,881
Gross profit.....	248,150	255,516	277,831	71,041	78,139
General, selling, and administrative expenses...	183,110	177,912	206,002	53,612	56,236
Operating income.....	65,040	77,604	71,829	17,429	21,903
Startup or shutdown expense.....	3,185	868	1,371	167	205
Interest expense.....	1,696	4,150	2,378	542	587
Other expense, net.....	363	6,478	5,345	1,512	2,712
Net income before income taxes.....	59,796	66,108	62,735	15,208	18,399
Depreciation and amorti- zation included above.....	29,883	27,387	30,411	8,070	7,745
Cash-flow ^{2/}	89,679	93,495	93,146	23,278	26,144
<u>Share of net sales (percent)</u>					
Cost of goods sold.....	68.3	68.6	69.5	68.8	69.8
Gross profit.....	31.7	31.4	30.5	31.2	30.2
General, selling, and administrative expenses...	23.4	21.9	22.6	23.5	21.7
Operating income.....	8.3	9.5	7.9	7.7	8.5
Net income before income taxes.....	7.6	8.1	6.9	6.7	7.1
<u>Number of firms reporting</u>					
Operating losses.....	3	2	1	1	3
Net losses.....	3	2	2	2	3
Data.....	7	7	7	7	7

^{1/} * * *

^{2/} Cash-flow is defined as net income or (loss) plus depreciation and amortization.

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

Table 7
Income-and-loss experience of U.S. producers on their operations producing all industrial belts, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
<u>Value (1,000 dollars)</u>					
Net sales.....	248,083	263,523	280,108	60,011	62,158
Cost of goods sold.....	177,252	193,772	212,531	44,035	43,583
Gross profit.....	70,831	69,751	67,577	15,976	18,575
General, selling, and administrative expenses...	62,560	53,762	59,170	13,362	13,441
Operating income.....	8,271	15,989	8,407	2,614	5,134
Startup or shutdown expense.....	2,199	739	811	95	102
Interest expense.....	696	1,500	1,015	220	219
Other income or (expense), net.....	390	(2,325)	(1,568)	(635)	(987)
Net income before income taxes.....	5,766	11,425	5,013	1,664	3,826
Depreciation and amorti- zation included above.....	11,767	13,851	13,208	2,728	2,712
Cash-flow <u>1/</u>	17,533	25,276	18,221	4,392	6,538
<u>Share of net sales (percent)</u>					
Cost of goods sold.....	71.4	73.5	75.9	73.4	70.1
Gross profit.....	28.6	26.5	24.1	26.6	29.9
General, selling, and administrative expenses...	25.2	20.4	21.1	22.3	21.6
Operating income <u>2/</u>	3.3	6.1	3.0	4.4	8.3
Net income before income taxes.....	2.3	4.3	1.8	2.8	6.2
<u>Number of firms reporting</u>					
Operating losses.....	3	2	2	1	3
Net losses.....	3	2	2	2	3
Data.....	7	7	7	6	6

1/ Cash-flow is defined as net income or (loss) plus depreciation and amortization.

2/ For comparison purposes, operating income margins as a percent of sales for the Rubber and Miscellaneous Plastic Products industry from the Quarterly Financial Reports of the U.S. Department of Commerce were 6.1 percent for 1986, 6.5 percent for 1987, and 6.9 percent through the third quarter of 1988.

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

Net sales, operating income, and the operating income margin for all industrial belts are presented in table 8 for * * * (which together account for approximately * * * percent of 1988 net sales of all industrial belts) and for all others combined.

Table 8

Income-and-loss experience of U.S. producers on their operations producing all industrial belts, by firms, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
	Value (1,000 dollars)				
Net sales:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
All others.....	***	***	***	***	***
Total.....	248,083	263,523	280,108	60,011	62,158
Operating income or (loss):					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
All others.....	***	***	***	***	***
Total.....	8,271	15,989	8,407	2,614	5,134
	Share of net sales (percent)				
Operating income or (loss) margin:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
All others.....	***	***	***	***	***
Average <u>1/</u>	3.3	6.1	3.0	4.4	<u>2/</u> 8.3

1/ * * *. * * *.

2/ The increase in the average operating income margin is due partially to a general price increase for 1989.

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

Operations on industrial V-belts.--Net sales of industrial V-belts increased 4.3 percent from \$* * * in 1986 to \$* * * in 1987 and increased 5.4 percent to \$* * * in 1988, as shown in table 9. Operating income was \$* * * in 1986, \$* * * in 1987, and \$* * * in 1988. Operating losses were reported by two firms in 1986, 1987, and 1988.

Net sales for the interim period ended February 28, 1989, were \$* * *, an increase of 1.2 percent over interim 1988 sales of \$* * *. Operating income was \$* * * in interim 1988 and \$* * * in interim 1989. Two firms reported operating losses in interim 1988 and interim 1989.

Net sales, operating income, and the operating income margin for industrial V-belts are presented in table 10 for * * * (which together account for approximately * * * percent of 1988 net sales of industrial V-belts) and for all others combined.

Operations on industrial synchronous belts.--Net sales of industrial synchronous belts increased 4.8 percent from \$* * * in 1986 to \$* * * in 1987 and increased 13.2 percent to \$* * * in 1988, as shown in table 11. Operating income was \$* * * in 1986, \$* * * in 1987, and \$* * * in 1988. Operating losses were reported by one firm in 1986 and by two firms in 1987 and 1988.

Net sales for the interim period ended February 28, 1989, were \$* * *, an increase of 22.8 percent over interim 1988 sales of \$* * *. Operating income was \$* * * in interim 1988 and \$* * * in interim 1989. No firms reported operating losses in interim 1988 or interim 1989. * * * did not provide interim data.

Net sales, operating income, and the operating income margin for synchronous belts are presented in table 12 for each company.

Table 9

Income-and-loss experience of U.S. producers on their operations producing industrial V-belts, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
<u>Value (1,000 dollars)</u>					
Net sales.....	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income.....	***	***	***	***	***
Startup or shutdown expense.....	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other expense, net.....	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	***	***
Cash-flow <u>1/</u>	***	***	***	***	***
<u>Share of net sales (percent)</u>					
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income.....	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***
<u>Number of firms reporting</u>					
Operating losses.....	2	2	2	2	2
Net losses.....	2	2	2	3	2
Data.....	5	5	5	5	5

1/ Cash-flow is defined as net income or (loss) plus depreciation and amortization.

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

Table 10

Income-and-loss experience of U.S. producers on their operations producing industrial V-belts, by firms, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
Value (1,000) dollars					
Net sales:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
All others.....	***	***	***	***	***
Total.....	***	***	***	***	***
Operating income or (loss):					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
All others.....	***	***	***	***	***
Total.....	***	***	***	***	***
Share of net sales (percent)					
Operating income or (loss) margin:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
All others.....	***	***	***	***	***
Average.....	***	***	***	***	***

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

Table 11

Income-and-loss experience of U.S. producers on their operations producing industrial synchronous belts, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
<u>Value (1,000 dollars)</u>					
Net sales.....	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income.....	***	***	***	***	***
Startup or shutdown expense.....	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income, net.....	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	***	***
Cash-flow <u>1</u> /.....	***	***	***	***	***
<u>Share of net sales (percent)</u>					
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income or (loss)..	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***
<u>Number of firms reporting</u>					
Operating losses.....	1	2	2	0	0
Net losses.....	1	2	2	0	0
Data.....	4	4	4	3	3

1/ Cash-flow is defined as net income or (loss) plus depreciation and amortization.

2/ Less than 0.05 percent.

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

Table 12

Income-and-loss experience of U.S. producers on their operations producing industrial synchronous belts, by firms, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
	Value (1,000) dollars				
Net sales:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
Total.....	***	***	***	***	***
Operating income or (loss):					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
Total.....	***	***	***	***	***
	Share of net sales (percent)				
Operating income or (loss) margin:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
Average.....	***	***	***	***	***

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

Operations on industrial belts other than V-belts and synchronous belts. --Net sales of industrial belts other than V-belts and synchronous belts increased 42.1 percent from \$* * * in 1986 to \$* * * in 1987 and decreased 11.3 percent to \$* * * in 1988, as shown in table 13. Operating income was \$* * * in 1986, \$* * * in 1987, and \$* * * in 1988. Operating losses were reported by two firms in 1986, 1987, and 1988.

Net sales for the interim period ended February 28, 1989, were \$* * *, an increase of 4.2 percent over interim 1988 sales of \$* * *. Operating income was \$* * * in interim 1989. An operating loss of \$* * * was reported in interim 1988. One firm reported operating losses in interim 1988 and interim 1989. * * * did not provide interim data.

Net sales, operating income, and the operating income margin for other industrial belts are presented in table 14 for each company.

Operations on automotive belts. --Net sales decreased 3.8 percent from \$252.3 million in 1986 to \$242.7 million in 1987 and increased 9.0 percent to \$264.4 million in 1988, as shown in table 15.

Operating income was \$56.0 million in 1986, \$54.4 million in 1987, and \$52.2 million in 1988. An operating loss was reported by one firm in each period.

Net sales for the interim period ended February 28, 1989, were \$* * *, an increase of 12.6 percent over interim 1988 sales of \$* * *. Operating income was \$* * * in interim 1988 and \$* * * in interim 1989. One firm reported an operating loss in interim 1989. Automotive belt operating income margins were significantly higher than those for industrial belts. 1/

Net sales, operating income, and the operating income margin for automotive belts are presented in table 16 for each company.

1/ Operations on industrial and automotive belts combined are presented in app. C, table C-5.

Table 13

Income-and-loss experience of U.S. producers on their operations producing industrial belts other than V-belts and synchronous belts, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
<u>Value (1,000 dollars)</u>					
Net sales.....	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income or (loss)..	***	***	***	***	***
Startup or shutdown expense.....	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income or (expense), net.....	***	***	***	***	***
Net income or (loss) before income taxes.....	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	***	***
Cash-flow <u>1/</u>	***	***	***	***	***
<u>Share of net sales (percent)</u>					
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income or (loss)..	***	***	***	***	***
Net income or (loss) before income taxes.....	***	***	***	***	***
<u>Number of firms reporting</u>					
Operating losses.....	2	2	2	1	1
Net losses.....	2	2	2	1	1
Data.....	4	4	4	3	3

1/ Cash-flow is defined as net income or (loss) plus depreciation and amortization.

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

Table 14

Income-and-loss experience of U.S. producers on their operations producing industrial belts other than V-belts and synchronous belts, by firms, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
Value (1,000) dollars					
Net sales:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
Total.....	***	***	***	***	***
Operating income or (loss):					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
Total.....	***	***	***	***	***
Share of net sales (percent)					
Operating income or (loss) margin:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
Average.....	***	***	***	***	***

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

Table 15

Income-and-loss experience of U.S. producers on their operations producing automotive belts, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989 1/

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
	Value (1,000 dollars)				
Net sales.....	252,296	242,706	264,442	***	***
Cost of goods sold.....	130,066	128,320	146,961	***	***
Gross profit.....	122,230	114,386	117,481	***	***
General, selling, and administrative expenses...	66,190	60,016	65,256	***	***
Operating income.....	56,040	54,370	52,225	***	***
Startup or shutdown expense.....	809	107	507	***	***
Interest expense.....	179	538	376	***	***
Other expense, net.....	578	2,289	2,761	***	***
Net income before income taxes.....	54,474	51,436	48,581	***	***
Depreciation and amorti- zation included above.....	7,763	6,883	8,354	***	***
Cash-flow <u>2/</u>	62,237	58,319	56,935	***	***
	Share of net sales (percent)				
Cost of goods sold.....	51.6	52.9	55.6	***	***
Gross profit.....	48.4	47.1	44.4	***	***
General, selling, and administrative expenses...	26.2	24.7	24.7	***	***
Operating income.....	22.2	22.4	19.7	***	***
Net income before income taxes.....	21.6	21.2	18.4	***	***
	Number of firms reporting				
Operating losses.....	1	1	1	0	1
Net losses.....	1	1	1	1	1
Data.....	4	4	4	4	4

1/ * * *. * * *.

2/ Cash-flow is defined as net income or (loss) plus depreciation and amortization.

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

Table 16

Income-and-loss experience of U.S. producers on their operations producing automotive belts, by firms, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
<u>Value (1,000) dollars</u>					
Net sales:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
Total.....	252,296	242,706	264,442	***	***
Operating income or (loss):					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
Total.....	56,040	54,370	52,225	***	***
<u>Share of net sales (percent)</u>					
Operating income or (loss) margin:					
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
***.....	***	***	***	***	***
Average.....	22.2	22.4	19.7	***	***

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

Investment in productive facilities.--Six companies provided data on their investment in productive facilities and on total assets. These data are presented in table 17. The decline in original cost of establishment fixed assets between 1986 and 1987 was primarily due to the restructuring of * * *. * * * did not provide interim data or total assets data.

Capital expenditures.--Six companies supplied data on capital expenditures for their overall establishment operations. Four companies supplied such data on their automotive belt operations and five on their industrial belt operations. These data are presented in table 18.

Research and development expenses.--Five companies furnished data on research and development expenditures. These data are presented in table 19.

Capital and investment.--The Commission requested U.S. producers to describe any actual or potential negative effects of imports of industrial belts from the eight countries cited in the petition on their firms' growth, investment, development and productive efforts, and ability to raise capital. Their responses are shown in appendix D.

Table 17

Industrial and automotive belts: Value of property, plant, and equipment of U.S. producers, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

(In thousands of dollars)					
Item	As of end of accounting year--			Interim period ended Feb. 28--	
	1986	1987	1988	1988	1989
Value (1,000 dollars)					
All products of establishments:					
Fixed assets:					
Original cost.....	***	***	***	***	***
Book value.....	***	***	***	***	***
Total assets <u>1/</u>	***	***	***	***	***
Industrial V-belts:					
Fixed assets:					
Original cost.....	***	***	***	***	***
Book value.....	***	***	***	***	***
Total assets <u>2/</u>	***	***	***	***	***
Industrial synchronous belts:					
Fixed assets:					
Original cost.....	***	***	***	***	***
Book value.....	***	***	***	***	***
Total assets <u>2/</u>	***	***	***	***	***
Other industrial belts:					
Fixed assets:					
Original cost.....	***	***	***	***	***
Book value.....	***	***	***	***	***
Total assets <u>2/</u>	***	***	***	***	***
All industrial belts: <u>3/</u>					
Fixed assets:					
Original cost.....	***	***	***	***	***
Book value.....	***	***	***	***	***
Total assets <u>2/</u>	***	***	***	***	***
Automotive belts:					
Fixed assets:					
Original cost.....	***	***	***	***	***
Book value.....	***	***	***	***	***
Total assets <u>2/</u>	***	***	***	***	***

See footnotes at end of table.

Table 17--Continued

Industrial and automotive belts: Value of property, plant, and equipment of U.S. producers, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

(In thousands of dollars)					
Item	As of end of accounting year--			Interim period ended Feb. 28--	
	1986	1987	1988	1988	1989
<u>Return on book value of fixed assets (percent) 4/</u>					
All products of establishments:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
Industrial V-belts:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
Industrial synchronous belts:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
Other industrial belts:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
All industrial belts: 3/					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
Automotive belts:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
<u>Return on total assets (percent) 3/</u>					
All products of establishments:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
Industrial V-belts:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
Industrial synchronous belts:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
Other industrial belts:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/

See footnote at end of table.

Table 17--Continued

Industrial and automotive belts: Value of property, plant, and equipment of U.S. producers, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

(In thousands of dollars)					
Item	As of end of accounting year--			Interim period ended Feb. 28--	
	1986	1987	1988	1988	1989
Return on total assets (percent) 3/					
All industrial belts: 3/					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/
Automotive belts:					
Operating return 5/.....	***	***	***	6/	6/
Net return 7/.....	***	***	***	6/	6/

1/ Defined as book value of fixed assets plus current and noncurrent assets.

2/ Total establishment assets are apportioned, by firm, to product groups on the basis of the ratio of the respective book values of fixed assets.

3/ * * *.

4/ Computed using data from only those firms supplying both asset and profit-and-loss information, and as such, may not be derivable from data presented.

5/ Defined as operating income or loss divided by asset value. For comparison purposes, the operating return on fixed assets for the rubber and miscellaneous plastics products industry computed from the Quarterly Financial Report of the U.S. Department of Commerce was 24.0 percent for 1986, 34.1 percent for 1987, and 30.5 percent for 1988. The operating return on total assets was 8.7 percent for 1986, 9.3 percent for 1987, and 10.2 percent for 1988.

6/ Submitted data for varying periods of less than 1 year prohibit interim rate-of-return calculation.

7/ Defined as net income or loss divided by asset value.

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

Table 18

Industrial and automotive belts: Capital expenditures by U.S. producers, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989 1/

(In thousands of dollars)

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
All products of establish- ments.....	***	***	***	***	***
Industrial V-belts.....	***	***	***	***	***
Industrial synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
All industrial belts <u>2/</u>	***	***	***	***	***
Automotive belts.....	***	***	***	***	***

1/ * * *.2/ * * *.

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

Table 19

Industrial and automotive belts: Research and development expenses of U.S. producers, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

(In thousands of dollars)

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
All products of establish- ments.....	***	***	***	***	***
Industrial belts:					
Industrial V-belts.....	***	***	***	***	***
Industrial synchronous belts.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***

Note.--Because of rounding, figures may not add to the totals shown.

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

Consideration of the Question of
Threat of Material Injury

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors 1/2--

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

1/ Section 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

2/ The Omnibus Trade and Competitiveness Act of 1988 amended section 771(7)(F) of the Tariff Act of 1930 by adding two items to section 771(7)(F)(i) (19 U.S.C. §§ 1677(7)(F)(i)(IX) and (X)), and by adding section 771(7)(F)(iii) (19 U.S.C. § 1677(7)(F)(iii)) in its entirety. Whereas these investigations were initiated prior to the effective date of the amendments, they are presented here for information.

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product. 1/

The available information on the nature of the subsidies found by the Department of Commerce (item (I) above) is presented in the section of this report entitled "Nature and extent of subsidies and sales at LTFV;" information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of material injury to an industry in the United States." Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows.

U.S. importers' inventories

Most of the firms importing industrial belts reported that they maintained inventories, although OEMs reported generally maintaining low levels. Quantitative data are shown in table 20. 2/ Combined inventories of all industrial belts imported from the subject countries increased 2.0 percent from 1986 to 1987 (based on units) and then fell 22.3 percent from 1987 to 1988.

1/ Section 771(7)(F)(iii) of the act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

2/ Inventory data for automotive belts and all power belts are presented in app. C, table C-6.

Table 20

Industrial belts: End-of-period inventories held by U.S. importers, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. - Feb. - -	
				1988	1989
<u>End-of-period inventories (1,000 pounds)</u>					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
<u>End-of-period inventories (1,000 units)</u>					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	***
Other industrial belts.....	***	***	***	***	***
Total.....	5,099	5,196	4,038	5,030	3,076
<u>Ratio to imports (percent) 2/</u>					
On the basis of pounds:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	1/	1/	1/	***	***
Other industrial belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
On the basis of units:					
V-Belts.....	***	***	***	***	***
Synchronous belts.....	***	***	***	***	***
Nylon-core belting.....	***	***	***	***	***
V-Link belting.....	***	***	***	***	1/
Other industrial belts.....	***	***	***	***	***
Average.....	75.1	54.6	40.9	53.0	75.5

1/ Not available.

2/ Ratios are based on data supplied by firms that reported both inventory and imports information. Partial-year ratios are based on annualized imports.

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

Ability of foreign producers to generate exports and the availability of
export markets other than the United States

The Commission requested that counsel for firms in Israel, Italy, Japan, Singapore, South Korea, the United Kingdom, and West Germany obtain certain information from their clients. Inasmuch as the Taiwan firms elected not to obtain counsel, the same information was requested through diplomatic channels.

The information requested was the quantity, both in units and in pounds, of the firms' production, capacity, and inventories, and the quantity and value of home-market shipments, exports to the United States, and third-country exports of both their industrial belts and their automotive belts. Information provided by the foreign producers is presented in table 21, by firms and by country total when there was more than one producer providing data for a particular country.

Israel.--* * *

Italy.--* * *

Japan.--* * *. Prior to the Commission's hearing, but subsequent to the filing of its questionnaires, counsel for MBL notified the Commission that MBL has withdrawn from actively participating in the Commission's proceedings. * * *. Nitta has argued before the Commission that its products should be separate like products from industrial V-belts, and that Gates does not, in fact, produce competitive products (at least not in the size ranges provided by Nitta).

Singapore.--* * *

South Korea.--* * *. The Commission was notified by counsel for Dongil, late in these proceedings, that Dongil has withdrawn from active participation in the Commission's investigations.

Taiwan.--* * *

United Kingdom.--* * *

West Germany.--* * *. Counsel for Continental argued before the Commission that its products are produced to European standards and should, therefore, be considered to be different like products than industrial belts produced in the United States. * * *. Siegling also argued before the Commission that its exports of industrial belts to the United States should be found to be different like products than industrial belts produced in the United States.

Table 21

Industrial and automotive belts: Selected data for producers in Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany, 1986-88, January-February 1988, and January-February 1989

* * * * *

Commerce found, in its final determinations, that critical circumstances exist with respect to industrial belts exported to the United States by Magam (Israel), Pirelli (Italy), Bando (Japan), Dongil (South Korea), Optibelt (United Kingdom), and Optibelt (West Germany). Counsel for these firms were asked to provide data to the Commission on exports to the United States during January-June 1988 and during July-December 1988. These periods closely correspond to six months prior to the June 30, 1988, filing of the petition and six months subsequent to the filing. Data received in response to this request are presented in appendix E.

Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury

U.S. imports

Official U.S. Department of Commerce import statistics cannot be used in these investigations to determine the level of imports of industrial belts subject to these investigations because the relevant HTS subheadings and TSUS items cover imports of the industrial belts subject to these investigations in addition to certain industrial belts that are not subject to these investigations. Further, the relevant HTS subheadings and TSUS items cover automotive or internal combustion engine belts and conveyor belts and belting that are specifically excluded from the scope of the investigations.

Therefore, U.S. imports of industrial belts, as reported in responses to the Commission's questionnaires, are presented in table 22. The data shown are understated because of the inability of some firms to provide quantity data on the basis of pounds or units (or both) and because of incomplete reporting. It should be noted that not all importers could provide quantity data. In particular, some importers of nylon-core belting only provided value of imports; therefore, the Commission may wish to consider value as the most reliable measure of imports of nylon-core belting.

Based upon responses to the Commission's importers' questionnaires, imports of all industrial belts from the countries subject to these investigations increased 40.1 percent (in units) from 1986 to 1987 and increased 4.2 percent from 1987 to 1988. * * *. The value of imports of all industrial belts from the countries subject to these investigations increased 35.3 percent from 1986 to 1987 and increased 7.0 percent from 1987 to 1988.

Imports of all power belts (industrial and automotive) are presented in appendix C (table C-7).

Table 22
 Industrial belts: U.S. imports for consumption, by products and by sources,
 1986-88, January-February 1988, and January-February 1989 1/

Item	1986	1987	1988	Jan.-Feb.--		
				1988	1989	
	<u>Quantity (1,000 pounds)</u>					
V-Belts:	*	*	*	*	*	*
Synchronous belts:	*	*	*	*	*	*
Nylon-core belting:	*	*	*	*	*	*
V-Link belting:	*	*	*	*	*	*
Other industrial belts:	*	*	*	*	*	*
All industrial belts:	*	*	*	*	*	*
	<u>Quantity (1,000 units)</u>					
V-Belts:	*	*	*	*	*	*
Synchronous belts:	*	*	*	*	*	*
Nylon-core belting:	*	*	*	*	*	*

See footnotes at end of table.

Table 22--Continued

Industrial belts: U.S. imports for consumption, by products and by sources, 1986-88, January-February 1988, and January-February 1989 1/

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
<u>Quantity (1,000 units)</u>					
V-Link belting:					
*	*	*	*	*	*
Other industrial belts:					
*	*	*	*	*	*
All industrial belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	6,964	11,214	12,497	2,285	936
<u>C.i.f. duty-paid value (1,000 dollars)</u>					
V-Belts:					
*	*	*	*	*	*
Synchronous belts:					
*	*	*	*	*	*
Nylon-core belting:					
*	*	*	*	*	*

See footnotes at end of table.

Table 22--Continued

Industrial belts: U.S. imports for consumption, by products and by sources, 1986-88, January-February 1988, and January-February 1989 1/

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
<u>C.i.f. duty-paid value (1,000 dollars)</u>					
V-Link belting:	*	*	*	*	*
Other industrial belts:	*	*	*	*	*
All industrial belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	19,936	27,377	29,613	5,345	2,831

Unit value (per pound) 2/

V-Belts:

* * * * * * *

Synchronous belts:

* * * * * * *

Nylon-core belting:

* * * * * * *

See footnotes at end of table.

Table 22--Continued

Industrial belts: U.S. imports for consumption, by products and by sources, 1986-88, January-February 1988, and January-February 1989 1/

Item	1986	1987	1988	Jan.-Feb.--		
				1988	1989	
	<u>Unit value (per pound) 2/</u>					
V-Link belting:						
	*	*	*	*	*	*
Other industrial belts:						
	*	*	*	*	*	*
All industrial belts:						
	*	*	*	*	*	*
	<u>Unit value (per unit) 2/</u>					
V-Belts:						
	*	*	*	*	*	*
Synchronous belts:						
	*	*	*	*	*	*
Nylon-core belting:						
	*	*	*	*	*	*
V-Link belting:						
	*	*	*	*	*	*
Other industrial belts:						
	*	*	*	*	*	*

See footnotes at end of table.

Table 22--Continued

Industrial belts: U.S. imports for consumption, by products and by sources, 1986-88, January-February 1988, and January-February 1989 1/

Item	1986	1987	1988	Jan. -Feb. --	
				1988	1989
	Unit value (per unit) <u>2/</u>				
All industrial belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Average.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Average.....	2.08	1.81	1.77	1.52	1.95

1/ Quantity data are understated because several firms providing value data were unable to provide comparable quantity data. Quantity data in units and pounds were provided by firms accounting for 75 and 77 percent, respectively, of the reported value of imports in 1988. The shares of value of 1988 imports of all industrial belts for which comparable quantity data in units were provided are as follows: Israel (* * * percent), Italy (* * * percent), Japan (* * * percent), Singapore (* * * percent), South Korea (* * * percent), Taiwan (* * * percent), the United Kingdom (* * * percent), West Germany (* * * percent), all eight subject sources (75 percent), all other sources (75 percent), and all sources (75 percent). The shares of value of 1988 imports of all industrial belts for which comparable quantity data in pounds were provided are as follows: Israel (* * * percent), Italy (* * * percent), Japan (* * * percent), Singapore (* * * percent), South Korea (* * * percent), Taiwan (* * * percent), the United Kingdom (* * * percent), West Germany (* * * percent), all eight subject sources (72 percent), all other sources (90 percent), and all sources (77 percent).

2/ Computed from data of firms providing data on both quantity and value of imports.

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

U.S. market penetration by imports

U.S. shipments of industrial belts by importers and the penetration of these imports into the U.S. market for industrial belts are presented in table 23. The penetration of imported industrial belts from the subject countries into the U.S. industrial belt market, although understated because of questionnaire nonresponse, increased during 1986-88. On the basis of units, market penetration by imports of all industrial belts from the subject countries increased from * * * percent in 1986 to * * * percent in 1987, and to * * * percent in 1988. On the basis of value, market penetration by imports of all industrial belts from the subject countries increased from * * * percent in 1986 to * * * percent in 1987, and to * * * percent in 1988.

Market penetration by imports of all power belts (industrial and automotive) is presented in appendix C (table C-8), for the Commission's consideration of respondents' arguments that there is one power belt industry in the United States and that it comprises both industrial and automotive belts.

Table 23

Industrial belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. - Feb. --	
				1988	1989
<u>Quantity (1,000 units) 1/</u>					
V-Belts:	*	*	*	*	*
Synchronous belts:	*	*	*	*	*
Nylon-core belting: 2/	*	*	*	*	*
V-Link belting: 3/	*	*	*	*	*
Other industrial belts:	*	*	*	*	*
All industrial belts:					
Apparent U.S. consumption..	82,848	89,281	91,342	15,994	14,914
Producers' U.S. shipments..	75,413	78,123	77,572	13,394	13,104
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	7,435	11,158	13,770	2,600	1,810

See footnotes at end of table.

Table 23--Continued

Industrial belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. -Feb. --	
				1988	1989
Value (1,000 dollars) 4/					
V-Belts:	*	*	*	*	*
Synchronous belts:	*	*	*	*	*
Nylon-core belting: 2/	*	*	*	*	*
V-Link belting: 3/	*	*	*	*	*
Other industrial belts:	*	*	*	*	*
All industrial belts:					
Apparent U.S. consumption..	253,462	286,844	300,770	49,836	49,713
Producers' U.S. shipments..	225,586	250,725	255,666	42,310	43,143
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	27,876	36,119	45,104	7,526	6,570

See footnotes at end of table.

Table 23--Continued

Industrial belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
	As a ratio to the quantity of apparent U.S. consumption (percent) 1/				
V-Belts:	*	*	*	*	*
Synchronous belts:	*	*	*	*	*
Nylon-core belting: 2/	*	*	*	*	*
V-Link belting: 3/	*	*	*	*	*
Other industrial belts:	*	*	*	*	*
All industrial belts:					
Producers' U.S. shipments..	91.0	87.5	84.9	83.7	87.9
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	9.0	12.5	15.1	16.3	12.1

See footnotes at end of table.

Table 23--Continued

Industrial belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
	As a ratio to the value of apparent U.S. consumption (percent)				
V-Belts:					
* * *	*	*	*	*	*
Synchronous belts:					
* * *	*	*	*	*	*
Nylon-core belting: <u>2/</u>					
* * *	*	*	*	*	*
V-Link belting: <u>3/</u>					
* * *	*	*	*	*	*
Other industrial belts:					
* * *	*	*	*	*	*
All industrial belts:					
Producers' U.S. shipments..	89.0	87.4	85.0	84.9	86.8
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	11.0	12.6	15.0	15.1	13.2

1/ Quantity data for imported industrial belts are understated in both units and pounds, and quantity data for domestic product are understated in pounds because several firms providing value data were unable to provide comparable quantity data. For imported belts, quantity data in units and pounds were

Footnotes for table 23--Continued

provided by firms accounting for 74¹ percent of the reported value of U.S. shipments of imports in 1988. For domestic belts, there is no understatement of units; however, quantity data in pounds were provided by firms accounting for * * * percent of the reported value of U.S. shipments in 1988. The shares of the value of U.S. shipments of imports in 1988 for which comparable quantity data in units were provided are as follows: Israel (* * * percent), Italy (* * * percent), Japan (* * * percent), Singapore (* * * percent), South Korea (* * * percent), Taiwan (* * * percent), the United Kingdom (* * * percent), West Germany (* * * percent), all eight subject sources (72 percent), all other sources (80 percent), and all sources (74 percent). The shares of the value of U.S. shipments of imports in 1988 for which comparable quantity data in pounds were provided are as follows: Israel (* * * percent), Italy (* * * percent), Japan (* * * percent), Singapore (* * * percent), South Korea (* * * percent), Taiwan (* * * percent), the United Kingdom (* * * percent), West Germany (* * * percent), all eight subject sources (69 percent), all other sources (89 percent); and all sources (74 percent).

2/ There were no usable data on production of nylon-core belting presented to the Commission. However, in its questionnaire response * * * provided data on a product that it stated directly competed with nylon-core belting. It is these data that are presented as producers' U.S. shipments and included in apparent U.S. consumption.

3/ Although it does not produce V-link belting, in its questionnaire response * * * provided data on a product that it stated was directly competitive. Data reported by * * * for 1988 account for * * * percent of the quantity (units) and * * * percent of the value of data presented as producers' U.S. shipments and included in apparent U.S. consumption.

4/ Shipment values are f.o.b. producing establishment for domestic products and f.o.b. warehouse for imports.

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

Prices

Market characteristics.--Both domestic producers and U.S. importers of industrial belts publish price lists for their distributor and small OEM customers. List prices are used as a basis for standard quantity discounts. Prices for direct sales by producers or importers to larger OEMs or those that require special belt construction are based on a cost-plus basis determined through bid competition. 1/ These latter purchasers often require technical services from their suppliers to determine the proper belt specifications for the intended applications.

Domestic producers have responded to price competition for distributor sales with customer rebates. 2/ Rebates include an amount to cover the difference between the distributor's regular "best buy" discount, termed the "100-level" price, and the low price quote to the distributor from another supplier, plus an amount for the distributor's profit margin. Rebates that drop prices below the 100-level are approved by the producer for a broad category of belts for sales to individual end-user firms that were identified by the distributor and subsequently verified by the producer as receiving low price quotes. 3/ The producer "pays" the rebate by crediting the distributor's account but only after verifying the distributor's sales invoices that involved the approved belts and end-user firm.

According to some purchasers, a few importers quote prices below distributor cost directly to large industrial end users and OEMs and then approach established distributors in those end users' geographic region to take on the line of imported industrial belts and supply the subject end users on a just-in-time shipment basis. 4/ The distributor is offered a discount consistent with the lower prices quoted direct to the end users.

U.S. producers and importers were requested to report the total dollar value of any credit, rebate, price reduction, extension of terms, or other monetary benefit granted in 1988 to distributors that was separate from transaction prices. These data on premiums are discussed later in this section of the report. U.S. producers reported in their questionnaire responses that, although they paid rebates on some of the specified products sold to distributors for which pricing data were requested, they were unable to account for the exact amounts paid in the reported pricing data. The responding firms indicated that the rebates were offered on a broad category of industrial belts and could not be tracked to a specific industrial belt product.

Distributors sell to major consumers through bid competition. Awards based on price quotes are for a blanket purchase order, with shipment releases as the purchaser's demand requires or by predetermined schedule. Generally, blanket orders by major consumers do not specify particular stock numbers or belt sizes but involve a guaranteed price level by type of belt for the life of the contract, usually 1 year. Quantities are not fixed but are based on anticipated annual requirements of the purchaser. In ordinary competitive circumstances, a

1/ * * *

2/ * * *

3/ * * *

4/ Industrial end users purchase industrial belts as replacement items, with some companies replacing their belts on a scheduled maintenance basis.

distributor seeking a blanket order would quote a price level at the so called "125" level, in effect, 25 percent above distributor cost. Distributors also sell to walk-in customers and small consumers and supply major accounts on a "fill-in" basis. Prices to these classes of trade are made at list or standard quantity discounts from list. An example of the range of distributor pricing to various consumers of industrial belts is shown in figure 3. An explanatory diagram of "level" pricing is presented in figure 4.

Figure 3
Industrial belts: Example of the range of distributor pricing to various consumers

<u>Distributor</u>	<u>Consumer</u>
	Consumer 1 (walk-in) pays \$16.00
	Consumer 2 (small account) pays \$14.00
	Consumer 3 (fill-in at major) pays \$12.50
	Consumer 4 (major/rebated) pays \$9.00
	Consumer 5 (major/rebated) pays \$8.50
Buys 5 belts at \$10.00 each ("100 level")	Sells to 5 consumers

Distributor receives rebates on sales to--

No. 4--\$1.00 plus \$1.35 (15% of \$9.00)

No. 5--\$1.00 plus \$1.28 (15% of \$8.50)

Average purchase price becomes \$9.07 after rebates.

Average selling price becomes \$12.00.

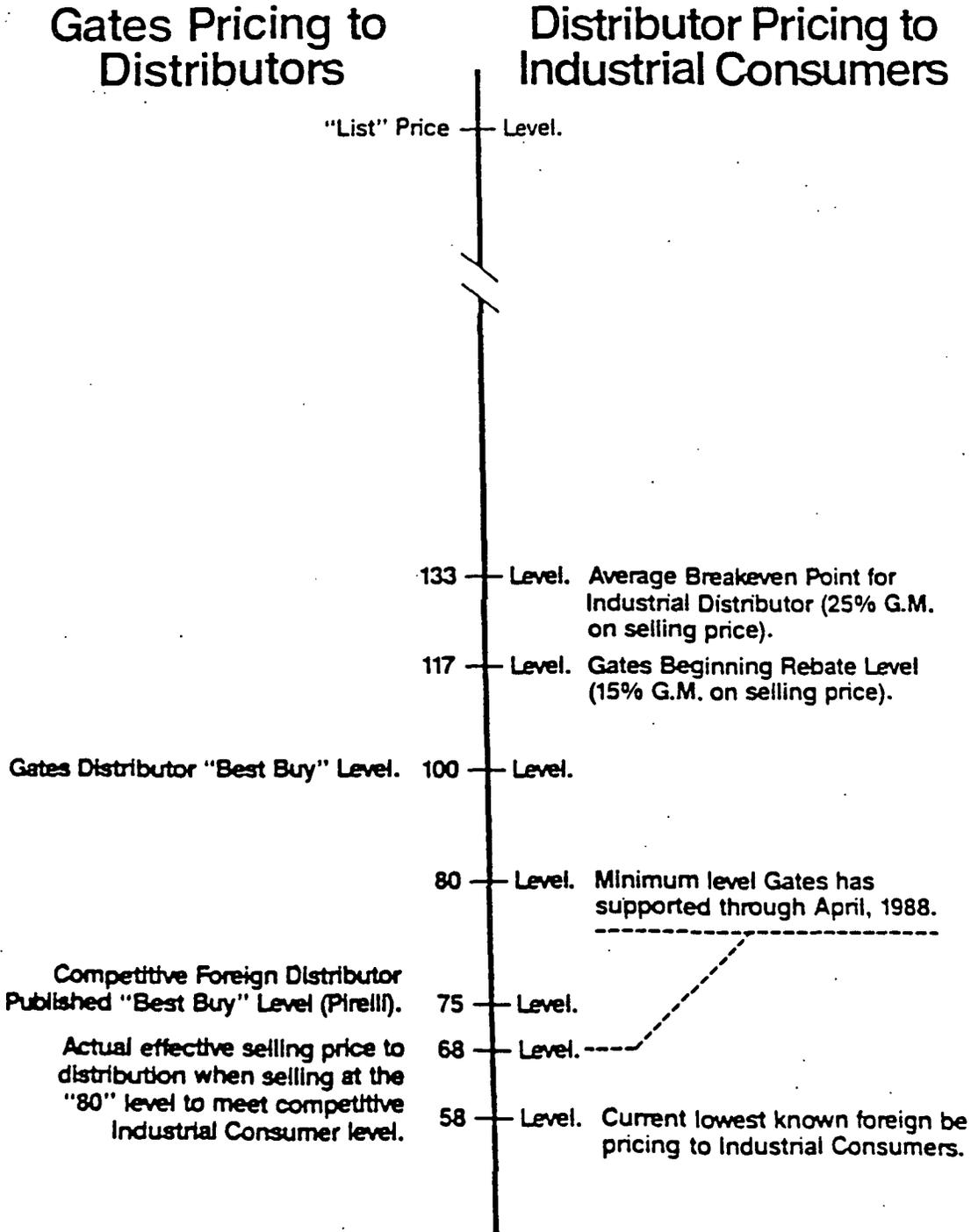
Gross profit margin after rebates equals 25.2 percent.

Gross profit amount after rebates equals \$15.10.

Source: The Gates Rubber Co.

Questionnaire price data--The Commission requested net U.S. f.o.b. selling prices and quantities for 14 specific V-belt industrial belt products from U.S. producers and importers of the subject belts. U.S. producers and importers were requested to report the f.o.b. price data separately for sales of products 1-7 to OEMs and products 8-14 to distributors. The price data were requested for the largest sale and for total sales of the products specified, by quarters, during January 1986-December 1988 and during January-February 1989. In addition, net

Figure 4
 Industrial belts: Diagram of "level" pricing



Source: The Gates Rubber Co., conference exhibits.

f.o.b. pricing data were requested for sales at the lowest and highest prices for each quarter during 1988. The 14 V-belt products for which the price data were requested are shown below. 1/

SOLD TO OEMS:

PRODUCT 1: NARROW V-BELT--Equivalent in cross section, construction, and dimensions to general industry product No. 3V750 whether or not labeled as such or labeled with private brand or part number. Narrow, high-capacity performance, as defined by RMA and ISO standards.

PRODUCT 2: FRACTIONAL HORSEPOWER V-BELT--Equivalent in cross section, construction, and dimensions to general industry product No. 4L300 whether or not labeled as such or labeled with private brand or part number. Wrapped construction, as defined by RMA and ISO standards.

PRODUCT 3: TIMING BELT--Equivalent in cross section, construction, and dimensions to general industry product No. 1683M05 whether or not labeled as such or labeled with private brand or part number. High torque, tooth profile, as defined by RMA and ISO standards, with neoprene material and nylon facing, and fiberglass tensile material. Competitive tooth profile, STPD or RPP.

PRODUCT 4: CLASSICAL V-BELT--Equivalent in cross section, construction, and dimensions to general industry product No. B75 whether or not labeled as such or labeled with private brand or part number. Classical profile, as defined by RMA and ISO standards, wrapped product.

PRODUCT 5: FRACTIONAL HORSEPOWER V-BELT--Equivalent in cross section, construction, and dimensions to general industry product No. 4L590 whether or not labeled as such or labeled with private brand or part number. Wrapped construction, as defined by RMA and ISO standards.

PRODUCT 6: FRACTIONAL HORSEPOWER V-BELT--Equivalent in cross section, construction, and dimensions to general industry product No. 4L360 whether or not labeled as such or labeled with private brand or part number. Wrapped construction, as defined by RMA and ISO standards.

PRODUCT 7: FRACTIONAL HORSEPOWER V-BELT--Equivalent in cross section, construction, and dimensions to general industry product No. 5L440 whether or not labeled as such or labeled with private brand or part number. Wrapped construction, as defined by RMA and ISO standards.

1/ The petitioner, Gates Rubber Co., identified the 14 industrial belt products as large volume products representative of products sold in the U.S. industrial belt market, and representative of industrial belts imported from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany.

SOLD TO DISTRIBUTORS:

PRODUCT 8: CLASSICAL V-BELT--B75. Classical profile, as defined by RMA and ISO standards, wrapped products.

PRODUCT 9: NARROW V-BELT--3V710. Narrow high-capacity performance, as defined by RMA and ISO standards, cut edge or wrapped construction.

PRODUCT 10: FRACTIONAL HORSEPOWER V-BELT--4L280. Wrapped or cut edge, as defined by RMA and ISO standards.

PRODUCT 11: TIMING BELT--120XL037. Classical, trapezoidal toothed timing belt, as described in RMA and ISO standards.

PRODUCT 12: CLASSICAL V-BELT--B60. Classical profile, as defined by RMA and ISO standards, cut edge or wrapped product.

PRODUCT 13: NARROW V-BELT--5V1120. Narrow, high-capacity performance, as defined by RMA and ISO standards, cut edge, or wrapped construction.

PRODUCT 14: FRACTIONAL HORSEPOWER V-BELT--4L590. Wrapped or cut edge, as defined by RMA and ISO standards.

Four U.S. producers of belts and seven importers of the subject foreign belts reported the requested price data for largest sales and total sales quantity, but not necessarily for every product or period. 1/ Usable questionnaire price data were incomplete for some countries, and during many periods only one firm reported the requested price data. 2/ No price data for largest sales were reported for any of the specified belt products imported from Italy or South Korea. For these latter two countries, importers were able to report only total quarterly quantity and sales values for each of the specified products. 3/ The resultant unit values are not considered reliable measures of actual prices, particularly in these investigations where large differences in sales quantities or various qualities of belts within a single product category lead to significantly different unit values.

On sales to distributors, U.S. producers were not always able to net out all rebates and discounts from the reported price data; responding importers reported

1/ The four U.S. producers reporting the requested price data accounted for approximately * * * percent of the total reported value of U.S. producers' domestic shipments of the subject industrial belts during January 1986-February 1989. During the same period, the seven responding importers accounted for * * * percent of the total reported value of U.S. imports of the subject belts from Israel, * * * percent from Japan, * * * percent from Taiwan, * * * percent from the United Kingdom, and * * * percent from West Germany.

2/ The net f.o.b. value of total reported sales of the 14 belt products accounted for * * * percent of total reported U.S. shipments of domestic industrial belts during January 1986-February 1989, * * * percent of total reported U.S. imports from Israel, * * * percent from Japan, * * * percent from Taiwan, * * * percent from the United Kingdom, and * * * percent from West Germany.

3/ * * *.

that no rebates were offered on the specified products although they sometimes offer rebates on other industrial belt products. During 1988, U.S. producers reported in their questionnaire responses for their full range of industrial belt products paying a total of almost \$* * * in rebates and other premiums that were separate from transaction prices, and importers reported almost \$* * * in these benefits. U.S. producers reported making their payments on approximately \$* * * in industrial belt sales, and importers on \$* * * in industrial belt sales. 1/ Also not specifically identified in the transaction price, U.S. producers provided about \$* * * in technical assistance to their industrial belt customers during 1988, while importers reported offering more limited technical assistance valued at about \$* * *. Importers of * * * industrial belts accounted for the bulk of this latter technical assistance.

Purchasers.--The Commission also requested prices from purchasers for the 14 V-belt products discussed above, as well as one additional V-belt product suggested by importers and identified below.

ADDITIONAL PRODUCT: POLYURETHANE V-BELT--Equivalent in cross section, construction, and dimensions to general industry product No. 7M1400 whether or not labeled as such or labeled with private brand or part number. High performance, metric profile with polyurethane material. This belt is not defined by RMA and ISO standards.

The Commission sent purchaser questionnaires to 60 companies encompassing OEMs, industrial end users, and distributors. These companies were identified by the petitioner as large purchasers which together account for a substantial share of the domestic and subject imported industrial belts. Delivered price data were requested for total purchases of the products requested, by quarters, during January 1987-March 1989.

In addition to delivered prices of specified industrial belt products, the Commission also requested price information where the purchasing companies bought industrial belts on a bid basis. Purchasers were requested to supply competing price quotes for their three largest awards in 1988 that involved competition with the domestic and subject imported industrial belts. For each award they were asked to identify the product, competing firms, country of origin of the competing products, and to explain the reason(s) why the winning company was awarded the bid.

Price trends.--Price trends for the subject domestic and imported industrial belts are based on quarterly weighted-average net f.o.b. selling prices reported by producers and importers on sales to OEMs and to distributors during January 1986-February 1989. The price data were calculated from the reported net f.o.b. selling prices and quantities of the largest sale. For the United States and Japan, the only two countries where more than one firm responded, the largest sale price data were weighted by the total quantity of

1/ During 1986-88, U.S. producers reported in their questionnaire responses total rebates and discounts (those included as well as not included in transaction prices) averaging * * * percent of their total domestic sales of industrial belts, and importers reported total rebates and discounts that averaged about * * * percent of their industrial belt sales during this period.

sales for each product, quarter, and country. 1/ The average prices are shown in table 24 for U.S.-produced belts, tables 25-27 for belts imported from Israel, Japan, and Singapore, respectively, table 28 for belts imported from Taiwan and the United Kingdom, and table 29 for belts imported from West Germany. The requested price data were not reported for Italy and South Korea. 2/

United States. --Based on U.S. producers' questionnaire responses, selling prices of domestic industrial belt products fluctuated but generally increased during January 1986-February 1989. Fluctuations were more pronounced in sales to OEMs. 3/ Prices of five of the seven products sold to OEMs and five of the seven products sold to distributors increased during the periods reported (table 24). 4/

Table 24

Industrial belts: Average f.o.b. sales prices and average quantities of largest quarterly sales weighted by TOTAL sales quantity to OEMs and to distributors for belts produced in the United States, by quarters, January 1986-December 1988 and during January-February 1989

* * * * *

Selling prices of domestic industrial belt product 2 and products 4-7 sold to OEMs rose during January 1986-December 1988 and generally continued to rise during January-February 1989, where prices were reported for this latter period. During January 1986-December 1988, quarterly price increases ranged from about * * * percent for product 7, rising from \$* * * to \$* * * per belt, to * * * percent for product 2, which rose from \$* * * to \$* * * per belt. During January-February 1989, prices of product 7 jumped to \$* * * per belt, increasing by * * * percent from the last quarter of 1988, while prices of product 2 fell somewhat to \$* * * per belt or about * * * percent below the previous quarter. Prices of product 4 fell by about * * * percent during January-February 1989 from the previous quarter, while prices of product 6 increased sharply by about * * * percent. No prices were reported during this latter period for product 5.

1/ Frequently, a single firm reported the requested price data for any one period; in such instances no weighting was necessary, and the reported prices and quantities of the largest sale were shown in the tables.

2/ Based on total quarterly sales values and quantities of the specified products imported from Italy and South Korea, unit values of products 8-14 sold to distributors generally rose during the period of investigation. No sales data were reported on sales to OEMs.

3/ * * *.

4/ Based on producer price indexes (PPI) reported by the U.S. Bureau of Labor Statistics, U.S. producers' quarterly selling prices of industrial belts fell by about 2 percent during January 1986-December 1988. In comparison, during the same period the quarterly PPI for all rubber belts rose by about 3 percent, and the PPI for all rubber products rose by about 6 percent. The BLS price data may include some list prices and therefore may not accurately reflect changes in actual transaction prices.

Quarterly prices of product 1 sold to OEMs fell by about * * * percent during January 1986-December 1988, and then fell by less than * * * percent during January-February 1989 from the last quarter of 1988. Quarterly prices of product 3 sold to OEMs fell by about * * * percent during April 1987-June 1988, the partial period reported.

Selling prices of domestic industrial belt products 8-10 and 12-13 sold to distributors fluctuated but rose during January 1986-December 1988 and continued to rise during January-February 1989. During January 1986-December 1988, quarterly price increases ranged from * * * percent for product 10, rising from \$* * * to \$* * * per belt, to * * * percent for product 9, which rose from \$* * * to \$* * * per belt. During January-February 1989, prices of product 10 rose slightly to \$* * * per belt, and prices of product 9 increased somewhat to \$* * * per belt.

Quarterly prices of product 11 sold to distributors fell by about * * * percent during January 1986-December 1988, and continued to fall during January-February 1989, by about * * * percent. Quarterly prices of product 14 sold to distributors fell by about * * * percent during January 1986-December 1988, but then rose by about * * * percent during January-February 1989 from the last quarter of 1988.

Israel.--The sole reporting U.S. importer of the Israeli belt products, * * *, reported the requested price data for the imported industrial belt products 8-14 sold to distributors during January 1987-February 1989 (table 25). 1/ Based on * * *'s questionnaire response, selling prices of the imported industrial belt products 8-11 were generally * * * for the periods reported. Quarterly prices of products 8 and 10 generally * * * during January 1987-June 1988, by * * * and * * * percent, respectively, with prices * * * by an additional * * * and * * * percent, respectively, by January-February 1989. Quarterly prices of product 9 * * * by * * * percent during January 1987-December 1988, but then prices * * * in January-February 1989 to end at a level * * * percent * * * than at the beginning of the period. During January 1987-June 1988, quarterly prices of product 11 fluctuated but * * *. Prices of product 11 then * * * in January-February to end * * * percent * * * than at the beginning of the period.

Table 25

Industrial belts: Average f.o.b. sales prices and quantities of largest quarterly sales to distributors for belts imported from Israel, by quarters, January 1987-December 1988 and during January-February 1989

* * * * *

Japan.--U.S. importers' questionnaire responses showed, during the few periods reported, mixed trends in quarterly selling prices of the imported Japanese industrial belt product 1 sold to OEMs and products 8-12 sold to

1/ Prices of the imported Israeli belt products 12-14 sold to distributors are not shown because they were reported for sales only during a single period, January-February 1989, which did not allow any price trends to be presented.

distributors (table 26). Limited selling price data for products 13 and 14 sold to distributors, reported for January-September 1988, are discussed below but not shown in the table. Meaningful price trends could not be calculated for the other reported imported belt product 2 because of insufficient price data.

Table 26

Industrial belts: Average f.o.b. sales prices and quantities of largest quarterly sales weighted by TOTAL sales quantity to OEMs and to distributors for belts imported from Japan, by quarters, January 1987-December 1988 and during January-February 1989

* * * * *

Quarterly prices of imported belt product 1 sold to OEMs fell by * * * percent to \$* * * per belt during April 1987-December 1988, and then * * * during January-February 1989. Quarterly prices of imported products 8 and 9 sold to distributors rose by * * * and * * * percent, respectively, during April 1987-December 1988, and then remained at these levels during January-February 1989. Prices of product 13 sold to distributors rose by * * * percent during January-September 1988, the partial period reported. The imported products 10 and 14 sold to distributors * * * during the periods reported. On the other hand, quarterly prices of product 11 fell by almost * * * percent during January 1987-December 1988, before rising by * * * percent during January-February 1989. Quarterly prices of product 12 sold to distributors fluctuated during January-December 1988 but ended the period * * * from the level at the beginning of the period. Then during January-February 1989, prices of product 12 fell by * * * percent from the price level during the last quarter of 1988.

Singapore.--Questionnaire responses of the only responding U.S. importer of the Singapore belts, * * *, showed, during the few periods reported, a mixed pattern in quarterly selling prices of the imported Singapore industrial belt product 2 sold to OEMs and generally * * * prices of products 8 and 10 sold to distributors (table 27). Limited selling price data for products 4-6 sold to OEMs and products 12 and 14 sold to distributors are also discussed below but not shown in the table. Meaningful price trends could not be calculated for products 5 and 7 sold to OEMs because of insufficient price data.

Table 27

Industrial belts: Average f.o.b. sales prices and quantities of largest quarterly sales to OEMs and to distributors for belts imported from Singapore, by quarters, January 1987-December 1988 and during January-February 1989

* * * * *

Quarterly prices of imported belt product 2 sold to OEMs fluctuated but * * * for the period by almost * * * percent to \$* * * per belt during January 1987-December 1988, and then * * * somewhat by * * * percent during January-February 1989 from the last quarter of 1988. During the period reported, July 1988-February 1989, quarterly prices of products 4 and 5 sold to OEMs * * * for

the period at \$* * * and \$* * * per belt, respectively, while prices of product 6 sold to OEMs * * * by about * * * percent.

Quarterly prices of imported products 8 and 10 sold to distributors * * * by * * * and * * * percent, respectively, during the partial periods reported. Quarterly prices of products 12 and 14 sold to distributors * * * at \$* * * and \$* * * per belt, respectively, during the period reported, July 1988-February 1989.

Taiwan.--The single responding U.S. importer for the Taiwanese industrial belts, * * *, reported the requested price data for imported Taiwanese industrial belt products 10 and 14 sold to distributors during January 1986-February 1989 (table 28). Reported prices of both imported products * * * during the period, at \$* * * and \$* * * per belt, respectively.

Table 28

Industrial belts: Average f.o.b. sales prices and quantities of largest quarterly sales to distributors for belts imported from Taiwan and the United Kingdom, by quarters, January 1986-December 1988 and during January-February 1989

* * * * *

United Kingdom.--The lone reporting U.S. importer of the British industrial belts, * * *, reported the requested price data for imported British industrial belt product 11 sold to distributors during January 1986-December 1988 (table 28). Quarterly prices of the imported belt product 11 * * * by * * * percent during January 1986-December 1988; no price data were reported during January-February 1989.

West Germany.--A single U.S. importer, * * *, reported the requested price data for imported West German industrial belt products 8-10 and 12-14 sold to distributors during January 1986-February 1989 (table 29). Limited selling price data for product 11 sold to distributors are also discussed below but not shown in the table. Trends in quarterly selling prices of the imported industrial belt products 8, 9, 12, and 13 were generally * * * during January 1986-December 1988 and then * * * or continued to * * * during January-February 1989. Price * * * for these latter products ranged from * * * percent for product 8 to * * * percent for product 12 during January 1986-December 1988, and then prices of both products * * * in January-February 1989 from their levels during the previous quarter. Prices of product 11 also * * * during the periods reported, by * * * percent from September 1986 through February 1989. Quarterly prices of products 10 and 14 * * * by * * * and * * * percent, respectively, during January 1986-September 1988, before * * * through January-February 1989.

Table 29

Industrial belts: Average f.o.b. sales prices and quantities of largest quarterly sales to distributors for belts imported from West Germany, by quarters, January 1986-December 1988 and during January-February 1989

* * * * *

Price comparisons. --Price comparisons between the U.S.-produced and subject imported industrial belts are based on net f.o.b. selling prices to OEMs and distributors during January 1986-December 1988 and during January-February 1989. 1/ Importers provided the requested f.o.b. price data for six of the eight subject foreign countries; the data were not provided for Italy and South Korea. 2/ Price comparisons involving imports of industrial belts from Japan and West Germany will also be discussed based on delivered price information reported by purchasers. These latter countries were the only subject foreign countries for which purchasers reported the requested delivered price data. 3/ The margins of underselling in percentage terms between the domestic and imported industrial belt products are shown in table 30 for Israel, tables 31 and 32 for Japan, table 33 for Singapore, table 34 for Taiwan and the United Kingdom, and tables 35 and 36 for West Germany.

Comparisons between prices of the domestic and subject imported industrial belt products reported in questionnaire responses should be made with caution. In many periods the producer, importer, and purchaser price data represent responses of a single firm, and U.S. producers were not always able to net out all rebates from their reported prices on sales to distributors. In addition, the requested industrial belt products do not specify the precise rubber compound, cord stock, or number of layers that a given belt must have, such that several different qualities of belts may be reported for a single product

1/ The price data were based on net f.o.b. selling prices of the largest sale and, in the cases of the United States and Japan where more than one firm provided the pricing data, the price data were weighted by the total quantity of all sales for each product in a quarter. U.S. producers and importers generally reported in their questionnaire responses that U.S. freight costs did not significantly affect competition between the domestic and imported industrial belts. As a result, comparisons of f.o.b. prices may be appropriate.

2/ Unit value comparisons between the industrial belts products imported from Italy and South Korea and those produced in the United States showed the imported products to be valued less than the domestic products. This pattern was also generally shown for the other subject foreign belt products where actual f.o.b. price comparisons were possible.

3/ Nine purchasers reported the delivered price data, but not necessarily for every product or period requested. The quantity of belts on which the delivered price comparisons were based accounted for less than 0.05 percent of total domestic shipments of U.S.-produced industrial belts during January 1987-February 1989, 26 percent of total U.S. imports of industrial belts from Japan, and 0.3 percent of total imports from West Germany during this period. In addition, one of these nine purchasers and two other purchasing firms reported bid price information, all involving awards for imported Japanese industrial belts. These latter belts accounted for another * * * percent of total U.S. imports of industrial belts from Japan during January 1987-February 1989.

category. 1/ Although most U.S. producers and importers reported in their questionnaire responses that the domestic and imported belts were comparable in quality, one U.S. producer noted a few exceptions. * * * cited lower quality industrial belts from Israel, Singapore, and South Korea compared with U.S.-produced belts, but felt that belts from Italy, Japan, the United Kingdom, and West Germany compared favorably in quality with the U.S.-produced belts.

* * *. But in 1985, Gates acknowledged quality differences based on its own testing and user reports, indicating that imported V-belts slipped 200 to 300 percent more than Gates belts, and the foreign belts lasted only two-thirds to one-third as long as Gates belts. 2/

Eleven purchasers commented in their questionnaire responses on the quality of domestic and imported industrial belts, concentrating their remarks on the Japanese and West German belts. Nine firms commented on the Japanese belts, generally finding them comparable in quality to U.S.-produced belts but priced lower than the domestic belts. 3/ Two firms indicated that the Japanese belts were lower in both quality and price than U.S.-produced belts, whereas one firm found the Japanese belts higher in quality but lower in price than the domestic belts. 4/ Five firms commented on the West German belts and showed mixed results. Two firms indicated that the West German belts were superior but carried a lower price than U.S.-produced belts. Two other firms found the West German belts to be comparable in quality and price to U.S.-produced belts, whereas one firm indicated that the West German belts were inferior to the domestic belts and carried a lower price than the domestic belts. One distributor also commented on the Israeli and Italian industrial belts and found them to be inferior in quality as well as lower in price than the domestic belts.

Israel. --The reported net U.S. f.o.b. selling prices resulted in 31 quarterly price comparisons between domestic and imported Israeli industrial belt products 8-14 sold to distributors during January 1987-February 1989 (table 30). 5/ All 31 price comparisons showed that the imported Israeli products were priced less than the U.S.-produced products, ranging from 1 to 56 percent below U.S. producers' prices and averaging about 30 percent less than domestic producers' prices. Price comparisons during January-February 1989 showed that selling prices of the imported products 8-11 averaged almost 13 percent below prices of the domestic products, more modest underselling than in earlier periods. Price comparisons involving the domestic and imported products 12-14, which were possible only during January-February 1989, showed average underselling by the imports of about 7 percent during this period.

1/ * * *.

2/ Gates letter dated July 1985 entitled, Update on Foreign Belt Competitors. A copy of the letter is contained in app. F.

3/ Two of the six firms who found the Japanese belts comparable in quality to the domestic belts also indicated that prices of the foreign and domestic belts were the same; the other four indicated that prices of the Japanese belts were generally less than domestic belts.

4/ Two of the six firms also found the Singapore belts comparable in quality to U.S.-produced belts, but priced lower than the domestic belts.

5/ Seven of the 31 price comparisons occurred during a partial quarter, January-February 1989.

Table 30

Industrial belts: Margins of underselling, in percentage terms, based on comparisons of average net f.o.b. prices of the largest quarterly sales weighted by TOTAL sales quantity to distributors of domestic belts and belts imported from Israel, by products and by quarters, January 1987-December 1988 and during January-February 1989

* * * * * * *

Japan.--The reported net U.S. f.o.b. selling prices resulted in 54 quarterly price comparisons between domestic and imported Japanese industrial belt products 1-2 sold to OEMs and products 8-14 sold to distributors during January 1987-February 1989 (table 31). ^{1/} In 47 of the 54 price comparisons, the imported Japanese products were priced less than the U.S.-produced products, averaging about 27 percent and ranging from 1 to 53 percent below U.S. producers' prices. In six price comparisons the imported Japanese belt products were priced higher than the domestic products, and in one other price comparison the domestic and imported Japanese prices were equal.

Table 31

Industrial belts: Margins of underselling or overselling, in percentage terms, based on comparisons of average net f.o.b. prices of largest sales weighted by TOTAL sales quantity of domestic belts and belts imported from Japan, by class of customer, by products and by quarters, April 1987-December 1988 and during January-February 1989

* * * * * * *

Ten of the 54 price comparisons involved products 1 and 2 sold to OEMs. In 7 of the 10 price comparisons involving products 1 and 2, prices of the imported Japanese belt products were less than prices of the domestic products, averaging almost 10 percent below U.S. producers' prices to OEMs. In one price comparison, prices of the domestic and imported Japanese belt products were equal, and in two other price comparisons, prices of the imported Japanese belts averaged almost 25 percent above prices of the domestic products sold to OEMs.

In 40 of the 44 price comparisons involving belt products 8-14 sold to distributors, prices of the imported Japanese belts averaged almost 31 percent below prices of the U.S.-produced products. In four other price comparisons, involving product 11, prices of the imported product were higher than the domestic product.

Purchaser questionnaire responses resulted in 26 delivered price comparisons involving the domestic and imported Japanese products 1, 2, 4, and 7 purchased by OEMs during January 1987-March 1989 (table 32). In 21 of the 26 price

^{1/} Six of the 54 price comparisons occurred during a partial quarter, January-February 1989.

Table 32

Industrial belts: Margins of underselling or overselling, in percentage terms, based on comparisons of OEMs average net delivered purchase prices of domestic belts and belts imported from Japan, by products and by quarters, January 1987-March 1989

* * * * *

comparisons, the imported products were priced less than the domestic products, averaging almost 32 percent below prices of the U.S.-produced industrial belts. In five price comparisons involving product 7, prices of the imported product averaged almost 38 percent above prices of the domestic product.

In addition to the above price data, three purchasers provided price data on a bid basis involving U.S. and imported Japanese belts. * * *, an OEM in * * *, reported competing price quotes on its three largest awards for industrial belts during 1988 that involved competition between domestic and foreign-produced industrial belts. Each award was for a different variable-speed belt product, with volumes for the awards ranging from * * * to * * * belts. The competing firms were * * *, a distributor of * * * (Japanese) belts, and four U.S. producers, * * *. In each instance * * * was the lowest-priced supplier on a U.S. f.o.b. basis and according to * * * won the awards based on price and availability. The three awards, competing f.o.b. prices, and percentage price differences between the domestic and imported products are shown by bidding company in the following tabulation:

* * * * *

* * *, an industrial end user headquartered in * * *, also reported competing price quotes on its three largest awards for industrial belts during 1988 that involved competition between domestic and foreign-produced industrial belts. Each award was a blanket annual order of various V-belts. The competing firms were * * * (Japanese), and three U.S. producers, * * *. In each instance * * * was the lowest-priced supplier on a delivered price basis and according to * * * won the awards based on price. The three awards, competing total delivered values, and percentage price differences between the domestic and imported products are shown by bidding company in the following tabulation:

* * * * *

* * *, an OEM in * * *, reported competing price quotes on its two largest awards for industrial belts during 1988 that involved competition between domestic- and foreign-produced industrial belts. One award was for * * * units of a specific * * * belt and the other for * * * units of a particular * * * belt. * * * (Japanese) and * * * (U.S.) were the competing firms. The * * * belt is thinner and has less material than the * * * belt, although both belts

have the same design. 1/ In each instance * * * was the lowest-priced supplier on a U.S. f.o.b. price basis, with the foreign firm getting about 85 percent of each order and * * * the remaining 15 percent. 2/ According to * * *, they awarded * * * the bulk of each order based on its status as * * *, price, and delivery advantage.

Singapore.--The reported net U.S. f.o.b. selling prices resulted in 33 quarterly price comparisons between domestic and imported Singapore industrial belt product 2 and products 4-7 sold to OEMs and products 8, 10, 12, and 14 sold to distributors during January 1987-February 1989 (table 33). 3/ In 27 of the 33 price comparisons, the imported Singapore products were priced less than the U.S.-produced products, averaging about 21 percent and ranging from 2 to 57 percent below U.S. producers' prices. In six other price comparisons the imported Singapore belt products were priced higher than the domestic products.

Table 33

Industrial belts: Margins of underselling or overselling, in percentage terms, based on comparisons of average net f.o.b. prices of largest sales weighted by TOTAL sales quantity of domestic belts and belts imported from Singapore, by class of customer, by products and by quarters, January 1987-December 1988 and during January-February 1989

* * * * *

Sixteen of the 33 price comparisons involved product 2 and products 4-7 sold to OEMs. In 10 of the 16 price comparisons involving these latter products, prices of the imported Singapore belt products were less than prices of the domestic product, averaging about 23 percent below U.S. producers' prices to OEMs. In six other price comparisons involving the products sold to OEMs, prices of the Singapore belt products were priced higher than the domestic products. In the 17 price comparisons involving products 8, 10, 12, and 14 sold to distributors, the imported Singapore belt products were priced less than the domestic products, averaging almost 20 percent below prices of the U.S.-produced products.

Taiwan.--The reported net U.S. f.o.b. selling prices resulted in 26 quarterly price comparisons between domestic and imported Taiwan industrial belt products 10 and 14 sold to distributors during January 1986-February 1989 (table 34). 4/ In 17 of the 26 price comparisons, the imported Taiwan products were priced less than the U.S.-produced products, averaging almost 4 percent and ranging from 1 to 8 percent below U.S. producers' prices. In nine price comparisons, the imported product was priced above the domestic products, averaging about 7 percent above U.S. producers' prices.

1/ * * *.

2/ * * *.

3/ Six of the 33 price comparisons occurred during a partial quarter, January-February 1989.

4/ Two of the 26 price comparisons occurred during a partial quarter, January-February 1989.

Table 34

Industrial belts: Margins of underselling or overselling, in percentage terms, based on comparisons of average net f.o.b. prices of largest sales weighted by TOTAL sales quantity to distributors of domestic belts and belts imported from Taiwan and the United Kingdom, by products and by quarters, January 1986-December 1988 and during January-February 1989

* * * * * * *

United Kingdom.--The reported net U.S. f.o.b. selling prices resulted in 12 quarterly price comparisons between domestic and imported British industrial belt product 11 sold to distributors during January 1986-December 1988 (table 34). In 10 of the 12 price comparisons, the imported British product was priced less than the U.S.-produced product, averaging about 13 percent and ranging from 2 to 24 percent below U.S. producers' prices. In two other price comparisons, prices of the imported product ranged from 2 to 42 percent above prices of the domestic product.

West Germany.--The reported net U.S. f.o.b. selling prices resulted in 79 quarterly price comparisons between domestic and imported West German industrial belt products 8-14 sold to distributors during January 1986-February 1989 (table 35). 1/ In 67 of the 79 price comparisons, the imported West German products were priced less than the U.S.-produced products, averaging about 16 percent and ranging from 1 to 51 percent below U.S. producers' prices. In 10 price comparisons, the imported West German belt products were priced higher than the domestic products, averaging about 5 percent above prices of the domestic products. In two other price comparisons the domestic and imported West German prices were equal.

Table 35

Industrial belts: Margins of underselling or overselling, in percentage terms, based on comparisons of average net f.o.b. prices of largest sales to distributors of domestic belts and belts imported from West Germany, by products, and by quarters, January 1986-December 1988 and during January-February 1989

* * * * * * *

Purchaser questionnaire responses resulted in 46 delivered price comparisons involving the domestic and imported West German products 8-10 and 12-14 purchased by distributors during April 1987-March 1989 (table 36). In all 46 price comparisons, the imported products were priced less than the domestic products, averaging about 14 percent below prices of the U.S.-produced industrial belts.

1/ Price comparisons between the U.S.-produced and imported West German industrial belt products were based on average prices of the largest sale weighted by the quantity of the largest sale. Average prices of the domestic products weighted by the quantity of the largest sales are not shown. Five of the 79 price comparisons occurred during a partial quarter, January-February 1989.

Table 36

Industrial belts: Margins of underselling, in percentage terms, based on comparisons of distributors average net delivered purchase prices of domestic belts and belts imported from West Germany, by products and by quarters, April 1987-March 1989

* * * * * * *

Transportation factors

U.S. producers and importers reported in their questionnaire responses that domestic and imported industrial belts are generally shipped by truck to their U.S. customers, with U.S. freight costs averaging about 3 percent of the f.o.b. selling prices. The 6 U.S. producers and 18 importers responding to this part of the questionnaire indicated that U.S. inland transportation costs did not significantly affect price competition between the subject U.S.-produced and imported industrial belts. A majority of these firms also reported that they arrange freight to their customers, although the proportion of domestic producers doing so was higher than for the importing firms. In addition, questionnaire responses suggest that, in comparison with importers, U.S. producers sell a higher proportion of their industrial belts to customers located more than 100 miles from the supplying firms' U.S. selling locations.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that values of currencies of the eight foreign countries subject to these investigations generally appreciated in nominal and real terms relative to the U.S. dollar during January 1986-December 1988, with these trends continuing through March 1989 where the data were available (table 37). ^{1/} Exchange rate changes for the eight countries are discussed below.

Federal Republic of Germany (West Germany).--The nominal value of the West German mark appreciated relative to the U.S. dollar by about 27 percent during January 1986-March 1989. An approximately 1-percent deflation rate in West Germany compared with almost 9-percent inflation in the United States during this period resulted in less appreciation of the West German mark in real terms compared with nominal terms. In real terms, the West German mark appreciated against the U.S. dollar during January 1986-March 1989 by 16 percent, or 11 percentage points less than the appreciation in nominal terms.

^{1/} International Financial Statistics, April 1989.

Table 37

Exchange rates: 1/ Indexes of the nominal and real exchange rates between the U.S. dollar and currencies of eight specified countries, and indexes of producer prices in the foreign countries and the United States, 2/ by quarters, January 1986-March 1989

Period	Federal Republic of Germany			Israel			Italy			U.S.
	Nominal exchange rate index	Producer price index	Real exchange rate index 3/	Nominal exchange rate index	Producer price index	Real exchange rate index 3/	Nominal exchange rate index	Producer price index	Real exchange rate index 3/	Producer price index
1986:										
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	104.4	98.7	105.0	100.1	104.4	106.4	103.8	98.2	103.9	98.2
July-Sept..	112.5	97.9	112.8	99.7	108.0	110.3	111.3	97.4	111.0	97.7
Oct.-Dec...	116.9	96.2	114.6	99.8	110.9	112.9	115.0	98.1	115.0	98.1
1987:										
Jan.-Mar...	127.6	95.7	123.0	92.8	117.5	110.0	122.4	99.6	122.9	99.2
Apr.-June..	130.0	95.4	123.0	93.1	122.6	113.2	123.0	100.6	122.7	100.8
July-Sept..	127.6	95.8	119.9	92.4	127.7	115.8	120.2	101.4	119.5	101.9
Oct.-Dec...	137.6	96.1	129.2	94.5	133.6	123.4	128.0	102.6	128.3	102.3
1988:										
Jan.-Mar...	140.0	96.1	130.7	94.3	139.4	127.8	129.4	103.7	130.3	102.9
Apr.-June..	137.4	96.7	126.8	94.2	145.3	130.6	126.0	105.1	126.4	104.8
July-Sept..	125.7	97.2	115.1	90.8	150.4	128.5	115.3	106.3	115.4	106.2
Oct.-Dec...	132.1	97.7	121.0	92.6	155.5	134.9	121.3	107.7	122.5	106.7
1989: 4/										
Jan.-Mar...	127.4	99.0	116.0	82.2	170.1	128.6	118.3	5/	5/	108.7

Period	Japan			Singapore			South Korea			U.S.
	Nominal exchange rate index	Producer price index	Real exchange rate index 3/	Nominal exchange rate index	Producer price index	Real exchange rate index 3/	Nominal exchange rate index	Producer price index	Real exchange rate index 3/	Producer price index
1986:										
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	110.4	96.3	108.3	97.0	92.3	91.2	100.0	97.8	99.6	98.2
July-Sept..	120.6	93.8	115.8	98.7	90.8	91.7	100.6	98.8	101.7	97.7
Oct.-Dec...	117.2	92.8	111.0	98.0	94.7	94.6	102.0	98.1	102.0	98.1
1987:										
Jan.-Mar...	122.7	92.2	114.0	99.9	100.1	100.8	103.7	98.4	102.8	99.2
Apr.-June..	131.7	91.5	119.5	100.9	102.1	102.2	107.2	99.5	105.8	100.8
July-Sept..	127.9	92.6	116.2	101.8	102.9	102.7	109.8	99.6	107.3	101.9
Oct.-Dec...	138.4	92.3	124.8	104.6	101.1	103.4	111.0	100.0	108.5	102.3
1988:										
Jan.-Mar...	146.8	91.3	130.1	106.2	100.1	103.3	115.0	101.6	113.5	102.9
Apr.-June..	149.6	90.9	129.8	106.4	101.6	103.2	120.6	101.7	117.1	104.8
July-Sept..	140.5	91.8	121.5	104.9	99.8	98.6	122.7	102.5	118.5	106.2
Oct.-Dec...	150.0	91.0	128.0	108.5	97.3	99.0	127.5	102.5	122.5	106.7
1989: 4/										
Jan.-Mar...	147.4	91.3	123.7	110.8	5/	5/	130.5	102.9	123.5	108.7

See footnotes at end of table.

Table 37--Continued

Exchange rates: 1/ Indexes of the nominal and real exchange rates between the U.S. dollar and currencies of eight specified countries, and indexes of producer prices in the foreign countries and the United States, 2/ by quarters, January 1986-March 1989

Period	Taiwan			United Kingdom			U.S.
	Nominal exchange rate index	Producer price index	Real exchange rate index ^{3/}	Nominal exchange rate index	Producer price index	Real exchange rate index ^{3/}	Producer price index
1986:							
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	102.3	99.8	104.1	104.7	101.6	101.3	98.2
July-Sept..	104.9	98.9	106.3	103.4	101.9	99.1	97.7
Oct.-Dec...	108.1	98.2	108.4	99.2	102.7	94.7	98.1
1987:							
Jan.-Mar...	112.3	97.2	110.2	107.0	104.1	102.0	99.2
Apr.-June..	121.1	96.4	116.0	114.0	105.2	109.3	100.8
July-Sept..	128.8	95.7	121.0	112.2	105.6	108.3	101.9
Oct.-Dec...	132.9	94.7	122.9	121.8	106.8	116.7	102.3
1988:							
Jan.-Mar...	137.2	93.3	124.5	124.7	108.2	118.7	102.9
Apr.-June..	137.0	94.5	123.7	127.9	109.8	122.1	104.8
July-Sept..	136.6	95.5	122.9	117.7	111.1	112.5	106.2
Oct.-Dec...	137.9	95.3	123.2	124.3	112.3	118.0	106.7
1989: ^{4/}							
Jan.-Mar...	^{5/}	^{5/}	^{5/}	122.5	^{5/}	^{5/}	108.7

^{1/} Based on exchange rates expressed in U.S. dollars per unit of foreign currency.

^{2/} The producer price indexes are aggregate measures of inflation at the wholesale level in the United States and the above foreign countries. Quarterly producer prices in the United States fluctuated but rose, by 8.7 percent, during January 1986-March 1989. Producer prices in South Korea rose more slowly by 2.9 percent during the same period, and prices in Israel jumped by 70.1 percent. On the other hand, producer prices in West Germany and Japan declined, falling by 1 and 8.7 percent, respectively. Producer price indexes in the other four countries were available only through December 1988 and showed prices in Italy and the United Kingdom rising somewhat faster than in the United States but prices in Singapore and Taiwan falling.

^{3/} The real values of the foreign currencies are the nominal values adjusted for the difference between inflation rates in the individual foreign countries and the United States, as measured by producer price indexes in these countries.

^{4/} Data for the first quarter of 1989 are for January and February only.

^{5/} Data not available.

Note.--January-March 1986=100.0

Source: International Monetary Fund, International Financial Statistics, April 1989.

Israel.--The nominal value of the Israeli sheqalim depreciated relative to the U.S. dollar during January 1986-March 1989, falling by approximately 18 percent. A 70.1-percent increase in producer prices in Israel during January 1986-March 1989, compared with a modest 8.7-percent increase in the United States, however, resulted in appreciation of the Israeli sheqalim in real terms vis-a-vis the U.S. dollar during this period. During January 1986-March 1989 the Israeli sheqalim appreciated in real terms by about 29 percent vis-a-vis the U.S. dollar.

Italy.--The nominal value of the Italian lira appreciated relative to the U.S. dollar by approximately 21 percent during January 1986-December 1988. 1/ Similar inflation rates in Italy and the United States during this period, of almost 8 and 7 percent, respectively, resulted in an only somewhat greater appreciation of the Italian lira in real terms, of about 23 percent, than in nominal terms. No producer price index or real exchange rate data for 1989 were available for Italy.

Japan.--The nominal value of the Japanese yen appreciated relative to the U.S. dollar by about 47 percent during January 1986-March 1989. An approximately 9-percent deflation rate in Japan compared with about 9-percent inflation in the United States during this period resulted in less appreciation of the Japanese yen in real terms compared with nominal terms. In real terms, the Japanese yen appreciated against the U.S. dollar during January 1986-March 1989 by approximately 24 percent, or 24 percentage points less than the appreciation in nominal terms.

Singapore.--The nominal value of the Singapore dollar appreciated relative to the U.S. dollar during January 1986-December 1988 by almost 9 percent. 2/ An approximately 3-percent deflation rate in Singapore compared with about 7-percent inflation in the United States during this period, however, resulted in depreciation of the Singapore dollar in real terms against the U.S. dollar. In real terms, the Singapore dollar depreciated against the U.S. dollar during January 1986-December 1988 by approximately 1 percent. No producer price index or real exchange rate data for 1989 were available for Singapore.

South Korea.--The nominal value of the South Korean won appreciated relative to the U.S. dollar by almost 31 percent during January 1986-March 1989. An approximately 3-percent rate of inflation in South Korea compared with almost 9-percent inflation in the United States during this period resulted in somewhat less appreciation of the Korean won in real terms compared with nominal terms. In real terms, the South Korean won appreciated against the U.S. dollar during January 1986-March 1989 by almost 24 percent, or 7 percentage points less than the appreciation in nominal terms.

Taiwan.--The nominal value of the new Taiwan dollar appreciated relative to the U.S. dollar during January 1986-December 1988, the latest period that comparable data were available, by about 38 percent. But an approximately 5-

1/ By March 1989 the nominal value of the Italian lira appreciated against the U.S. dollar by approximately 18 percent, falling somewhat in value since the final quarter of 1988.

2/ By March 1989 the nominal value of the Singapore dollar appreciated against the U.S. dollar by almost 11 percent, rising somewhat in value since the final quarter of 1988.

percent deflation rate in Taiwan compared with about 7-percent inflation in the United States during this period resulted in less appreciation of the new Taiwan dollar in real terms compared with nominal terms. In real terms, the new Taiwan dollar appreciated against the U.S. dollar during January 1986-December 1988 by about 23 percent, or 15 percentage points less than the appreciation in nominal terms.

United Kingdom.--The nominal value of the British pound appreciated relative to the U.S. dollar by approximately 24 percent during January 1986-December 1988. ^{1/} An approximately 12-percent inflation rate in the United Kingdom compared with about 7-percent inflation in the United States during this period resulted in somewhat less appreciation of the British pound in real terms compared with nominal terms. In real terms, the British pound appreciated against the U.S. dollar during January 1986-December 1988 by about 18 percent. No producer price index or real exchange rate data were available for the United Kingdom during 1989.

Lost revenue

Final investigations.--Four U.S. producers provided numerous lost revenue allegations regarding imports from the subject foreign countries.

* * * named * * * as an example of alleged lost revenue in a purchase of * * * belts first quoted by * * * in October 1988. This annual requirement was initially quoted at \$* * * per belt. * * * alleged that this offer price was reduced in the face of competing imported Italian belts from * * * offered at \$* * * each. Freight and payment terms offered by * * * were the same as those of * * *. The competitive information was reported to * * * by * * *, buyer for * * *. * * * stated that the offer price for the Italian belts was matched to save the sale.

* * *, manager of purchasing, required a formal request be telefaxed by the ITC staff before responding to the USITC inquiry. * * * checked the firm's records and learned that the buyer at that time was no longer with * * * and asked that more detailed information be provided in order to trace the alleged purchase. * * * provided a salesman's report requesting authorization to meet the competing import price. * * * is awaiting the facts from * * * regarding this allegation. * * * has learned that possibly the allegation should have been listed as a lost sale rather than lost revenue because no such shipment has been made to * * *. * * * has not responded with additional information. We also do not know if * * * made the sale.

* * * identified * * *, a distributor based in * * *, with branches in * * * other locations, in an instance of alleged lost revenue in January 1989. This situation involved a purchase of * * * industrial belts by * * * after * * * reduced its initial quote of \$* * * per belt to \$* * * in meeting competition from * * * belts imported from Japan. * * *, buyer for * * *, checked the firm's records to ascertain the facts concerning this purchase. * * * confirmed that * * * did lower its price in competing against * * *, importers of industrial

^{1/} By March 1989 the nominal value of the British pound appreciated against the U.S. dollar by almost 23 percent, falling slightly in value since the final quarter of 1988.

belts from Singapore and Japan. * * * quoted about \$* * * per belt on this occasion while * * * quoted \$* * * per belt. * * * met the * * * price and was awarded the sale. This purchase was made by the * * * branch of * * *. * * * noted that the * * * belts were not as good in quality as the * * * belt. He explained that * * * has made separate bids, i.e. price quotes on Japanese and domestic belts, on * * * annual contracts to provide industrial belts. In a number of instances, the Japanese belts did not meet the tensile strength tests of the * * *, although the dimensional specifications were acceptable. * * * emphasized that the inner cord or fiber members in the * * * belts tended to stretch. The lost revenue in this instance amounted to \$* * *, as alleged.

* * * listed three instances of alleged lost revenue in January 1987 involving * * *, a manufacturer of industrial * * * equipment. * * * allegedly reduced its initial price quotes by amounts that ranged from * * * to * * * percent for the three subject types of belts in the face of competing lower-priced belts imported from Israel by the * * *. * * *, an executive of the firm and at that time the buyer, recalled that during the subject time period, * * * bought its belts almost entirely from * * *. Belts were ordered as needed for side driven new equipment and for replacement in the field. He stated that the domestic supplier's salesman "did offer a better multiplier to try to get the business." * * *, however, did not buy the domestic belts because even after the lower price quotes * * * was roughly "* * * percent high."

* * * stayed with * * * until the quality of the imported belts dropped. Customer complaints increased in 1988 and * * * switched to buying only domestic (* * * and * * *) belts through a nearby distributor, * * *. * * * knew that the * * * belts were imported but did not know whether they were from Israel or elsewhere. Purchases from * * * in January 1987 were for an aggregate volume of \$* * *.

* * * cited another instance of alleged lost revenue in early 1987 that involved * * *, a manufacturer of * * *. * * * alleged that it reduced its initial quotes on two types of belts from \$* * * and \$* * * per belt, respectively, to meet the competing offer price for either type belt of \$* * * for imported * * * from West Germany. The alleged quantities involved were * * * and * * * pieces. * * *, purchasing manager, acknowledged that the firm formerly bought the belts in question, usually from domestic manufacturers, but that now a single belt has replaced the two. He prefers domestic belts but on occasion has purchased * * * and rates the imported German belts as of quality equal to the domestic belts. * * * stated that the * * * industry is a low profit sector and that in an effort to hold down costs he uses the lower prices of imported belts as leverage to obtain comparable prices from the three or four domestic producers he uses as approved vendors. Although * * * could not recall the specifics of this particular transaction, he confirmed that his domestic sources had, of necessity, reduced their prices to * * * to meet competition from lower-priced imported belts and that the alleged competing prices in the subject instance seemed fairly accurate. He noted, however, that the alleged quantities involved were overstated.

Preliminary investigations.--Discussions during the preliminary investigations with representatives of companies cited in lost revenue allegations are discussed below.

*** listed three instances of alleged lost revenue, involving two firms. The quantity involved totaled *** belts in blanket orders for annual supply, and an additional single sale of *** belts. In terms of value, the alleged lost revenue totaled \$***. Commission staff investigated all three of the allegations. ***, located in ***, was named as awarding two blanket contracts to *** in 1987 after that firm allegedly reduced its initial price quote to meet competition from lower price quotes for product allegedly imported from West Germany. *** reduced its initial offer price of *** cents per belt to *** cents on an anticipated annual quantity of *** belts and similarly revised its initial offer of *** cents to *** cents per belt on a second request for a quote on anticipated volume of *** belts that same year. ***, purchasing agent for ***, explained that *** manufactures ***. *** confirmed the facts virtually as alleged, but with two exceptions. The imported competing belts were from Taiwan not West Germany, and the competing import quote was *** cents per belt. The revised domestic bid was "close enough" to win the awards. There were no quality differences between the competing belts. *** tests the belts thoroughly before rating the vendor as an acceptable bidder. Three steps are involved in the test process. First, the belts must meet *** specs; then, the cord is tested; and finally the V grooves and belt length are checked. If these spec tests are passed, *** puts the belts through a life test of 500 hours. Only then is the product labeled acceptable. *** noted that the quoted price is good for the length of the contract, in these cases, 1 year. Lost revenue in these two instances amounted to an estimated \$*** based on anticipated quantity requirements.

*** was named by *** in an instance of lost revenue in *** 1987 involving a sale to that *** firm. The award was for *** industrial belts. The initial domestic price of \$*** per belt was reduced to \$***, allegedly to meet a competing offer price of \$*** per belt for imported belts from Japan. ***, purchasing manager, was contacted and asked to check the facts. As yet, he has not responded to the ITC staff inquiry. The alleged lost revenue in this instance totaled \$***.

*** listed 25 alleged lost revenue examples. They amounted to a total of roughly \$200,000 in alleged lost revenues. *** provided two examples of alleged lost revenue involving blanket order sales awarded to *** by ***. These two instances involved ***. *** won a blanket order award in June 1988 to supply industrial belts to *** through ***. The anticipated annual volume was estimated at more than *** belts for *** categories of industrial belts. *** alleged that it approved prices to *** below the 100 level to enable *** to quote prices to *** at levels of 58 to 86 for the ***. 1/ *** allegedly faced severe low-price competition from *** belts imported from Japan.

***, purchasing manager for ***, confirmed the facts as alleged. There were *** bidders competing for the *** contract. *** were given serious consideration. *** were judged as unable to perform for capital requirement reasons and inability to supply product on a just-in-time basis. *** was competing through ***, a *** distributor of *** belts. *** was competing through ***. *** was quoting prices on *** belts. *** won the award but had to cut its offer price *** percent below the ***-approved levels. *** explained that the standard rebate margin based on ***-approved levels below

1/ See diagram on distributor cost level in the price section.

the 100 level amounted to a gross margin of 15 percent for * * *. The * * * award cut the * * * margin to only 5 percent. "You can't operate on 5 percent," * * * emphasized. The reason for taking the award, he explained, was strategic. * * * has to maintain high V-belt volume to justify the "best price" inventory that is necessary to support the demand requirements for * * * 's other customers in the * * * region. Without the * * * base, * * * emphasized, this would be difficult, perhaps impossible, given today's tough import competition.

During this bid competition, * * * was being enticed by * * * to take on the * * * belt line. * * * had in hand the * * * offer prices and used them as documentation to obtain the extra discounts from * * *. From former head-to-head competition with * * * belts, * * * also knew that * * * would be even lower in its prices. * * *. * * * will provide the Commission with a copy of this letter and other documentation verifying the prices attendant to the * * * award after * * *.

* * * cited * * * in another alleged instance of lost revenue in * * * 1988 that involved an award for a blanket order from * * *. This award was for an anticipated volume of * * * belts for two classes of industrial belts. * * * alleged that it reduced its 100-level distributor price to permit the distributor to offer a sell price of 81 to * * *, thus approving a rebate to * * * that amounted to a 15 percent gross margin. * * * noted that until recently, * * * 's rebates had been at a level that provided only a 10 to 12 percent gross margin. He added that too many distributors faced with competition from low-priced imports were "walking away from such slim margins." The importers were offering extra discounts "up front" on the invoice and also rebating. This is more attractive to some distributors and purchasers, says * * *, than documenting a meet-competition situation, which is difficult to do in many cases.

* * * named * * * in an alleged instance of lost revenue that involved reducing initial price quotes to meet competition from lower offer prices for industrial belts imported from Singapore. * * * won an award in * * * 1988 to supply * * * with a variety of industrial belts that would total an estimated \$* * * in annual volume. * * * alleged that it reduced its prices for specified belts by amounts that ranged from 6 to 29 percent in order to win this blanket order award for 1988. * * *, the Corporate Purchasing Manager, confirmed that his firm had awarded * * * a blanket order. * * * had been sourcing belts from * * * at lower prices based on a corporate-wide program * * *. There had been quality problems with * * * belts at the * * * facility. Another * * * facility had supply problems with the * * * distributor in that area. Consequently, these factors, together with the price reductions of * * * to meet lower prices for * * * belts imported from Singapore, resulted in a partial switch to * * * for 1988 supply. * * *, the negotiator for the award, confirmed the price reductions as alleged. He commented that perhaps * * * the * * * annual volume was still going to * * *. He estimated the company-wide industrial belt volume in the * * * region to be roughly \$* * * to \$* * * annually. The industrial belt market is very competitive currently and suppliers' margins are low, he added. The maintenance people at * * * see * * * belts as "running better" than * * * belts. Other facilities have been satisfied with * * * belts and the low prices.

* * * named * * * in another alleged lost revenue in * * * 1988. * * *, in the face of alleged competition from low prices for * * * belts imported from Singapore, reduced its prices to * * *, approving sell prices by * * * to * * * that were from 25 to 45 percent below 100-level distributor buy prices.

***, buyer for ***, confirmed that *** had reduced its initial prices as alleged. The order was for annual requirements for ***. Prices on the competing *** belts were quoted by ***, a distributor in the *** region. *** said that *** needed local distributor supply to keep on-hand inventory down. Although the *** plants try to operate on a belt replacement schedule, this doesn't always work and at times a key belt is needed at once. *** belts were not priced quite as low as *** belts but were "close enough," said ***. He noted that *** did have a "national agreement" with ***, but that regional buyers can "go local" as competitive conditions and *** needs require.

In another lost revenue allegation, *** named *** as involved in a sale of a broad variety of industrial belts in *** 1988, after *** approved sell prices from 2 to 34 percent below 100-level distributor prices in order to compete with prices offered for belts imported from the United Kingdom or West Germany. ***, a representative of ***, confirmed the facts as alleged. He said that the award was made to his firm by ***. *** provided *** with invoices for ***, saying, "these are the prices you have to meet." Prior to this award, *** had only about *** percent of ***'s volume, a few special belts not offered by ***. *** wanted to "buy American" so *** tried to solicit all the business and won the award, which amounts to about \$*** per year. *** netted about a *** percent gross profit margin after the *** rebate. He emphasized that the rebate system is "a pain in the neck." His office spends 2 days a month documenting the sales made at approved discounts below cost. The only reason for taking a sale at such a low margin, *** said, is to try to "keep us active with ***."

*** added that he is losing business to imports every day. He asserted that he can sell against domestic belt competition but not against imports, which are normally offered at prices 20 to 25 percent below ***'s cost, and at times as much as 30 to 40 percent lower. As an example, he cited ***, an OEM that makes ***. This account, roughly \$*** per year, was lost to sales by *** at "substandard prices," 25 percent below ***'s prices.

*** listed seven instances of alleged lost revenue in 1986-87 that involved seven different purchasers. The total amount of alleged lost revenue amounted to \$317,000. The staff investigated one of these allegations involving ***. In *** 1986, *** reduced its price for an order of *** belts from \$*** to *** cents per belt in competing against belts imported from Japan and allegedly offered at *** cents per belt. This allegation was confirmed in general terms by ***. He is collecting the facts on this transaction and will provide them to the Commission's staff.

Lost sales

Final investigations.--Four U.S. producers provided numerous specific lost sales allegations regarding imports from the subject foreign countries.

*** cited ***, a *** distributor, in three examples of alleged lost business in January 1988. The first example was for a potential annual volume of \$*** based on sales of *** belts to ***, a *** distributor. Competing *** belts imported from Japan were offered at a price that allegedly was *** percent below ***'s lowest price. The *** distributor allegedly won the sale that amounted to \$***. The second example involved a potential annual sales volume for *** belts valued at \$*** based on the *** distributor price.

The competing * * * belts imported from Italy were allegedly offered by the * * * at a price that was * * * percent or \$* * * below the domestic distributor's lowest price. Again, the * * * distributor allegedly won the sale to * * *. The third example cited by * * * involved a potential annual sales volume in the amount of \$* * * for * * * belts. * * * quoted a * * * price but lost the sale to * * * who quoted a price for * * * belts imported from Italy, which was * * * percent below the * * * distributor price. * * *, sales manager for * * *, confirmed the facts as alleged. He emphasized, however, that these were examples of three lost accounts not simply lost sales. Although * * *'s salesman continues to call on these firms, there has been "no activity on these accounts" since they switched to * * *. * * * noted that * * * has lost three other accounts to low-priced imports in the last month. * * * and * * *, both located in * * *, have switched to * * *. These former accounts amounted to \$* * * and \$* * *, respectively, in annual volume. * * * also lost an OEM account, * * *, a * * * firm that purchased roughly \$* * * in belts annually. * * * commented that, except for * * *, the bond requirement has not resulted in any increase in import prices. * * * raised its prices * * * percent on May 1, 1989; the other importers appear to have absorbed the bond cost. Customers sourcing imported belts have called and asked what is going to happen as a result of the investigation but have not acted to switch back to domestic belts. * * * stated that, consequently, * * *, which has enjoyed a * * * continuous growth in sales volume, suffered a * * * percent drop in sales during the last quarter of 1988 and the first quarter of 1989.

* * * identified another of its distributors, * * *, as the middleman in an alleged lost sale to an OEM, * * *, in January 1989. This potential sale involved three specified V-belts in aggregate monthly quantities of * * * to * * * pieces, or an annual sales volume of roughly \$* * * to \$* * *. * * * was actively pursuing this business with offer prices at the major distributor cost level plus a * * *-percent profit margin. * * * allegedly lost this account to * * *, a competing distributor reportedly operating with consigned inventory of imported belts from Taiwan. * * * provided a salesman's report indicating that * * *'s offer prices ranged from \$* * * to \$* * * per belt for the specified V-belts on a cost plus * * * percent commission basis. * * * requested price adjustments from * * * that would meet the Taiwan prices, also on a cost plus * * * percent gross profit margin basis. * * *, purchasing manager for * * *, checked with the sales person involved to learn the facts regarding this alleged lost sale. * * *, executive of the firm, confirmed the facts as alleged. He stated that * * * denied the request and that * * * said that they "couldn't make the belts for those prices." * * * tried to save the account by turning to substitute belts imported from other countries but found that the * * * belts from Taiwan were priced below other imports.

Preliminary investigations. --Discussions during the preliminary investigations with representatives of companies cited in lost sales allegations are discussed below.

* * * listed 17 examples of alleged lost sales that totaled \$215,089 in 1986-87. These alleged lost sales involved 13 different purchasers.

* * * was identified by * * * as the purchaser in an alleged lost sale in * * * 1986 of * * * belts of a single stock number, * * *. * * *'s price of * * * cents per belt was rejected, allegedly in favor of a competing quote of * * * cents per belt for substitute belts imported from Japan. * * *, buyer for

***, a manufacturer of ***, confirmed the purchase at the price alleged. The Japanese belts were *** product, purchased through a *** distributor. This supply satisfied ***'s requirements from *** 1986 to *** 1987. The 14 percent lower price for the *** belt gave the *** distributor the sale. ***, however, switched to *** belts in the late summer of 1987 for the next season's requirement. ***, selling through a *** distributor, met the *** and *** prices and won the award. *** noted that *** has received and tested samples of belts from Taiwan but has not purchased any in volume.

*** named *** in another lost sale allegation. In *** 1987, *** quoted a price of *** cents per belt for a blanket order of *** industrial belts but allegedly lost the sale to a competing bid of *** cents for belts imported from Singapore or Japan. ***, purchasing manager for ***, explained the circumstances related to this allegation. Quality and price both must be acceptable to ***. *** had received samples from *** and subsequently bought a shipment of *** belts from that domestic source. ***, he said, uses roughly *** to *** of that particular belt per year. It is a replacement belt for ***; *** sells to *** throughout the United States. The first shipment from *** was good. The second shipment had a quality problem; the cogs in the belt were not spaced correctly in one small section of the belt. *** explained that they had shipped from another plant and ***. *** slowly worked off the bad inventory and then turned to ***. *** sent *** belts that were too long.

According to ***, ***'s initial quote was *** cents per belt in the alleged lost sale instance, but it was later revised to *** cents. *** offered the same belt at *** cents with a *** discount of *** cents per belt. *** rates the *** belts as very high quality. This fact, plus the lower net price and the prior quality problem with the shipment of *** belts, gave *** the *** account for the subject belt through ***, a *** distributor. The *** belts are at times imported from Singapore and at other times from Japan. *** added that *** buys other belts from *** and from ***. Overall, *** purchases a volume of *** replacement belts per year.

*** cited *** in another instance of a lost sale in bid competition for a blanket order for industrial belts for ***. The annual anticipated volume totaled *** assorted industrial belts of specified stock numbers. The award allegedly went to imported belts from Japan. ***, a *** executive, explained that this award had gone to *** but in recent years had gone to distributors quoting on *** and *** belts. *** agreed to provide documentation from *** as to the competing bids and the award of the blanket purchase order to a *** distributor at very low prices. This documentation reveals that there were *** distributors bidding for all or part of this contract. Two distributors quoted prices on *** belts, one quoted prices on *** belts, *** quoted on *** belts, another quoted *** belt prices, and *** quoted *** belt prices. *** was the low bidder and won the award. This contract was for *** purchases of belts from *** 1987 through *** 1988. The next lowest bidder was the distributor quoting *** prices. Random price comparisons of *** prices for specific belts compared with competing *** prices for those belts and with the lowest competing prices for *** belts reflect margins of underbidding by the *** prices that ranged from 18 to 20 percent for *** belt prices, and from 21 to 23 percent for *** belt prices.

*** named *** in an example of a lost sale of *** industrial belts in bid competition for a blanket contract to supply ***. *** responded to the

staff's inquiry in general terms but could not comment on the specific allegation. * * * emphasized that currently, and in the past several years, there is "a lot of price cutting and substitution of sources" for industrial belts. * * * serves the OEM market and the replacement market and buys from several domestic sources and occasionally purchases imported belts. If a purchaser does not specify a brand and focuses on price, * * * will seek the best price source and quote that belt, at the same time recognizing that the company needs happy customers for repeat business. * * * emphasizes that in the current market many times you can't make a fair profit and still get the business. Import competition has meant that being on the "best buy" list is not enough. He recalls that * * * has not been able to win the * * * contract in recent years and on occasion has not bothered to quote. As for the specifics of the subject allegation, a salesman, * * *, handled the subject bid but is on vacation and will respond to the Commission's inquiry on his return.

Two lost sales allegations by * * * cited * * *, a * * * distributor, as purchasing specific industrial belts imported from Japan in 1987. * * * stated that his company, a full-line industrial parts distributor, sells * * * to * * * industrial belts nationally per year, 95 percent of which are replacement belts. Several years ago, * * * decided to add industrial belts to its product line. * * * approached * * *, which declined. * * * also declined, as did * * *. * * * accepted * * * as a distributor. * * * sells industrial belts primarily on an annual-contract basis. He "frequently turns to imports," but also has "a lot of belts made to specs." * * * said he tries to keep this dimension of * * * 's requirements domestic. * * * currently multi-sources from * * * and * * *. Generally, * * * puts out a request for quotes to three domestic producers for special belts. Domestic, he said, are "more small batch oriented" than the importers. He explained that he went offshore for availability reasons as well as price on standard belts. His major import sources, * * * and * * *, are warehousing all over the country. * * * says that turnaround time for his orders is 3 working days for Japanese industrial belts compared with 7 days for domestic belts.

Currently, * * * is talking to importers of Korean belts and to * * *. He has tested * * * products but has not purchased any as yet. Noting that industrial belts from Israel are substandard, * * * stated that * * *, an importer, formerly handled industrial belts from Israel and from * * *, but now imports from various countries, and a purchaser such as * * * doesn't know where the belts are coming from. This, * * * added, causes quality problems.

* * * listed two types of belts, * * * and * * *, alleging that * * * rejected domestic quotes of \$* * * and \$* * * per belt in favor of imported belts from Japan quoted at \$* * * and \$* * * respectively. * * * recalled that he had asked for quotes from three domestic producers. * * * was given the blanket order for * * * belts. No order was placed for the alleged * * * industrial belts. * * * shipped the belts. * * * rejected the shipment because the belts did not meet specs in terms of the layered material in the belts. * * * then turned to * * *, whose shipment was accepted at a price of \$* * *, f.o.b. * * * 's * * * warehouse.

* * * named * * * in an instance of an alleged lost sale in 1987 of * * * industrial belts. * * * 's \$* * * per belt offer price was rejected in favor of belts imported from Korea offered at \$* * * per belt. * * * acknowledged that he had turned to a foreign belt source to win a contract for a new account with * * *. The domestic producer "may have offered a discount based on a rebate."

*** emphatically said he "won't operate on a rebate basis." He "wants the price up front." *** said he is trying to work with *** but that import prices have been 25 to 30 percent lower. He won the *** contract for belts in 1988 with prices on imported *** belts. The final competing prices per belt were \$*** for *** belts, compared with \$*** for *** belts. The blanket order amounts to roughly \$***.

*** listed nine lost sales that involved six different firms. The total lost sales amounted to more than \$1.5 million. *** named *** in an alleged lost sale of *** industrial belts in *** 1986. ***'s quote of *** cents per belt was rejected, allegedly in favor of a competing price quote of *** cents per belt for imported belts from the United Kingdom. **, senior buyer that handles this product, provided the following facts on this allegation. *** buys belts for **. It sources various belts from ** and **. These are ** belts and ** uses roughly ** to ** a year. This volume is split about evenly between the two sources. **'s records show that the prices paid for these belts in 1986 ranged from ** to ** cents per belt. ** does not know whether the belts from ** are imported or not. ** is a domestic producer of industrial belts. A call to ** verified that they do indeed manufacture belts for ** in the ** plant. ** does import certain belts from ** in the United Kingdom. ** cannot track this alleged transaction without knowing the exact belt in question. If the domestic producer will identify the specific belt involved, ** will trace the source of that belt supplied to **.

*** listed *** in an alleged lost sale of *** industrial belts in *** 1986. *** allegedly rejected a quote by *** of *** cents per belt in favor of a price of *** cents for belts imported from Japan. The staff contacted ***'s purchasing office, but the knowledgeable individuals were on vacation. *** does purchase belts in *** and is the *** for industrial belts for the company's own use as an OEM of ***.

Ultimately, *** and the industrial belts buyer, **, responded to the ITC staff inquiry. ** indicated that ** was sourcing ** belts from Japan and Singapore. ** belts were purchased from **, a ** distributor. ** belts were ** from Japan by **. ** confirmed the quantity of ** belts and the competing price alleged by **. ** explained, however, that the price of *** cents price per belt was an *** price for ** belts. The *** price amounts to *** cents per belt. The ** belts are purchased at a price of *** cents per belt, f.o.b. **, compared with **'s offer price of *** cents, f.o.b. **.

*** added that **. ** intends to dual source, but will try not to switch sources to the extent possible in the interest of improving quality control. Consequently, ** is in the process of regaining some of its lost volume in ** belts. A current testing program involving ** indicates that the ** belt is superior to the ** belt. This result is based on **. **. ** told ** that it was considering transferring production of the ** belt in question to **. ** said it would gain cost advantages that it needed in the face of the severe import price competition in the U.S. industrial belt market. ** said that such a move to ** would necessitate **, **.

*** currently has roughly ** percent of **'s total ** belt volume, which amounts to about ** belts per year; ** has the remaining

* * * percent. Several years ago, * * * belts were being tested alongside * * * belts. This same belt * * *, * * * stated. * * *. * * * did not cause this problem. * * * 's price was lower than * * * 's, and * * * took the * * * account for some time. * * * and has recovered some of the lost volume.

* * * named * * * in * * * alleged instances of lost sales for specific belts, identified by stock number. * * * alleged that in * * * 1987 it lost two orders that amounted to an anticipated annual volume of * * * belts with a total value of \$* * *. A quote of * * * cents per belt and * * * cents per belt, respectively, for the two specified belts was rejected, allegedly in favor of competing quotes of * * * cents and * * * cents for imported belts from West Germany. In * * * 1987, * * * offer prices of * * * cents and * * * cents per belt for the two other specified belts were rejected, allegedly in favor of imported belts from Japan offered through a U.S. distributor at * * * cents and * * * cents per belt. The total anticipated volume involved was * * * belts with a total value of \$* * *.

* * *, a * * * buyer located in * * *, could not locate information on the first two specified belts. * * * did confirm that the specified belts for which * * * quoted prices in * * * 1987 were * * * and that the alleged * * * offer prices were accurate. Since then, however, * * * stated that * * * and came in with a price of * * * cents per belt. * * * explained that both of the belts involved in the * * * request for quotes are * * *. No contracts have been let, as yet. * * * noted that because of * * *, * * * has been instructed to buy parts for * * * only from North American sources, so long as they were "reasonably priced." * * * added that * * * may be purchasing industrial belts from offshore. Commission staff has ascertained that * * *.

* * * listed 47 examples of alleged lost sales supported by documentation. In total, they amounted to almost \$5 million in lost sales volume. * * * named * * *, a * * * distributor, in an instance of an alleged lost sale in * * * 1986 for a potential annual volume of roughly \$* * *. * * * approved an * * * "meet competition" request to quote selling prices to * * * for a broad range of industrial belts at below-100-level prices that ranged from 4 to 23 percent below 100-level distributor cost, but allegedly lost the sale to lower priced belts imported from Japan. * * *, an * * * executive, confirmed the facts as alleged, but noted that the discounted prices offered were as much as 30 percent below the 100-level distributor cost. * * * stated that the sale was lost to a competing distributor, * * *, who offered lower prices for * * * belts. * * *. According to * * *, * * * came into the area 4 years ago and "turned the market upside down." * * * established low "buy levels" direct to * * *. With orders in hand, * * * went to established distributors to entice them to take on the * * * line and service these orders on a rebate basis. * * * couldn't support such large accounts with its own distribution system, * * * asserted. The * * * blanket account amounts to a \$* * * annual sales volume. In * * * 1987, * * * won back this account with extra approved discounts from * * * and a rebate of roughly 19 percent, less than the normal 25 percent margin * * * strives for.

APPENDIX A

FEDERAL REGISTER NOTICES

[Investigations Nos. 701-TA-293 and 295 (Final), and Investigations Nos. 731-TA-412 through 419 (Final)]

Industrial Belts From Israel, et al.

AGENCY: United States International Trade Commission.

ACTION: Institution of final antidumping investigations and scheduling of a hearing to be held in connection with the investigations.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigations Nos. 731-TA-412 (Final) (Israel), 731-TA-413 (Final) (Italy), 731-TA-414 (Final) (Japan), 731-TA-415 (Final) (Singapore), 731-TA-416 (Final) (South Korea), 731-TA-417 (Final) (Taiwan), 731-TA-418 (Final) (United Kingdom), and 731-TA-419 (Final) (West Germany) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the act) to determine whether 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 Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany of industrial belts,¹ provided for in

¹ The merchandise covered by these investigations includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts, and flat belts, in part or wholly of rubber or plastic, and contain textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. These investigations exclude conveyor belts and automotive belts as well as front engine drive belts

subheadings 4010.10.10, 4010.10.50, 5910.00.10, and 5910.00.90 of the Harmonized Tariff Schedule of the United States (items 358.02, 358.06, 358.08, 3258.09, 358.11, 358.14, 358.16, 657.25, and 773.35 of the Tariff Schedules of the United States), that have been found by the Department of Commerce, in preliminary determinations, to be sold in the United States at less than fair value (LTFV). Unless the investigations are extended, Commerce will make its final LTFV determinations on or before April 11, 1989, and the Commission will make its final injury determinations by May 31, 1989 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b)).

In addition, the Commission hereby gives notice of its intention to conduct its final countervailing duty investigations Nos. 710-TA-293 (Final) (Israel) and 701-TA-295 (Final) (South Korea), which were instituted effective December 2, 1988 (53 FR 52517, December 28, 1988), concurrently with its antidumping investigations.

For further information concerning the conduct of these investigations, hearing procedures, and rules of general application, consult the Commission's rules of Practice and Procedure, part 207, subparts A and C (19 CFR part 207 as amended, 53 FR 33041 *et seq.* (August 29, 1988)), and part 201, subparts A through E (19 CFR part 201).

EFFECTIVE DATE: February 1, 1989.

FOR FURTHER INFORMATION CONTACT: Tedford Briggs (202-252-1181), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

SUPPLEMENTARY INFORMATION:
Background.—These antidumping investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of industrial belts from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigations were requested in a

petition filed on June 30, 1988, by The Gates Rubber Co., Denver, CO. In response to that petition the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of those investigations determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (53 FR 32478, August 25, 1988).

Participation in the investigations.—Persons wishing to participate in these investigations 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 twenty-one (21) days after the 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 these investigations upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3, as amended (53 FR 33041 *et seq.* (August 29, 1988)), of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigations must be served on all other parties to the investigations (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.

Limited disclosure of business proprietary information under a protective order.—Pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a) as amended, 53 FR 33041 *et seq.* (August 29, 1988)), the Secretary will make available business proprietary information gathered in these final investigations to authorized applicants under a protective order, provided that the application be made not later than twenty-one (21) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive business proprietary information under a protective order. The Secretary will not accept any submission by parties containing business proprietary information without a certificate of service indicating that it has been served on all the parties that are

authorized to receive such information under a protective order.

Staff report.—The prehearing staff report in these investigations will be placed in the nonpublic record on April 14, 1989, and a public version will be issued thereafter, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on April 27, 1989, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on April 14, 1989. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on April 21, 1989, at the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is April 24, 1989. The hearing will be a consolidated proceeding for the countervailing and antidumping investigations.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonbusiness proprietary summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any business proprietary materials must be submitted at least three (3) working days prior to the hearing (see § 207.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2))).

Written submissions.—All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on May 3, 1989. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before May 3, 1989.

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 Commission's rules (19 CFR 201.8). All written submissions except for business

¹ found on equipment powered by internal combustion engines, including trucks, tractors, buses, and reef trucks.

proprietary 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 information for which business proprietary treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Business Proprietary Information." Business proprietary submissions and requests for business proprietary treatment must conform with the requirements of §§ 201.6 and 207.7 of the Commission's rules (19 CFR 201.6 and 207.7).

Parties which obtain disclosure of business proprietary information pursuant to § 207.7(s) of the Commission's rules (19 CFR 207.7(a) as amended, 53 FR 33041 *et seq.* (August 29, 1988)) may comment on such information in their prehearing and posthearing briefs, and may also file additional written comments on such information no later than May 8, 1989. Such additional comments must be limited to comments on business proprietary information received in or after the posthearing briefs.

Authority: These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: February 10, 1989.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 89-3576 Filed 2-14-89; 8:45 am]

BILLING CODE 7020-02-M

ACTION: Institution of final countervailing duty investigations.

SUMMARY: The Commission hereby gives notice of the institution of final countervailing duty investigations Nos. 701-TA-293 and 295 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) (the act) to determine whether 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 Israel (Inv. No. 701-TA-293 (Final)) and South Korea (Inv. No. 701-TA-295 (Final)) of industrial belts¹ and components and parts thereof, whether cured or uncured, provided for in items 358.02, 358.06, 358.08, 358.09, 358.11, 358.14, 358.16, 657.25, and 773.35 of the Tariff Schedules of the United States (subheadings 4010.10.10, 4010.10.50, 5910.00.10, and 5910.00.90 of the Harmonized Tariff Schedule of the United States), that have been found by the Department of Commerce, in preliminary determinations, to be subsidized by the Governments of Israel and South Korea.

Pursuant to a request from petitioner under section 705(a)(1) of the Act (19 U.S.C. 1671d(a)(1)), Commerce is expected to extend the date for its final determinations in these investigations to coincide with the date of its final determinations in ongoing antidumping investigations on industrial belts and components and parts thereof from Israel, Italy, Japan, Singapore, South Korea, Taiwan, the United Kingdom, and West Germany. Accordingly, the Commission will not establish a schedule for the conduct of these countervailing duty investigations until Commerce makes preliminary determinations in the antidumping investigations (currently scheduled for January 26, 1989).

For further information concerning the conduct of these investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, subparts A through E (19 CFR Part 201).

[Investigations Nos. 701-TA-293 and 295 (Final)]

Industrial Belts From Israel and South Korea

AGENCY: United States International Trade Commission.

¹ For the purposes of these investigations, the term "industrial belts" includes belting and belts for machinery, in part or wholly of rubber or plastics. Specifically excluded from the scope of these investigations are imports of conveyor belts and imports of automotive belts. (Automotive belts include belts for such motor vehicles as cars, buses, on-the-road trucks, etc., and also the front-end engine drive belts for industrial vehicles such as road graders and cranes; automotive belts do not include any belts for agricultural equipment).

EFFECTIVE DATE: December 2, 1988.
FOR FURTHER INFORMATION CONTACT: Robert Eninger (202-252-1194), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that certain benefits which constitute subsidies within the meaning of section 701 of the act (19 U.S.C. 1671) are being provided to manufacturers, producers, or exporters in Israel and South Korea of industrial belts and parts and components thereof. The investigations were requested in a petition filed on June 30, 1988, by The Gates Rubber Co., Denver, CO. In response to that petition the Commission conducted preliminary countervailing duty investigations and, on the basis of information developed during the course of those investigations, determined that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of imports of the subject merchandise (53 FR 32478, August 25, 1988).

Participation in the Investigations

Persons wishing to participate in these investigations 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 twenty-one (21) days after the 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 these investigations 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 investigations must be served on all other parties to the investigations (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.

Authority: These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Kenneth R. Mason,
 Secretary.

Issued: December 21, 1988.

[FR Doc. 88-29808 Filed 12-27-88; 8:45 am]

BILLING CODE 7020-02-M

referred to as industrial belts) from Israel are being, or are likely to be, sold in the United States at less than fair value. We also determine that critical circumstances exist with respect to imports of industrial belts from Israel.

We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Israel as described in the "Continuation of Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the publication of this notice, whether these imports materially injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Louis Apple or Loc Nguyen, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-1769 or (202) 377-3530.

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that industrial belts from Israel are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The estimated margins are shown in the "Continuation of Suspension of Liquidation" section of this notice. We also determine that critical circumstances exist with respect to industrial belts from Israel.

Case History

On January 26, 1989, we made an affirmative preliminary determination (54 FR 5105, February 1, 1989). We received comments from petitioner and respondent.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the *Harmonized Tariff Schedule* (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS sub-headings. The HTS sub-headings are provided for convenience and Customs purposes. The written description remains dispositive.

The products covered by this investigation are industrial belts from Israel currently provided for under Tariff Schedules of the United States Annotated (TSUSA) item numbers 358.0210, 358.0290, 358.0610, 358.0690, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510 and 773.3520; and currently classifiable under Harmonized Tariff Schedule (HTS) sub-headings 3926.90.55, 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7326.20.00.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Period of Investigation

The period of investigation is January 1, 1988, through June 30, 1988.

Fair Value Comparisons

To determine whether sales of industrial belts from Israel to the United States were made at less than fair value, we compared the United States price to the foreign market value. For our preliminary determination we used best information available as required by section 776(c) of the Act. As best information available, we took the highest margin contained in the petition for each of the product types for the period of investigation and calculated a simple average of those figures to determine a margin for the products under investigation. Since the respondent, Magam, failed to participate in the investigation, we are using the same methodology for calculating a margin for the final determination.

United States Price

United States price was based on the U.S. price information provided in the petition pursuant to section 772 of the Act.

Foreign Market Value

Foreign market value was based on home market prices provided in the

International Trade Administration
(A-508-801)

Final Determination of Sales at Less Than Fair Value: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From Israel

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We determine that industrial belts and components and parts thereof, whether cured or uncured, (hereinafter

petition pursuant to section 773 of the Act.

Critical Circumstances

On June 30, 1988, petitioner alleged that critical circumstances exist with respect to imports of the subject merchandise from Israel. Section 735(a)(3) of the Act provides that critical circumstances exist if we determine that:

(A)(i) there is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation; or

(ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value; and

(B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

Pursuant to section 735(a)(3), we generally consider the following factors in determining whether imports have been massive over a relatively short period of time: (1) The volume and value of the imports; (2) seasonal trends (if applicable); and (3) the share of domestic consumption accounted for by imports.

Since the respondent, Magam, failed to participate in the investigation, we are determining that critical circumstances for this respondent exist based on best information available. As best information available, we are assuming that imports of industrial belts have been massive over a relatively short period of time. In determining knowledge of dumping, the Department normally considers margins of 25% or more sufficient to impute knowledge of dumping under section 735(a)(3)(A) (see, e.g., *Final Determination of Sales at Less Than Fair Value; Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Italy* (52 FR 24198, June 29, 1987)). Therefore, in accordance with sections 735(a)(3)(A)(ii) and 735(a)(3)(B), we determine that critical circumstances exist with respect to Magam.

With respect to firms covered by the "All Other" rate, we have determined that imports of industrial belts have not been massive over a relatively short period of time and, therefore that critical circumstances do not exist.

Since we do not find that there have been massive imports of industrial belts from firms included in the "All Other" rate, we do not need to consider whether there is a history of dumping or whether importers of these products knew or should have known that the

merchandise was being sold at less than fair value.

Interested Party Comments

Comment 1: Petitioner argues that, based on U.S. import statistics, IM 146 data, the Department should find that there have been massive imports of industrial belts over a relatively short period of time. Petitioner further asserts that an antidumping margin of 25% or more is sufficient to impute knowledge to the importer that the exporter was selling the merchandise at less than fair value.

DOC Position: Since the respondent, Magam, failed to participate in the investigation, as best information available, we are assuming that its imports of industrial belts from Israel have been massive over a relatively short period of time. Furthermore, we find that the best information available margin of 89.65% is sufficient to impute knowledge to the importer that the exporter was selling the merchandise at less than fair value.

With regard to firms covered by the "All Other" rate, see the "Critical Circumstances" section of this determination.

Comment 2: Petitioner argues that the Department's final determination should be based on the highest less-than-fair-value margin alleged in the petition.

DOC Position: The Department is applying the same methodology used in the preliminary determination to calculate the margins for the final determination. As best information available, we are taking the highest margin contained in the petition for each of the product types for the period of those figures to determine the margin for the products under investigation.

Comment 3: Petitioner asserts that in its scope of investigation at the preliminary determination, the Department listed only four HTS sub-headings. Petitioner requests that the Department list eighteen HTS sub-headings in its final determination.

DOC Position: We agree. The petition included nine TSUSA item numbers and four HTS sub-headings that petitioner believed would correspond to the TSUSA numbers when the HTS system became effective.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS sub-headings listed in a January 1989 USITC publication, *The Continuity of Import and Export Trade Statistics After Implementation of the Harmonized Commodity Description and Coding System*, petitioner requested that the Department expand the four HTS sub-headings listed in our

preliminary determination to eighteen sub-headings. We asked for comments from the interested parties in this investigation concerning industrial belts covered by the eighteen HTS sub-headings.

In our preliminary determinations, as now, we note that the written description of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. We do not view providing additional HTS sub-headings as broadening the scope of this investigation.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Israel, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after the date which is 90 days prior to the date of publication of the preliminary determination in the Federal Register.

Normally, we would instruct the U.S. Customs Service to require a cash deposit or the posting of a bond equal to the estimated amounts by which the foreign market of subject merchandise from Israel exceeds the United States price as shown below. However, Article VI.5 of the General Agreement on Tariffs and Trade provides that "no . . . product shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." This provision is implemented by section 722(d)(1)(D) of the Act which prohibits assessing dumping duties on the portion of the margin attributable to an export subsidy, since there is not reason to require a cash deposit or bond for the amount. Therefore, the bonding rate in this investigation will be reduced by the rate attributable to the export subsidies found in the concurrent countervailing duty determination. Accordingly, for duty deposit purposes, the bonding rate is 79.25% for Magam and all other manufacturers, producers, and exporters of the subject merchandise from Israel.

The cash deposit or bonding rate established in the preliminary determination shall remain in effect with respect to entries or withdrawals from warehouse made prior to the date of publication of this notice in the Federal Register. The suspension of liquidation will remain in effect until further notice.

The margin percentages are shown below:

Manufacturer/producer/exporter	Margin percentage
Magam	79.25
All others	79.25

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that material injury does exist, the Department will issue an antidumping duty order if directing Customs officials to assess antidumping duties on industrial belts from Israel entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

April 11, 1989.

Timothy N. Bergan,

Acting Assistant Secretary for Import Administration.

[FR Doc. 89-9252 Filed 3-17-89; 8:45 am]

BILLING CODE 3510-05-M

[A-475-802]

Final Determination of Sales at Less Than Fair Value: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From Italy

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We determine that industrial belts and components and parts thereof, whether cured or uncured, (hereinafter referred to as industrial belts) from Italy

are being, or are likely to be, sold in the United States at less than fair value. We also determine that critical circumstances exist with respect to imports of industrial belts from Italy.

We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Italy as described in the "Continuation of Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the publication of this notice, whether these imports materially injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Louis Apple or Loc Nguyen, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-1769 or (202) 377-3530.

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that industrial belts from Italy are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The estimated margin is shown in the "Continuation of Suspension of Liquidation" section of this notice. We also determine that critical circumstances exist with respect to industrial belts from Italy.

Case History

On January 26, 1989, we made an affirmative preliminary determination (54 FR 5103, February 1, 1989). On January 26, 1989, Pirelli submitted revised computer tapes, and on February 21, 1989, Pirelli submitted a product concordance. On March 23, 1989, the Department held a public hearing. Interested parties submitted comments for the record.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. schedules were fully converted to the *Harmonized Tariff Schedule (HTS)*, as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date will be classified solely according to the appropriate HTS sub-

headings. The HTS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

The products covered by this investigation are industrial belts from Italy provided for under Tariff Schedules of the United States Annotated (TSUSA) item numbers 358.0210, 358.0290, 358.0610, 358.0690, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510 and 773.3520; and currently classifiable under Harmonized Tariff Schedule (HTS) sub-headings 3926.90.55, 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7326.20.00.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Period of Investigation

The period of investigation is January 1, 1988, through June 30, 1988.

Fair Value Comparisons

To determine whether sales of industrial belts from Italy to the United States were made at less than fair value, we compared the United States price to the foreign market value. For our preliminary determination we used best information available as required by section 776(c) of the Act. As best information available, we took the highest margin contained in the petition for each of the product types and averaged those figures to determine a margin for the products under investigation. Since the respondent, Pirelli, failed to provide an adequate response, we are using the same methodology for calculating a margin for the final determination. See DOC Position to Comment 2.

United States Price

United States price was based on the U.S. price information provided in the petition pursuant to section 772 of the Act.

Foreign Market Value

Foreign market value was based on home market prices provided in the petition pursuant to section 773 of the Act.

Critical Circumstances

On June 30, 1988, petitioner alleged that critical circumstances exist with respect to imports of the subject merchandise from Italy. Section 735(a)(3) of the Act provides that critical circumstances exist if we determine that:

(A) (i) there is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation; or

(ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value; and

(B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

Pursuant to section 735(a)(3), we generally consider the following factors in determining whether imports have been massive over a relatively short period of time: (1) The volume and value of the imports; (2) seasonal trends (if applicable); and (3) the share of domestic consumption accounted for by imports.

Because the Department's import data pertaining to the subject merchandise are based on basket TSUSA categories, we requested specific data on shipments of the subject merchandise as the most appropriate basis for our determinations of critical circumstances. Furthermore, we believe that company-specific critical circumstances determinations better fulfill the objective of the critical circumstances provision of deterring specific companies that may try to increase imports massively prior to the suspension of liquidation.

We asked Pirelli to supply monthly volume shipment data from November, 1987 to January, 1989 in order for the Department to base the critical circumstances determination on company-specific data. Pirelli provided the Department with information concerning monthly import data.

Since the response of Pirelli in this investigation was not used in making fair value comparisons (see Comment 2), we are determining that critical circumstances for this respondent exist based on best information available. As best information available, and as a statement made against its own interest, we used the company-specific information that Pirelli provided to

determine that critical circumstances exist. Comparing the seven months after the month in which the petition was filed to the seven months before and including the month in which the petition was filed, shipments by Pirelli increased 99%.

In determining knowledge of dumping, the Department normally considers margins of 25% or more sufficient to impute knowledge of dumping under section 735(a)(3)(A) (see, e.g., *Final Determination of Sales at Less Than Fair Value; Tapered Roller Bearings, and Parts thereof, Finished or Unfinished, from Italy* (52 FR 24198, June 29, 1987)). Therefore, in accordance with sections 735(a)(3)(A)(ii) and 735(a)(3)(B), we determine that critical circumstances exist with respect to Pirelli.

With respect to firms covered by the "All Other" rate, we determine that critical circumstances do not exist because we have determined that imports of industrial belts have not been massive over a relatively short period of time. Since we do not find that there have been massive imports of industrial belts from firms included in the "All Other" rate, we do not need to consider whether there is a history of dumping or whether importers of these products knew or should have known that the merchandise was being sold at less than fair value.

Interested Party Comments

Comment 1: Petitioner alleges that the Department's negative critical circumstances preliminary determination was in error because company-specific data was not used. The respondent urges the Department to make a negative critical circumstances determination with respect to Pirelli.

DOC Position: We have determined that imports of industrial belts from Italy have been massive over a relatively short period of time, as best information available. Furthermore, the dumping margin of 74.9% leads us to conclude that the importer knew or should have known that the exporter was selling the merchandise at less than its fair value.

With regard to firms covered by the "All Other" rate, see the "Critical Circumstances" section of this determination.

Comment 2: Petitioner argues that the Department's final determination should be based on the highest less-than-fair-value margin alleged in the petition.

Respondent argues that the Department should have accepted and verified the actual sales information submitted by Pirelli for purposes of the final determination because information submitted by Pirelli after the preliminary

determination did not constitute a new response.

The respondent further alleges that, should the Department decide to use best information available, the best information available is not that used in the preliminary determination. Respondent suggests that, because of its good faith efforts to cooperate, best information available should be the lower of (1) the highest rate found for any participating respondent, or (2) an average of the lowest rates alleged in the petition for each category of belt actually sold by Pirelli, or (3) the weighted average of the rates alleged in the petition for all belts actually sold by Pirelli.

DOC Position: To determine whether sales of industrial belts from Italy were made at less than fair value, we compared the United States price to the foreign market value as discussed in the *Fair Value Comparisons* section of this notice. For the reasons cited below we have determined, in accordance with section 776(c) of the Act, that the use of best information available is appropriate for the subject merchandise from Italy. Section 776(c) requires the Department to use best information available "whenever a party or any other person refuses or is unable to produce information requested in a timely manner or in the form required, or otherwise significantly impedes an investigation."

Twenty-six days after the preliminary determination Pirelli submitted extensive corrections to its earlier submissions. Despite its earlier statements that all U.S. sales had identical matches, Pirelli's submission included a product concordance matching certain U.S. sales with sales of "similar" merchandise in the home market. Even with this information, only a little over 60% by volume and value of the subject merchandise sold by Pirelli in the U.S. had a match in the home market.

Given the significance of this new information, the Department determined that the submission by Pirelli was so substantial that it constituted a new response. While the Department normally allows minor revisions to questionnaire responses after the preliminary determination and during verification, it is our well established policy not to accept new responses that are filed after the preliminary determination. Moreover, to accept this new information at such a late point in the investigation would have denied the petitioner and other interested parties their statutorily-mandated opportunity to comment on the new response and

otherwise to participate in this investigation with regard to Pirelli.

While the Department may differentiate between cooperative and non-cooperative firms in assessing best information available, we were not able to adopt any of the alternatives suggested by respondent in this case. There were no other responding firms in Italy and the other alternatives would require use of unverified information about products actually sold by Pirelli.

Comment 3: Petitioner asserts that in its scope of investigation at the preliminary determination, the Department listed only four HTS sub-headings. Petitioner requests that the Department list eighteen HTS sub-headings in its final determination.

DOC Position: We agree. The petition included nine TSUSA item numbers and four HTS sub-headings that petitioner believed would correspond to the TSUSA numbers when the HTS system became effective.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS sub-headings listed in January 1989 USITC publication, *The Continuity of Import and Export Trade Statistics after Implementation of the Harmonized Commodity Description and Coding System*, petitioner requested that the Department expand the four HTS sub-headings listed in our preliminary determination to eighteen sub-headings.

We asked for comments from the interested parties in this investigation concerning industrial belts covered by the eighteen HTS sub-headings. We have received no objections to the petitioner's request.

In our preliminary determinations, as now, we note that the written description of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. We do not view providing additional HTS sub-headings as broadening the scope of the investigation.

Comment 4: V. B. Splaun & Son, an importer, believes it is inappropriate to include nylon core flat belts imported from Italy in the scope of this investigation. V. B. Splaun & Son requests that these nylon-core belts be excluded from this investigation.

DOC Position: The information received was insufficient to determine whether the merchandise is properly excluded from the scope of this investigation. In addition, the information received from these firms arrived too late to be analyzed and verified for this final determination. If

the final determination of the ITC results in an antidumping duty order on this merchandise, and upon receipt of proper documentation, the Department may conduct a scope ruling procedure concerning the products imported by these firms.

Continuation of Suspension of Liquidation: We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Italy, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after the date which is 90 days prior to the date of publication of the notice of the preliminary determination in the Federal Register. The U.S. Customs Services shall continue to require a cash deposit or posting of a bond equal to the estimated amounts by which the foreign market value of the subject merchandise from Italy exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturer/producer/exporter	Margin percentage
Pirelli Trasmissioni Industriali, S.p.A.....	74.90
All others	74.90

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that material injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on industrial belts from Italy entered, or withdrawn from warehouse, for consumption, on or after the effective date of the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Timothy N. Bergan,
Acting Assistant Secretary for Import Administration.

[FR Doc. 89-9253 Filed 4-17-89; 8:45 am]

BILLING CODE 3510-DS-M

[A-588-807]

Final Determination of Sales of Less Than Fair Value: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, from Japan

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We determine that industrial belts and components and parts thereof, whether cured or uncured (hereinafter referred to as industrial belts) from Japan are being, or are likely to be, sold in the United States at less than fair value. We also determine that critical circumstances exist with respect to import of industrial belts from Japan.

We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Japan as described in the "Continuation of Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the publication of this notice, whether these imports materially injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Louis Apple or Loc Nguyen, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-1769 or (202) 377-3530.

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that industrial belts from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The estimated margin is shown in the "Continuation of Suspension of Liquidation" section of this notice. We also determine that critical circumstances exist with respect to industrial belts from Japan.

Case History

On January 26, 1989, we made an affirmative preliminary determination (54 FR 5114, February 1, 1989). We received comments from petitioner. We have received a number of requests for exclusion of merchandise from the scope of this final determination (*see* comment number 4).

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the *Harmonized Tariff Schedule* (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS sub-headings. The HTS sub-headings are provided for convenience and Customs purposes. The written description remains dispositive.

The products covered by this investigation are industrial belts from Japan currently provided for under Tariff Schedules of the United States Annotated (TSUSA) item numbers 358.0210, 358.0290, 358.0610, 358.0690, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510 and 773.3520; and currently classifiable under Harmonized Tariff Schedule (HTS) sub-headings 3926.90.55, 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7326.20.00.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (*i.e.*, closed loop) or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment power by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Period of Investigation

The period of investigation is January 1, 1988, through June 30, 1988.

Fair Value Comparisons

To determine whether sales of industrial belts from Japan to the United States were made at less than fair value, we compared the United States price to the foreign market value. For our preliminary determination we used best information available as required by section 776(c) of the Act. As best information available, we took the highest margin contained in the petition for each of the product types for the period of investigation and calculated a simple average of those figures to determine a margin for the products under investigation. Since the respondent, Bando, failed to participate in the investigation, we are using the same methodology for calculating a margin for the final determination.

United States Price

United States price was based on the U.S. price information provided in the petition pursuant to section 772 of the Act.

Foreign Market Value

Foreign market value was based on home market prices provided in the petition pursuant to section 773 of the Act.

Critical Circumstances

On June 30, 1988, petitioner alleged that critical circumstances exist with respect to imports of the subject merchandise from Japan. Section 735(a)(3) of the Act provides that critical circumstances exist if we determine that:

(A)(i) there is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation; or

(ii) the person whom or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value; and

(B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

Pursuant to section 735(a)(3), we generally consider the following factors in determining whether imports have been massive over a relatively short period of time: (1) The volume and value of the imports; (2) seasonal trends (if applicable); and (3) the share of domestic consumption accounted for by imports.

Since the respondent, Bando Chemical Industries (Bando), failed to participate in the investigation, we are determining that critical circumstances for this respondent exist based on best

information available information. As best information available, we are assuming that imports of industrial belts have been massive over a relatively short period of time. In determining knowledge of dumping, the Department normally considers margins of 25% or more sufficient to impute knowledge of dumping under section 735(a)(3)(A) (*see, e.g., Final Determination of Sales at Less Than Fair Value; Tapered Roller Bearings and Parts Therefor, Finished or Unfinished, from Italy* (52 FR 24198, June 29, 1987)). Therefore, in accordance with sections 735(a)(3)(A)(ii) and 735(a)(3)(B), we determine that critical circumstances exist with respect to Bando.

With respect to firms covered by the "All Other" rate, we have determined that imports of industrial belts have not been massive over a relatively short period of time and, therefore, that critical circumstances do not exist.

Since we do not find that there have been massive imports of industrial belts from firms included in the "All Other" rate, we do not need to consider whether there is a history of dumping or whether importers of these products know or should have known that the merchandise was being sold at less than fair value.

Interested Party Comments

Comment 1: Petitioner argues that, based on U.S. import statistics, IM 146 data, the Department should find that there has been massive imports of industrial belts over a relatively short period of time. Petitioner further asserts that an antidumping margin of 25% or more is sufficient to impute knowledge to the importer that the exporter was selling the merchandise at less than fair value.

DOC Position: Since the respondent, Bando, failed to participate in the investigation, as best information available, we are assuming that its imports of industrial belts from Japan have been massive over a relatively short period of time. Furthermore, we find that the best information available margin of 93.16% is sufficient to impute knowledge to the importer that the exporter was selling the merchandise at less than fair value.

With regard to firms covered by the "All Other" rate, see the "Critical Circumstances" section of this determination.

Comment 2: Petitioner argues that the Department's final determination should be based on the highest less-than-fair-value margin alleged in the petition.

DOC Position: The Department is applying the same methodology used in

he preliminary determination to calculate the margins for the final determination. As best information available, we are taking the highest margin contained in the petition for each of the product types for the period of investigation and then calculating a simple average of those figures to determine the margin for the products under investigation.

Comment 3: Petitioner asserts that in its scope of investigation at the preliminary determination, the Department listed only four HTS sub-headings. Petitioner requests that the Department list eighteen HTS sub-headings in its final determination.

DOC Position: We agree. The petition included nine TSUSA item numbers and four HTS sub-headings that petitioner believed would correspond to the TSUSA numbers when the HTS system became effective.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS sub-headings listed in a January 1989 USITC publication, *The Continuity of Import and Export Trade Statistics After Implementation of the Harmonized Commodity Description and Coding System*, petitioner requested that the Department expand the four HTS sub-headings listed in our preliminary determination to eighteen sub-headings.

We asked for comments from the interested parties in this investigation concerning industrial belts covered by the eighteen HTS sub-headings.

In our preliminary determinations, as now, we note that the written description of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. We do not view providing additional HTS sub-headings as broadening the scope of this investigation.

Comment 4: Nitta International and V.B. Splawn & Son, importers, believe it is inappropriate to include nylon core flat belts imported from Japan in the scope of this investigation. They request that these nylon-core belts be excluded from this investigation.

DOC Position: The information received was insufficient to determine whether the merchandise is properly excluded from the scope of this investigation. In addition, the information received from these firms arrived too late to be analyzed and verified for this final determination. If the final determination of the ITC results in an antidumping duty order on this merchandise, and upon receipt of proper documentation, the Department may

conduct a scope ruling procedure concerning the products imported by these firms.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Japan, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after the date which is 90 days prior to the date of publication of the preliminary determination in the Federal Register. The U.S. Customs Service shall continue to require a cash deposit or posting of a bond equal to the estimated amounts by which the foreign market value of the subject merchandise from Japan exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice. The average of the highest margin for each of the product types listed in the petition for the period of investigation is as follows:

Manufacturer/producer/exporter	Margin percentage
Bando.....	93.16
All others	93.16

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that material injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on industrial belts from Japan entered, or withdrawn from warehouse, for consumption, on or after the effective date of the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Timothy N. Bergan,
Acting Assistant Secretary for Import Administration.

April 11, 1989.

[FR Doc. 89-0254 Filed 4-17-89; 8:45 am]

BILLING CODE 3510-09-M

[A-580-801]

Final Determination of Sales at Less Than Fair Value: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, from the Republic of Korea

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We determine that industrial belts and components and parts thereof, whether cured or uncured, (hereinafter referred to as industrial belts) from the Republic of Korea are being, or are likely to be, sold in the United States at less than fair value. We also determine that critical circumstances exist with respect to imports of industrial belts from the Republic of Korea.

We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from the Republic of Korea as described in the "Continuation of Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the publication of this notice, whether these imports materially injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Louis Apple or Loc Nguyen, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-1769 or (202) 377-3530.

SUPPLEMENTAL INFORMATION:

Final Determination

We determine that industrial belts from the Republic of Korea are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The estimated margins are shown in the "Continuation of Suspension of

Liquidation" section of this notice. We also determine that critical circumstances exist with respect to industrial belts from the Republic of Korea.

Case History

On January 26, 1989, we made an affirmative preliminary determination (54 FR 5116, February 1, 1989). On March 13, 1989, Dunlop Belting Products, Ltd. submitted some pricing data concerning their imports of industrial belts from Dongil Rubber Belting Co. (Dongil).

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the *Harmonized Tariff Schedule* (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS sub-headings. The HTS sub-headings are provided for convenience and Customs purposes. The written description remains dispositive.

The products covered by this investigation are industrial belts from the Republic of Korea currently provided for under Tariff Schedules of the United States Annotated (TSUSA) item numbers 358.0210, 358.0290, 358.0610, 358.0690, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510 and 773.3520; and currently classifiable under Harmonized Tariff Schedule (HTS) sub-headings 3926.90.55, 3926.90.58, 3926.90.57, 3926.90.59, 3926.90.60, 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7326.20.00.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Period of Investigation

The period of investigation is January 1, 1988, through June 30, 1988.

Fair Value Comparisons

To determine whether sales of industrial belts from the Republic of Korea to the United States were made at less than fair value, we compared the United States price to the foreign market value. For our preliminary determination we used best information available as required by section 776(c) of the Act. As best information available, we took the highest margin contained in the petition for each of the product types for the period of investigation and calculated a simple average of those figures to determine a margin for the products under investigation. Since the respondents, Dongil, failed to participate in the investigation, we are using the same methodology for calculating a margin for the final determination.

United States Price

United States price was based on the U.S. price information provided in the petition pursuant to section 772 of the Act.

Foreign Market Value

Foreign market value was based on home market prices provided in the petition pursuant to section 773 of the Act.

Critical Circumstances

On June 30, 1988, petitioner alleged that critical circumstances exist with respect to imports of the subject merchandise from the Republic of Korea. Section 735(a)(3) of the Act provides that critical circumstances exist if we determine that:

(A)(i) there is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation; or

(ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value; and

(B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

Pursuant to section 735(a)(3), we generally consider the following factors in determining whether imports have been massive over a relatively short period of time: (1) The volume and value of the imports; (2) seasonal trends (if applicable); and (3) the share of domestic consumption accounted for by imports.

Since the respondent, Dongil, failed to participate in the investigation, we are determining that critical circumstances for this respondent exist based on best information available. As best information available, we are assuming that imports of industrial belts have been massive over a relatively short period of time. In determining knowledge of dumping, the Department normally considers margins of 25% or more, sufficient to impute knowledge of dumping under section 735(a)(3)(A) (see, e.g., *Final Determination of Sales at Less Than Fair Value; Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Italy* (52 FR 24198, June 29, 1987)). Therefore, in accordance with sections 735(a)(3)(A)(ii) and 735(a)(3)(B), we determine that critical circumstances exist with respect to Dongil.

With respect to firms covered by the "All Other" rate, we have determined that imports of industrial belts have not been massive over a relatively short period of time and, therefore, that critical circumstances do not exist.

Since we do not find that there have been massive imports of industrial belts from other firms included in the "All Other" rate, we do not need to consider whether there is a history of dumping or whether importers of these products knew or should have known that the merchandise was being sold at less than fair value.

Interested Party Comments

Comment 1: Petitioner argues that, based on U.S. import statistics, IM 148 data, the Department should find that there have been massive imports of industrial belts over a relatively short period of time. Petitioner further asserts that an antidumping margin of 25% or more is sufficient to impute knowledge to the importer that the exporter was selling the merchandise at less than fair value.

Doc Postion: Since the respondent, Dongil, failed to participate in the investigation, as best information available, we are assuming that its imports of industrial belts from the Republic of Korea have been massive over a relatively short period of time. Furthermore, we find that the best information available margin of 64.37% is sufficient to impute knowledge to the importer that the exporter was selling the merchandise at less than fair value.

With regard to firms covered by the "All Other" rate, see the "Critical Circumstances" section of this determination.

Comment 2: Petitioner argues that the Department's final determination should

be based on the highest less-than-fair-value margin alleged in the petition.

DOC Position: The Department is applying the same methodology used in the preliminary determination to calculate the margins for the final determination. As best information available, we are taking the highest margin contained in the petition for each of the product types the period of investigation and then calculating a simple average of those figures to determine the margin for the products under investigation.

Comment 3: Petitioner asserts that in its scope of investigation at the preliminary determination, the Department listed only four HTS sub-headings. Petitioner requests that the Department list eighteen HTS sub-headings in its final determination.

DOC Position: We agree. The petition included nine TSUSA item numbers and four HTS sub-headings that petitioner believed would correspond to the TSUSA numbers when the HTS system became effective.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS sub-headings listed in a January 1989 USITC publication, *The Continuity of Import and Export Trade Statistics After Implementation of the Harmonized Commodity Description and Coding System*, petitioner requested that the Department expand the four HTS sub-headings listed in our preliminary determination to eighteen sub-headings.

We asked for comments from the interested parties in this investigation concerning industrial belts covered by the eighteen HTS sub-headings.

In our preliminary determinations, as now, we note that the written description of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. We do not view providing additional HTS sub-headings as broadening the scope of this investigation.

Comment 4: On March 13, 1989, Dunlop Belting Products, Ltd. submitted pricing data concerning its imports of industrial belts from Dongil. Dunlop requests the Department to weight average the data relied on in the petition as best available information in calculating the fair value comparisons.

DOC Position: We have continued to take a simple average of the margins contained in the petition. It would not be appropriate, in our view, to use data submitted by Dunlop because it was not verified and we have no way of knowing whether it represents the totality of

imports from Dongil. See our position to comment 2 concerning our methodology for making margin calculations in this determination.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from the Republic of Korea, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after the date which is 90 days prior to the date of publication of the preliminary determination in the Federal Register. The U.S. Customs Service shall continue to require a cash deposit or posting of a bond equal to the estimated amounts by which the foreign market value of the subject merchandise from the Republic of Korea exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice. The average of the highest margin for each of the product types listed in the petition for the period of investigation is as follows:

Manufacturer/producer/exporter	Margin percentage
Dongil.....	64.37
All others.....	64.37

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that material injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on industrial belts from the Republic of Korea entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation,

equal to the amount by which the foreign market value exceeds the United States price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Timothy N. Bergan,
Acting Assistant Secretary
April 11, 1989.

[FR Doc. 89-9255 Filed 4-17-89; 8:45 am]
BILLING CODE 3510-DS-M

[A-559-802]

Final Determination of Sales at Less Than Fair Value: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, from Singapore

AGENCY: Import Administration,
International Trade Administration,
Department of Commerce.

ACTION: Notice.

SUMMARY: We determine that industrial belts and components and parts thereof, whether cured or uncured, (hereinafter referred to as industrial belts) from Singapore are being, or are likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination and have directed The U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Singapore as described in the "Continuation of Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the publication of this notice, whether these imports are materially injuring, or are threatening material injury to, a United States industry. We also determine that critical circumstances do not exist with respect to imports of industrial belts from Singapore.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT:
Loc Nguyen or Karmi Leiman, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-3530 (Nguyen) or (202) 377-8371 (Leiman).

SUPPLEMENTAL INFORMATION:

Final Determination

We determine that industrial belts from Singapore are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act).

The estimated weighted-average margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On January 26, 1989, we made an affirmative preliminary determination (54 FR 5110, February 1, 1989). The following events have occurred since the publication of that notice.

The questionnaire responses from Mitsuboshi Belting (Singapore) Pte. Ltd. (MBS), and its subsidiaries, Mitsuboshi Belting Ltd. of the United States (MBL USA) and Mitsuboshi Belting Ltd. of Canada (MBL Canada), were verified in Singapore from February 22-24, 1989, in Calgary, Canada from February 13-15, and in Lombard, Illinois from February 16-17, 1989.

On March 24, 1989, the Department held a public hearing. Interested parties also submitted comments for the record in their pre-hearing briefs of March 17, 1989, and in their post-hearing briefs of March 31, 1989.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the *Harmonized Tariff Schedule* (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS subheadings. The HTS numbers are provided for convenience and Customs purposes. The written description remains dispositive.

The products covered by this investigation are industrial belts and components and parts thereof, whether cured or uncured, provided for under *Tariff Schedules of the United States Annotated* (TSUSA) item numbers 358.0210, 358.0290, 358.0810, 358.0890, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510, and 773.3520 and currently classifiable under HTS subheadings 3926.90.55, 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7328.20.00.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and

containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Period of Investigation

The period of investigation (POI) is January 1, 1988, through June 30, 1988.

Such or Similar Comparisons

For MBS, pursuant to section 771(16)(C) of the Act, we established one category of "such or similar" merchandise: V-belts.

Fair Value Comparisons

To determine whether sales of industrial belts from Singapore to the United States were made at less than fair value, we compared the United States price to the foreign market value, pursuant to sections 772 and 773 of the Act, respectively.

United States Price

For those sales by MBS that were made through a related sales agent in the United States to an unrelated purchaser prior to the date of importation, we used purchase price as the basis for determining United States price. For these sales, the Department determined that purchase price was the most appropriate indicator of United States price based on the following elements:

1. The merchandise in question was shipped directly from the manufacturer to the unrelated buyer, without being introduced into the inventory of the related selling agent;
 2. This was the customary commercial channel for sales of this merchandise between the parties involved; and
 3. The related selling agent located in the United States acted only as the processor of sales-related documentation and a communication link with the unrelated U.S. buyers.
- Where all the above elements are met, we regard the routine selling functions of the exporter as having been merely relocated geographically from the country of exportation to the United States, where the sales agent performs them. Whether these functions are done in the United States or abroad does not change the substance of the transactions or the functions themselves.

In instances where merchandise is ordinarily diverted into the related U.S. selling agent's inventory, we regard this factor as an important distinction

because it is associated with a materially different type of selling activity than the mere facilitation of a transaction such as occurs on a direct shipment to an unrelated U.S. purchaser. In situations where the related party places the merchandise into inventory, additional storage and financial carrying costs are commonly incurred. We use the inventory test because it can be readily understood and applied by respondents who must respond to Department questionnaires in a short period of time.

We calculated purchase price based on the packed, c.i.f., duty paid prices to unrelated purchasers in the United States. We made deductions from the purchase price, where appropriate, for foreign inland freight, U.S. and foreign brokerage and handling charges, ocean freight, marine insurance, U.S. duty, and U.S. inland freight, pursuant to section 772(d)(2)(A) of the Act.

For those sales placed into inventory, we based United States price on exporter's sales price (ESP), in accordance with section 772(c) of the Act, since the first sale to an unrelated customer was made after importation. We calculated ESP based on packed, ex-warehouse or delivered, duty-paid prices to unrelated purchasers in the United States. We made deductions, where appropriate, for foreign inland freight, U.S. and foreign brokerage and handling charges, ocean freight, marine insurance, U.S. duty, U.S. inland freight, discounts, rebates, repacking, commissions, credit expenses, and other indirect selling expenses.

Foreign Market Value

We verified that home market sales of MBS are less than five percent of its third country sales and have, therefore, selected Canada as the appropriate third country, in accordance with § 353.5(c) of our regulations.

Because MBS is a subsidiary of Mitsuboshi Belting Ltd. of Japan, a producer of such or similar belts, petitioner requested that we invoke the rule under section 773(d) of the Act for calculating foreign market value for certain multinational corporations. The multinational provision allows foreign market value to be determined by reference to the foreign market value of "such or similar merchandise" sold by a related party in a country other than the country of exportation. Use of the provision requires the Department to determine that the following three conditions are met:

- (1) The production facilities in the country of exportation are owned or controlled by a corporation which also

owns or controls facilities for the production of such or similar merchandise located in another country or countries;

(2) Sales of such or similar merchandise in the country of exportation are nonexistent or inadequate as a basis of comparison with sales of the merchandise to the United States;

(3) The foreign market value of such or similar merchandise produced in one or more facilities outside the country of exportation is higher than the foreign market value of such or similar merchandise produced in facilities in the country of exportation.

The first two conditions of section 773(d) are met. However, petitioner's allegation with respect to section 773(d)(3) is deficient. Where Japan-Canada price comparisons involved identical merchandise, export prices to Canada were found to be significantly higher than Japanese home market prices. Where price comparisons involved non-identical merchandise, it was not apparent to the Department from information submitted by the petitioner that the price comparisons were based on "similar" merchandise. For these reasons, we did not initiate the multinational provision.

As stated above, it was determined that Singapore's home market was not viable for comparison purposes. Therefore, in accordance with section 773(a) of the Act, we calculated foreign market value based on delivered, packed, third country (Canada) prices to unrelated purchasers. We made deductions, where appropriate, for Singapore and Canadian inland freight, Singapore and Canadian brokerage and handling charges, ocean freight, marine insurance, Canadian duty, discounts and rebates.

For foreign market value compared with U.S. purchase price we made adjustments under § 325.15 of our regulations for differences in circumstances of sale for commissions and credit expenses in the U.S. and Canadian markets.

For foreign market value compared with ESP, we deducted credit expenses and commissions, in accordance with § 353.15(c). We also deducted indirect selling expenses incurred on third country sales up to the amount of indirect selling expenses incurred on sales in the U.S. market, in accordance with § 353.15(c) of our regulations.

In order to adjust for differences in packing between the two markets, we deducted Canadian packing costs from foreign market value and added U.S. packing costs.

Currency Conversion

For comparisons involving purchase price transactions, we used the official exchange rates in effect on the dates of sale, in accordance with § 353.56(a)(1) of our regulations. For comparisons involving ESP transactions, we used the official exchange rates in effect on the dates of sale, in accordance with section 773(a)(1) of the Act, as amended by section 615 of the Trade and Tariff Act of 1984. All currency conversions were made at the rates certified by the Federal Reserve Bank of New York.

Critical Circumstances

Petitioner alleges that "critical circumstances" exist with respect to imports of the subject merchandise from Singapore. Section 735(a)(3) of the Act provides that critical circumstances exist if we determine that:

- (A)(i) there is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation, or
- (ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value, and
- (B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

Pursuant to section 735(a)(3)(B), we generally consider the following factors in determining whether imports have been massive over a relatively short period of time: (1) The volume and value of the imports; (2) seasonal trends (if applicable); and (3) the share of domestic consumption accounted for by imports.

Because the Department's import data pertaining to the subject merchandise are based on TSUSA basket categories, for purposes of the final determination, we used specific data on shipments of the subject merchandise as the most appropriate basis for our determination of critical circumstances. Furthermore, we believe that company-specific critical circumstances determinations better fulfill the objective of the critical circumstances provision of deterring companies from increasing imports massively prior to the suspension of liquidation. We asked MBS to supply monthly volume shipment data from November 1987 to January 1989 in order for the Department to base the critical circumstances determination on company-specific data. We verified the information submitted by MBS.

Based on our analysis of respondent's shipment data, we do not find that there have been massive imports of industrial

belts from Singapore. Consequently, the requirements of section 735(a)(3)(B) have not been met and critical circumstances do not exist with respect to imports of industrial belts from Singapore.

Verification

We verified the information used in making our final determination in this investigation in accordance with section 776(b) of the Act. We used standard verification procedures, including examination of relevant accounting records and original source documents provided by the respondents.

Interested Party Comments

Comment 1: Petitioner asserts that the Department discovered a significant number of discrepancies with the respondent's third-country data or problems with the methodologies employed. Therefore, the Department should not utilize respondent's submission, but use best information available.

Respondent argues that there is no basis for disallowing corrections to data made during verification. Respondents are required to prepare and submit voluminous data in a very short period of time, so the existence of clerical mistakes in the response can be expected. Respondent argues that petitioner's position, that no corrections should be allowed at or subsequent to verification, would prevent the Department from making a fair value determination based on accurate information.

DOC Position: We agree with respondent. A careful review of past antidumping cases, *Antifriction Bearings from the FRG* (which has been published in the Federal Register), *Light-Walled Welded Rectangular Carbon Steel Tubing from Argentina* (54 FR 13913, April 6, 1989), *Certain Granite Products from Italy* (53 FR 27187, July 19, 1988), and *Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Italy* (52 FR 24198, June 29, 1987) reveals that the facts involved in this case more closely resemble situations where the Department used responses rather than rejecting them due to verification corrections and new submissions. The minor revisions found at verification did not substantially exceed the methodological problems and mathematical errors commonly found during other investigations in which the Department used the response for purposes of the final determination. Furthermore, in both *Antifriction Bearings from the FRG* and *Tapered Roller Bearings and Parts Thereof*,

Finished or Unfinished, from Italy, certain information contained in the response could not be supported at verification. This is not the situation in this case. All data has been satisfactorily verified using standard verification practices and techniques.

Comment 2: Petitioner alleges that based on the company-specific data submitted by MBS, critical circumstances clearly exist with respect to imports of the subject merchandise from Singapore. Petitioner further argues that it has obtained additional evidence that MBL is increasing its U.S. inventory levels of industrial belts. Hence, for purposes of the final determination, the Department should render an affirmative critical circumstances finding.

Respondent argues that, contrary to petitioner's assertions, the facts of this case do not support an affirmative determination regarding critical circumstances. Respondent argues that the Department should compare the six month periods before and after the petition was filed rather than applying the three-month periods advocated by petitioner in this case.

DOC Response: In examining whether critical circumstances exist, it has been the Department's policy in recent cases to apply the principle of capturing shipment data up to the point of the preliminary determination. In this case, the preliminary determination was made in February 1989; therefore, we have compared the period between November 1987-June 1988 with the period between July 1988-January 1989. See section on *Critical Circumstances*.

Comment 3. Petitioner argues that the Department should have calculated foreign market value using the special rule for multinational corporations, 19 U.S.C. 1677b(d). Petitioner asserts that contrary to the Department's finding in the preliminary determination, it has provided sufficient price information to establish that the foreign market value of MBS Singapore's belts sold in Canada is lower than the foreign market value of "such and similar" merchandise produced and sold by MBL Japan in Japan, as required by 19 U.S.C. 1677b(d)(3). Specifically, petitioner argues that the Japan-Canada price comparison was based on "similar" merchandise. Petitioner states it has shown that the LA and LB belts sold by MBL in Japan are "such or similar" to the fractional horse power (FHP) belts (3L, 4L, and 5L) exported by MBS Singapore to the United States and Canada. Petitioner further argues that, in the case of industrial belts from Taiwan, the Department preliminarily determined that SM, SA, and SB belts

manufactured by Hsing Kwo in Taiwan were "similar" merchandise to FHP belts (3L, 4L, and 5L) exported by Hsing Kwo to the U.S. The Department, therefore, should render a consistent decision in this investigation by concluding MBS's 4L, 5L FHP sold in the U.S. and Canada are "similar" to the LA and LB series sold by MBL in Japan. In rendering this decision, the Department must conclude that petitioner has satisfied the requirements of 19 U.S.C. 1677b(d)(3) by establishing that MBL's prices for belts sold in Japan were significantly higher than the prices for similar belts sold by MBS in Canada.

Respondents argue that 3L, 4L, and 5L belts are not "similar" to the LA and LB series. Bando's SA and SB series are similar to MBL's LA and LB series belts, and in fact compete in the same end-user market in Japan, *i.e.*, agricultural equipment. Furthermore, petitioner stated in the related investigation of industrial belts from Japan that SA and SB belts produced in Japan by Bando were not similar to the 3L, 4L and 5L series, and, therefore, the petitioner should be bound by its allegations.

DOC Position: The petitioner has not satisfied the requirements of 19 U.S.C. 1677b(d)(3). In the petition a concordance compares the models of FHP belts sold in the U.S. by MBL and Bando with those sold by the same companies in Japan. While, the petition indicates that the 4L and 5L series belts sold by MBS in the U.S. and Canada are in concordance with the SA and SB belts of Bando and the LA and LB belts of MBL sold in Japan, the Department made a preliminary determination that the Japan-Canada price comparison was not based on "similar" merchandise. Petitioner has failed to provide any new information showing the LA/LB series to be similar to the 4L/5L series of belts. Specifically, petitioner has failed to explain its inconsistent allegation in the investigation of Japanese industrial belts, that SA/SB belts are not similar to 4L/5L belts. In addition, petitioner has failed to refute the claim made by respondent that SA/SB are dissimilar to 4L/5L belts. Therefore, the issue of whether LA/LB and 4L/5L are similar remains unresolved. It is the petitioner's obligation to provide the Department with a reasonable basis to believe that the foreign market value of such or similar merchandise sold by MBL in Japan are higher than the foreign market value of similar merchandise sold by MBS in Canada. The fact that in the case of industrial belts from Taiwan, the Department made differences in merchandise adjustments between SM, SA, and SB belts manufactured by Hsing Kwo in Taiwan and FHP belts (3L, 4L,

and 5L) exported by Hsing Kwo to the U.S. is irrelevant. Petitioner has not supplied information establishing the comparability of industrial belts between different producers in different countries.

Comment 4: Petitioner argues that 19 U.S.C. 1677b(d) and the legislative history do not require the petitioner to produce information pertaining to differences between the cost of merchandise sold in the country of exportation and the merchandise sold outside the country of exportation. Petitioner states that such adjustments are discretionary and that, in fact, it has never alleged that any adjustments should be made. Accordingly, the lack of information with respect to price adjustments for differences in merchandise or cost of production data does not provide a sufficient basis for the Department to refrain from invoking the special statutory rule for multinational corporations. Petitioner argues that if the Department believes that such adjustments are necessary, publicly available information can be utilized.

DOC Position: Within the context of this proceeding, section 773(d)(3) requires that the foreign market value of such or similar merchandise produced by Mitsuboshi in Japan be higher than the foreign market value of such or similar merchandise produced in Singapore (and exported to Canada). This requirement is more than just a simple price comparison. A difference between Japanese home market prices and export prices to Canada does not imply a difference between the respective foreign market values. If the price differential is wholly attributable to differences in merchandise, the foreign market values will be equal. Similarly, equal prices do not imply equal foreign market values. Therefore, a comparison of prices unadjusted for differences in merchandise does not constitute sufficient support for an allegation made with respect to 773(d)(3).

Comment 5: Petitioner argues that the Department should not make any adjustments to third country prices with regard to transportation charges, because the reported per unit movement charges are average costs based on the incorrect allocation of expenses incurred in a prior period. Petitioner argues that in order for the agency to accept the reasonableness of respondent's methodology, respondent should be required to demonstrate: (1) that once merchandise is sold (*i.e.*, withdrawn from the U.S. subsidiary's inventory), the subsidiary has no means

for tracking that particular merchandise back to the point at which it was received into inventory; and (2) that documentary evidence exists which shows that expenses of the prior period advocated by the respondent are the expenses that are directly related to the sales under consideration.

Respondent argues that what petitioner calls the use of "historical data" is not "historical" at all. Respondent argues that in any investigation of sales of fungible merchandise from an importer's inventory, the use of costs incurred outside the POI is necessary. Since the importer, by definition, does not manufacture the merchandise but imports it from a foreign country, in order to have the merchandise on hand for sales from inventory, the importer must have laid the merchandise into inventory at a date which preceded the date of sale. In determining what costs to use for expenses prior to the sale, the question is, therefore, at what period was the merchandise which was sold put into inventory. The best method for determining this period is the use of financial accounting records. An examination of MBL Canada's and MBL USA's financial records, performed by the Department at verification, reveals that the average turnover period for merchandise put in inventory in both countries is as stated by the companies. This methodology has been used consistently on both sides of the calculations for out-of-inventory sales in both markets. Respondent argues that the use of data from the period of investigation for the calculation of movement expenses from Singapore to the warehouse would not provide data on the belts sold from inventory on dates during that period. The transit time alone from Singapore to warehouse is at least a month and may be as much as six weeks. The belts must then be added to inventory, where they are treated as being completely fungible with other belts of the same description. Such fungible merchandise is completely different from television sets, large machinery, or automobiles which have serial numbers and may be sold and inventoried on that basis. For merchandise such as belts, there is simply no alternative but the first-in-first-out method used here. The Department has accepted this methodology before and accepted it in the preliminary determination in this case and verified it. At this point in the investigation, the Department has given respondents no indication that this methodology is incorrect.

DCC Position: We agree with respondent. Respondent has not used "historical" expenses related to past sales as a proxy for expenses related to sales during the POI, as is done when estimating warranty expenses. Instead, respondent has reasonably estimated the expenses incurred on belts sold during the POI. Therefore, we are accepting respondent's claimed expense for our final determination.

Comment 7: Petitioner argues that any claim for a downward adjustment to foreign market value for freight-out expenses (freight from MBL Canada's warehouse to the ultimate end-user) should be rejected because the allocation is based on total inland freight expenses, i.e., expenses which are attributable to merchandise outside the scope of the investigation as well as to the sales under consideration. Petitioner asserts that such expenses cannot be tied directly to the merchandise subject to investigation and, therefore, there is no way to ensure that the reported per pound freight expenses are accurately reflective of the actual freight-out expenses on the subject merchandise.

DOC Position: We disagree. In most cases, when companies manufacture and/or sell more than one product, shipments are usually a mix of many products. It is almost impossible for these companies to segregate freight expenses of one product from freight expenses of another product in the same shipment. Thus, their accounting records only reflect total freight expenses. We verified that this is true for MBS Singapore, MBL USA, and MBL Canada. It is our policy to allow allocations based on total expenses over total sales in these cases.

Furthermore, if we disallow the adjustment for the Canadian market, we would also have to disallow the adjustment for the U.S. market, because the accounting records are kept exactly the same way in both countries and the calculation methodology used for U.S. sales is the same as that used for Canadian sales. Petitioner has not argued that the adjustment in the U.S. should be disallowed.

Comment 8: Petitioner argues that no deduction from foreign market value for cash discounts should be permitted, because verification shows that in several instances MBS incorrectly reported that the customer took early payment discounts even when the customer did not do so.

DOC Position: We checked all sales made to one customer and found that respondent correctly reported the discount given. We also checked twelve

other sales at random and found that the actual discounts on nine sales were reported correctly. The discounts on two sales were quite a bit higher than was reported in the response, and there was one sale on which no discount was taken, although respondent reported giving a two percent discount. Because the misreported discounts were relatively few in number and involved errors in both directions, we are accepting respondent's claim for discounts.

Comment 9: Petitioner states that the revised short-term borrowing rate submitted by MBL Canada at verification constitutes "new information" and should be utilized, if at all, only as "best information otherwise available." Moreover, the revised figure itself is based on data derived from the period May 1987 to June 1988 and not during the period of investigation. *International Financial Statistics* show that lending rates in Canada during the POI were, on average, 10.09%. In the absence of period specific data, the Department should utilize the IMF data for its final determination.

DCC Response: We disagree. We verified that the revised short-term borrowing rate submitted is the actual rate paid by MBL Canada. The revised rate submitted was only slightly different from the estimated rate provided in the response.

Comment 10: Petitioner argues that the Department should disallow indirect selling expenses and inventory carrying costs for Canadian sales because MNBL Canada used expenses related to an earlier period to calculate these expenses for the POI and because MBL provided revised data, which is "new information," at verification.

Respondent argues that data concerning MBL Canada's indirect selling expenses were provided to the Department and to petitioner's counsel under Administrative Protective Order on January 4, 1989, well in advance of verification. Under these facts, petitioner is completely wrong in asserting that the information on MBL Canada's indirect selling expenses submitted at verification amounts to new information. On the contrary, the problems were called to the Department's attention and the corrected information was presented at the time most appropriate for its consideration.

DOC Response: We agree with respondent. We verified that the revised information submitted at verification was correct.

Comment 11: Petitioner alleges that MBS did not provide movement charges

related to U.S. sales on a transaction-specific basis. MBS incorrectly calculated these expenses based on aggregate expenses. Furthermore, MBS made incorrect assertions with respect to ocean freight and marine insurance. Moreover, certain charges were reported in the wrong currencies, a fact which undermines the overall credibility of MBS's responses.

DOC Position: We disagree. We have verified all information regarding movement charges used in this determination. See also DOC response to Comment 7.

Comment 12: Petitioner claims that MBS reported per unit duty expenses on U.S. and Canadian sales using an incorrect methodology. As best information available, the DOC should apply the *ad valorem* duty rate listed in the TSUSA schedules to the imputed entered customs value, which would be the gross price less any U.S. movement charges.

DOC Position: In the original responses, both MBL USA and MBL Canada calculated duty expenses based on weight. At verification, we checked customs entry forms and requested that the two companies recalculate their duty expenses based on entry value for each product. They have done so and provided us with customs documents upon which these calculations were based. We have used these recalculated expenses for our final determination.

Comment 13: Petitioner argues that MBS did not report per unit packing expenses on transaction-specific charges and that respondent incorrectly aggregated the packing expenses and derived a POI average. Petitioner argues that the Department should apply the highest shipment-specific unit charge to all U.S. purchase price sales.

DOC Position: We disagree. We verified that MBS accurately reported Canadian and U.S. packing costs.

Comment 14: Petitioner asserts that, for purposes of the final determination, the Department should apply the discount discovered at verification to the appropriate ESP transactions.

DOC Position: We have done so.

Comment 15: Petitioner claims that the Department should apply the cash discount given to several ESP customers which was discovered during verification to all U.S. purchase price sales as well, since it is unclear from the verification report whether such expenses are exclusively related to ESP transactions.

DOC Position: We disagree. We found no indication at verification in Singapore that the cash discount given by MBL USA to its customers was given by MBS to its direct sale customers.

Comment 16: Petitioner argues that since the information given for commissions paid to the commission agent on direct sales made through MBL USA is not verified, the Department should use as best information available the highest rate reported in MBS's response.

DOC Response: We disagree. The statute does not require that we verify all information provided. Since we verified that the commissions paid by MBS on Canadian purchase price sales were accurate, there is no reason for us to believe that the reported commissions paid by MBS on U.S. purchase price sales are incorrect.

Comment 17: Petitioner asserts that the transportation expenses from MBS to MBL USA are not an accurate reflection of the actual expenses incurred on a transaction-specific basis, because they are based on the derivation of an average costs which have no direct relationship to the sales under consideration. Furthermore, MBS used an aggregate figure which included expenses for automotive as well as industrial belts.

DOC Position: We disagree. See DOC Position on Comment 7.

Comment 18: Petitioner argues that all packing expenses on U.S. EPS sales prices should be recalculated on the basis of financial statement figures. Furthermore, petitioner argues that since the verification team did not verify MBS's claim that only a certain percentage of its warehouse workers' time is spent packing the subject merchandise, the entire portion of those workers' wages and benefits should be included in the U.S. packing expenses claim.

DOC Position: The packing expenses on U.S. ESP sales have been recalculated on the basis of the financial statement.

We disagree with petitioner's argument that, because we did not verify the percentage of time the warehouse workers spent on packing, we should include the entire portion of those workers' wages and benefits in the U.S. packing claim. Respondent used the exact same percentage to calculate Canadian packing expenses. At verification in Canada, we visited the warehouse and checked the duty summary to show the variety of tasks performed by warehouse personnel and determined that forty percent was a reasonable estimate of the time spent by warehouse labor on packing. Because the same tasks are performed by warehouse personnel in the U.S., the forty percent is also a reasonable estimate for the U.S. market.

Comment 19: Petitioner asserts that during verification MBS provided no source documentation demonstrating that the pre-sale technical service expenses were included in the reported U.S. indirect selling expenses. Because the Department cannot ensure that such expenses have, in fact, been reported, it should increase foreign market value by the amount of U.S. technical service expenses but make no deduction for any technical expenses incurred in the home market.

DOC Position: We disagree. The travel expenses related to pre-sale technical service expenses are included in the travel and promotions expense reported in the response. At verification, we found no other technical service travel expenses in MBL USA's records.

Comment 20: Petitioner claims that, even though respondent reported that during the period of investigation no warranty expenses were incurred, there is frequently a substantial lag time between the sale of a product and any warranty claims made by the customer. Petitioner claims that MBS should have submitted warranty expenses related to sales of the products in each of the five years preceding the period of investigation. Since MBS did not do so, the Department should use, as best information available, the highest warranty claim reported by respondents in the other antidumping duty investigations involving industrial belts.

DOC Position: MBS failed to report historical warranty expenses incurred on merchandise sold to either market. The Department, therefore, utilized the best information available. The Department, therefore, utilized the best information available. In considering the information available to us, we noted that MBL Canada has an express warranty of freedom from defects in material and workmanship, but incurred no warranty expenses during the POI. MBL USA also has an express warranty that the Three Star brand belts conform to or exceed the RMA standards, but did not incur any warranty expenses during the POI. Furthermore, MBS sells identical merchandise in the Canadian and U.S. markets. Therefore, we have assumed that warranty expenses were basically the same for both markets, and we did not make an adjustment for warranty expenses to either foreign market value or United States price.

Comment 22: Petitioner argues that in *Consumer Products Division, SCM Corp. v. Silver Reed America*, 753 F.2d 1033 9th Fed. Cir. 1985), the Federal Circuit approved the ESP offset on the basis of agency discretion. The court affirmed that primarily and in general deductions

should be limited to direct selling expenses. The ESP offset, fundamentally, is an exception. Thus, it is clear that when the amount of the offset exceeds the amount deducted from U.S. price, the general rule identified by the Court (*i.e.*, that adjustments be limited to directly related expenses) is thwarted. Given that exporter's sales price is a unit price, it is clear that the offset also should be on a per unit basis. MBL's theory of aggregate expenses would undermine that purpose of the offset and run afoul of the general rule limiting deductions to directly related expenses.

Petitioner further argues that the Department has consistently applied the ESP offset cap on a sale-by-sale basis and that respondent has failed to provide a sufficient justification for the proposed radical departure from the Department's well-established policy. In addition, a cap based on per unit expenses alleviates the administrative burden of closely scrutinizing alleged indirect selling expenses. Petitioner further argues that the respondent has misconstrued the Department's regulation and agency practice with respect to the commission offset. Petitioner claims that the commission offset is also applied on a per unit basis.

Respondent claims that the Department should apply the ESP cap on the aggregate amount of indirect selling expenses in the United States and Canada and not on a sale-by-sale, product-by-product basis, because the Department's regulation provides that the offset be made "for all actual selling expenses in the home market up to the amount of selling expenses incurred in the United States market." Respondent claims that the Department's determinations in *Color Television Receivers from Korea*, 49 FR 7628, and *Television Receiving Sets, Monochrome and Color, from Japan*, 46 FR 30163 (June 5, 1981) show that on occasion the Department has applied the ESP offset cap on an aggregate basis. Respondent argues that the ESP offset cap should be treated in the same manner as the commission offset.

DOC Position: We agree with petitioner that it has been the Department's policy to calculate the ESP offset on a per unit basis. As we said in *Certain Internal Combustion, Industrial Forklift Trucks from Japan*, 53 FR 12552:

Capping on an aggregate basis would not reflect the individual circumstances of each sale, and may lead to adjustments distorted by the comparative size of each market. Thus, we continue to use our standard policy of capping home market indirect selling expenses on a sale-by-sale basis, as

described in the Department's 1985 Adjustment Study.

Comment 23: Respondent argues that the manner in which the Department applied the ESP cap in the preliminary determination amounts to double ESP capping.

Petitioner argues that, contrary to the respondent's assertion, the Department has not utilized a two-step ESP cap procedure in this proceeding. Instead, consistent with agency practice, the Department capped the third country market indirect selling expenses on a sale-by-sale basis.

DOC Position: In the preliminary determination, we used our standard procedure and capped the third country market indirect selling expenses on a sale-by-sale basis. This did not amount to double ESP capping.

Comment 24: Petitioner asserts that in its scope of investigation at the preliminary determination, the Department listed only four HTS subheadings. Petitioner requests that the Department list eighteen HTS subheadings in its final determination.

DOC Position: We agree. The petition included nine TSUSA item numbers and four HTS subheadings that petitioner believed would correspond to the TSUSA numbers when the HTS system became effective.

The HTS went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS subheadings listed in a January 1989 USITC publication, "*The Continuity of Import and Export Trade Statistics After Implementation of the Harmonized Commodity Description and Coding System*," petitioner requested that the Department expand the four HTS subheadings listed in our preliminary to 18 subheadings. We asked for comments from the interested parties in this investigation concerning industrial belts covered by the 18 HTS subheadings.

In our preliminary determination as now, we note that the written description of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. We do not view providing additional HTS subheadings as broadening the scope of this investigation.

Continuation of Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Singapore, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn

from warehouse, for consumption, on or after January 26, 1989, the date of publication of the preliminary determination in the Federal Register. The U.S. Customs Service shall continue to require a cash deposit or posting of bond equal to the estimated amounts by which the foreign market value of the merchandise subject to this investigation exceeds the United States price, as shown below. This suspension of liquidation will remain in effect until further notice.

The weighted-average margins are as follows:

Manufacturer/producer/exporter	Weighted-average margin percentage
Mitsubishi Belting (Singapore) Pte. Ltd.	31.73
All others	31.73

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that material injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on industrial belts from Singapore entered, or withdrawn from warehouse, for consumption, on or after the effective date of the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Timothy N. Bergan,
Acting Assistant Secretary for Import Administration.

April 11, 1989.

[FR Doc. 89-9256 Filed 4-17-89; 8:45 am]

BILLING CODE 3510-DS-M

(A-583-804)

Final Determination of Sales at Less Than Fair Value: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From Taiwan

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We determine that industrial belts and components and parts thereof, whether cured or uncured, (hereinafter referred to as industrial belts) from Taiwan are being, or are likely to be, sold in the United States (U.S.) at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Taiwan as described in the "Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the date of publication of this notice, whether these imports are materially injuring, or threaten material injury to, a U.S. industry. We also determine that critical circumstances do not exist with respect to imports of industrial belts from Taiwan.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Michael Ready or Joel Fischl, Office of Antidumping Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-2613 or (202) 377-3003.

SUPPLEMENTAL INFORMATION:

Final Determination

We determine that industrial belts from Taiwan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d) (the Act). The estimated weighted-average margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since our preliminary determination (54 FR 5112, February 1, 1989), the following events have occurred. A public hearing was held on March 28, 1989. Petitioner filed a pre-hearing brief on March 22, 1989, and a post-hearing brief on March 31, 1989.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the *Harmonized Tariff Schedule* (HTS), and all merchandise entered or withdrawn from warehouse for consumption on or after that date is now classified solely according to the appropriate HTS item number(s). The Department is providing both the appropriate *Tariff Schedules of the United States Annotated* (TSUSA) item number(s) and the appropriate HTS item number(s) with its product descriptions for convenience and Customs purposes. The Department's written description of the products under investigation remains dispositive as to the scope of the products covered by this investigation.

The products covered by this investigation are industrial belts from Taiwan, currently provided for under TSUSA item numbers 358.0210, 358.0290, 358.0610, 358.0690, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510, and 773.3520 and currently classifiable under HTS item numbers 5910.00.10, 5910.00.90, 4010.10.10, 4010.10.50, 3926.90.55, 4010.91.11, 4010.99.11, 3926.90.56, 3926.90.59, 4010.91.19, 4010.99.19, 3926.90.57, 4010.91.15, 4010.99.15, 7326.20.00, 3926.90.60, 4010.91.50 and 4010.99.50.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Period of Investigation

The period of investigation is January 1, 1988 through June 30, 1988.

Our investigation was limited to Hsing Kwo Rubber Mfg. Co., Ltd. (Hsing Kwo), the producer responsible for the bulk of Taiwanese exports of this product to the United States.

Such or Similar Comparisons

For Hsing Kwo, pursuant to section 771(16)(C) of the Act, we established one category of "such or similar" merchandise: V-belts.

Fair Value Comparisons

To determine whether sales of industrial belts from Taiwan to the U.S. were made at less than fair value, we compared the United States price to the foreign market value, pursuant to sections 772 and 773 of the Act, respectively.

United States Price

In our preliminary determination we calculated United States price using exporter's sales price methodology. However, as a result of information gathered at verification, we determined that purchase price would be the appropriate method. Virtually all of Hsing Kwo's sales are made through a related sales agent in the U.S. prior to importation. The related sales agent, Hsing Kwo USA (HKUSA), receives orders and transmits them to Taiwan. The manufacturer in Taiwan then packs the merchandise for each order in cartons stamped with shipping marks identifying the ultimate customer. The cartons are then packed into international shipping containers (along with cartons of V-belts destined for other customers as well as cartons of merchandise not covered by this investigation) which are shipped to HKUSA. HKUSA unpacks the containers and forwards the individual cartons on to the ultimate purchasers.

For these sales, the Department has determined that purchase price is the appropriate basis for U.S. price based on the following elements:

1. The merchandise in question was not introduced into the inventory of a related selling agent;
2. This was the customary commercial channel for sales of this merchandise between the parties involved; and
3. The related selling agent located in the U.S. acted as a processor of sales-related documentation, as a communication link with the unrelated U.S. buyer, and as a freight forwarder.

Given this, we regard the routine selling functions of the exporter as merely having been relocated geographically from the country of exportation to the U.S., where the sales agent performs them. Whether these functions take place in the U.S. or abroad does not change the substance of the transactions or the functions themselves.

Because the balance of Hsing Kwo's sales (exporter's sales price transactions) was minimal, we have disregarded them for purposes of this determination.

We calculated purchase price based on packed, f.o.b. seller's warehouse

prices to unrelated purchasers in the U.S. We made deductions, where appropriate, for a harbor construction tax, inland freight and brokerage in Taiwan, ocean freight, marine insurance, and merchandise processing fees, harbor maintenance fees, customs duty, customs brokerage, and inland freight in the U.S. An addition was made, pursuant to section 772(d)(1)(B) of the Act, for import duties imposed by the country of exportation which have been rebated, or which have not been collected by reason of the exportation of the merchandise to the United States. We also added the amount of value added taxes which would have been collected if the merchandise had not been exported.

Minor revisions were made to certain charges. Based on verified information, brokerage, inland freight (for both Taiwan and the U.S.), and ocean freight were recalculated on a per inch basis, rather than value. All other charges, which had been allocated based on U.S. sales value were reallocated according to the basis on which they were incurred (e.g., c.i.f. Los Angeles, f.o.b. Taiwan port).

Foreign Market Value

We determined there were sufficient sales in the home market to serve as the basis for calculating foreign market value. In accordance with section 773 of the Act, we calculated foreign market value based on packed, f.o.b. seller's warehouse or delivered prices to unrelated purchasers in Taiwan. We made deductions, where appropriate, for inland freight.

We made adjustments, where applicable, for differences in the physical characteristics of the merchandise in accordance with § 353.16 of the regulations.

We made adjustments under § 353.15(a) of the Commerce Regulations for differences in circumstances of sale for credit expenses where appropriate, and we offset commissions paid in the U.S. market with indirect selling expenses incurred in the home market.

We made an upward adjustment to the tax-exclusive home market prices for the value-added tax we computed for U.S. price.

Based on verified information, corrections were made to U.S. packing. Certain other charges and corrections were made using verified data.

Inland freight was recalculated on a per-inch basis.

Unreported credit and commission expenses on U.S. sales were included.

The home market interest rate was corrected, and difference in merchandise adjustments which had

originally been applied to three belt types were applied to other belt types, where appropriate.

Currency Conversion

As noted above, we are basing United States price for all of our fair value comparisons on purchase price. Section 353.56(as)(1) of the Department of Commerce Regulations requires that in the case of purchase price transactions, the conversion of foreign currency into U.S. dollars shall be made as of the date of purchase or agreement to purchase. In this instance, because Hsing Kwo apparently assumed that United States price would be based on exporter's sales price, it provided only the date the merchandise was "sold" (invoiced) by Hsing Kwo's related selling agent in the U.S.—not the date the goods were purchased (ordered) by the ultimate unrelated customer. Since the date of purchase was not supplied by Hsing Kwo, we have used as best information available, the highest exchange rate certified by the Federal Reserve Bank of New York for the period of investigation.

Critical Circumstances

On June 30, 1988, petitioner alleged that "critical circumstances" exist with respect to imports of the subject merchandise from Taiwan. Section 735(a)(3) of the Act provides that critical circumstances exist if we determined that:

(A)(i) there is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation; or

(ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value; and

(B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

We generally consider the following factors in determining whether imports have been massive over a relatively short period of time: (1) The volume and value of the imports; (2) seasonal trends (if applicable); and (3) the share of domestic consumption accounted for by imports.

Because the Department's import data pertaining to the subject merchandise are based on basket TSUSA categories, we requested specific data on shipments of the subject merchandise as the most appropriate basis for our determinations of critical circumstances. Furthermore, we believe that company-specific critical circumstances determinations

better fulfill the objective of the critical circumstances provision of deterring specific companies that may try to increase imports massively prior to the suspension of liquidation.

We have asked Hsing Kwo to supply monthly volume shipment data in order for the Department to base the critical circumstances determination on company-specific data. We verified the information submitted by Hsing Kwo.

Because the verified data submitted by Hsing Kwo indicates that there have not been massive imports over a relatively short period, we find that the requirements of section 735(a)(3)(B) are not satisfied for Hsing Kwo.

We examined recent antidumping duty cases and found that there are currently no findings of dumping in the United States or elsewhere of the subject merchandise by Hsing Kwo. It is our standard practice to impute knowledge of dumping under section 735(a)(3)(A) of the Act when the estimated margins in our determinations are of such a magnitude that the importer should realize that dumping exists with regard to the subject merchandise. Normally we consider estimated margins of 25 percent or greater to be sufficient. [See, e.g., Final Determination of Sales at Less Than Fair Value; Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Italy (52 FR 24198, June 29, 1987).] However, in cases where the foreign manufacturer sells in the U.S. through a related company, we consider that lower margins may be sufficient. [See, e.g., Final Determination of Sales at Less Than Fair Value; Certain Internal-Combustion, Industrial Forklift Trucks from Japan (53 FR 12552, April 15, 1988).] Although Hsing Kwo sells in the U.S. through a related company, their margins are not sufficiently high to find that the requirements of section 735(a)(3)(A) are met. Therefore, we determine that critical circumstances do not exist with respect to imports of industrial belts from Taiwan.

Verification

We verified the information used in making our final determination in accordance with section 776(b) of the Act. We used standard verification procedures including examination of relevant accounting records and original documents of the respondent.

Interested Party Comments

Comment 1: Petitioner contends that the rate for all Taiwanese companies should be based on the best information available due to "substantive deficiencies" in Hsing Kwo's response.

For further discussion of these "deficiencies", see the "United States Price" and "Foreign Market Value" sections of this notice, as well as comments 2-4, and 6-10.

DOC Position: The Department disagrees. A careful review of past antidumping cases, *Antifriction Bearings from FRG* (which has been published in the Federal Register, *Light-Walled Welded Rectangular Carbon Steel Tubing from Argentina* (54 FR 13913, April 6, 1989), *Certain Granite Products from Italy* (53 FR 27187, July 19, 1988), and *Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Italy* (52 FR 24192, June 29, 1987), reveals that the facts involved in Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, from Taiwan more closely resemble situations where the Department used responses, rather than rejecting them due to verification corrections and new submissions. The recalculations and revisions submitted at verification did not substantially exceed the methodological problems and mathematical errors commonly found during other investigations. Furthermore, in both *Antifriction Bearings from FRG* and *Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Italy*, there was unverified response data. This is not the situation in this case. All data has been satisfactorily verified using standard verification practices and techniques.

Comment 2: Petitioner contends that the Department's review of clerical errors found in Hsing Kwo's sales listing at verification was one-sided. Petitioner is particularly concerned with the verification team's focus on transactions "where there were high LTFV margins", but alleged lack of focus on negative LTFV margins.

DOC Position: The Department disagrees. Petitioner erroneously assumes that only errors beneficial to Hsing Kwo were reviewed and corrected. This is not the case. Errors that worked both in Hsing Kwo's favor and against Hsing Kwo were discovered by the verification team. The verification report states that "outlier" sales are "sales that were considerably higher or lower than the norm", which included sales that had both high and low LTFV margins. A thorough verification of 280 randomly chosen sales were conducted, in addition to a review of 62 "outlier" sales. Petitioner's claim that error correction was one-sided is not correct.

Comment 3: Petitioner contends that because the Department could not verify the accuracy of the reported dates of sale, "it is likely that HK excluded

various sales that were actually made during the POL."

DOC Position: We disagree. While Hsing Kwo reported home market sales on the basis of invoice date, rather than purchase order date, the difference between the two dates was not significant. Therefore, we have accepted home market sales reported on the basis of invoice date. With respect to U.S. sales, Hsing Kwo treated these as exporter's sales price sales and, hence, reported its sales based on the date that the merchandise was invoiced to the unrelated U.S. customer. As discussed above, we have determined that these transactions are properly treated as purchase price transactions. As a result, U.S. sales should have been reported based on the date of the purchase order. To compensate for this, we have applied the highest exchange rate in effect during the period of investigation.

Comment 4: Petitioner contends that the Department was unable to verify the volume and value of sales.

DOC Position: The Department disagrees. The volume and value of sales were thoroughly verified, and a minor mathematical error made by respondent was corrected.

Comment 5: Petitioner argues that if the Department treats Hsing Kwo's United States sales as purchase price transactions, all selling expenses incurred by HKUSA should be included in adjustments made pursuant to 19 U.S.C. 1677a(d)(2) and 19 CFR 353.15(a).

DOC Position: We have made a circumstance of sale adjustment for all differences in direct selling expenses pursuant to 19 CFR § 353.15(a). Furthermore, movement expenses were deducted pursuant to 19 U.S.C. 1677a(d)(2).

Comment 6: Petitioner contends that Hsing Kwo incorrectly reported its U.S. sales, resulting in "substantial revision and restatement" of all U.S. sales transactions. Additionally, because the corrections cannot be verified, it will be impossible for the Department to determine the integrity of the response.

DOC Position: We disagree. The revisions referred to by petitioner were simply separate reporting of previously aggregated data. Moreover, the verification team retained copies of all pertinent invoices, which enables the Department to check Hsing Kwo's corrections using verified information for the purpose of making our final determination.

Comment 7: Petitioner contends that Hsing Kwo did not properly identify customer relationships prior to the preliminary determination.

DOC Position: We disagree. Hsing Kwo did properly identify customer

relationships. Petitioner seems to be referring to a minor error where Hsing Kwo reported a minuscule number of sales to two related customers in the home market. During verification, these sales were identified; Hsing Kwo was asked to delete these from their corrected tape. These sales were dropped from the data base as requested.

Comment 8: Petitioner contends that because Hsing Kwo did not report packing costs in the home market, the Department is precluded from making an adjustment to foreign market value for home market packing for the purposes of the final determination.

DOC Position: We agree.

Comment 9: Petitioner contends that no deduction from foreign market value for inland freight should be allowed because respondents should not "construct a questionnaire response materially different from the original response" during verification.

DOC Position: We disagree. We determined at verification that a quantity-based methodology was preferable to the value-based methodology employed by Hsing Kwo to calculate inland freight expense. We used verified data to recalculate inland freight.

Comment 10: Petitioner contends that difference in merchandise adjustment corrections made during verification should not be allowed.

DOC Position: We disagree. We used verified data to recalculate these adjustments.

Comment 11: Petitioner contends that because Hsing Kwo was not able to demonstrate clearly direct expenses, that the Department should not make adjustments to foreign market value for these selling expenses if purchase price is used as the basis for United States price.

DOC Position: We agree with respect to the expense categories alluded to in petitioner's comment. However, as noted above in the foreign market value section of this notice, based upon verified data, we did make circumstance of sale adjustments for credit expenses. We also offset U.S. commission expenses with indirect selling expenses incurred in the home market.

Comment 12: Petitioner contends that Hsing Kwo cannot reasonably advertise its belts to customers of its original equipment manufacturer (OEM) customers. Also, petitioner contends that the Department should release all advertisements obtained during verification.

DOC Position: We agree that no advertising expense adjustment should

be made with respect to Hsing Kwo's sales to OEM customers. Because we are unable to identify OEM sales in Hsing Kwo's sales listing, we have made no circumstance of sale adjustment for advertising expense. Instead, we included Hsing Kwo's advertising expense in the pool of indirect expenses used to offset commissions paid on certain U.S. sales. Also, the Department has released all samples of Hsing Kwo's advertising we collected to the petitioner.

Comment 13: Petitioner contends that the effective interest rate discovered at verification should be used to calculate credit costs in the home market. Additionally, because the Department verified payment dates to be inaccurate, these dates should not be relied on and a credit adjustment should not be allowed. If an adjustment is allowed, the shortest verified payment date of nine days should be used.

DOC Position: We agree that the effective interest rate discovered at verification should be used to calculate credit costs. Concerning the credit adjustment, based on verified payment and sales dates, we calculated an average time between shipment and payment which we used for the purpose of the final determination.

Comment 14: Petitioner argues that packing costs in the U.S. market should be deducted from United States price. Petitioner further argues that according to the Department's verification report, Hsing Kwo underreported U.S. packing costs and that consequently, if the Department is uncertain of these costs, the highest packing costs for any shipment should be used for all shipments.

DOC Position: Our methodology requires that we make no deduction from the United States sales price for U.S. packing expense, pursuant to section 772(d). Rather, we add the U.S. packing expense in calculating foreign market value, pursuant to section 772(d)(1), while subtracting home market packing expense. As noted above in the "Foreign Market Value" section of this notice, the respondent did not report home market packing expense, and we have made no deduction from foreign market value for the amount.

With regard to the second part of petitioner's comment, verification revealed that U.S. packing expense was overstated, rather than understated in the questionnaire response. For purposes of this final determination, we made the adjustment by using the verified average U.S. packing expense.

Comment 15: Petitioner argues that in calculating United States price, the Department should make an addition for

duty drawback only on sales of belts that have a polyester cord.

DOC Position: As all of the belts sold to the U.S. by Hsing Kwo during the period of investigation are of polyester cord construction, we made an addition for duty drawback for all U.S. sales.

Comment 16: Petitioner argues that in calculating imputed U.S. credit expense, the Department should use the longest period (104 days) between shipment and payment found at verification for any of Hsing Kwo's U.S. sales.

DOC Position: We disagree. We calculated an average payment period based on verified payment and sale dates.

Comment 17: Petitioner contends that an adjustment for technical service expense incurred on U.S. sales is required.

DOC Position: We disagree. In its questionnaire response, Hsing Kwo misinterpreted the term "technical service." The technical service expenses originally reported by Hsing Kwo with respect to its U.S. sales were in fact indirect expenses for which no adjustment is warranted when a comparison involves purchase price sales.

Comment 18: Petitioner contends that specific documents collected at verification should be released under Administrative Protective Order (APO).

DOC Position: We have released to petitioner, under APO, certain supplemental submissions collected during verification that contained information not previously on the record. As to the verification exhibits, it is our policy not to release a respondent's supporting source documents under an administrative protective order when we have requested this additional information solely to further support a respondent's claim. Release of such documents can be damaging to the competitive position of the respondent. If petitioners did not agree with our position, the proper remedy was to appeal the refusal to release verification exhibits under APO, to the CIT while this investigation was in progress 19 U.S.C. 1677f(c)(2).

Comment 19: Petitioner argues that with respect to San Wu, a Taiwanese manufacturer of the subject merchandise to whom we did not present a questionnaire, and who consequently has not participated in this investigation, the final determination antidumping margin should be based upon "best information available" (company specific information from the petition) rather than the "all other rate" (the weighted average of the margin percentage the Department calculates for all questionnaire respondents). In

this case, since there is only one questionnaire respondent, Hsing Kwo, the "all other rate" is the same as the margin percentage calculated for Hsing Kwo. Petitioner argues that only if the margin percentage the Department calculates for Hsing Kwo is higher than the rate shown for San Wu in the petition should the Department assign to San Wu the all other (Hsing Kwo) rate. Petitioner makes this argument due to the affiliation of San Wu with respondents in the companion investigations involving this same merchandise imported from Singapore and Japan respectively, and with these respondents' related U.S. importer. Based on the results of our preliminary determinations, petitioner anticipates that the final determination margin percentages calculated by the Department for San Wu's affiliates in Singapore and Japan will be higher than the margin percentage the Department calculates for Hsing Kwo in the Taiwan investigation, and that consequently, the related U.S. importer will have an incentive to shift its sources from Japan or Singapore to avoid any antidumping duty orders imposed on the subject merchandise from those countries.

DOC Position: We disagree. The Department's policy, as stated in § 353.38 of the Regulations, is to examine at least 60 percent of the exports from any given country under investigation, and to assign the "all other" rate to those products not investigated. The 60 percent minimum was satisfied by Hsing Kwo's exports. Exports of belts produced by San Wu in Taiwan (assuming an antidumping duty order with respect to Taiwan) would be subject to a suspension of liquidation, and the "all other" duty deposit rate pending an annual review pursuant to section 751 of the Act which would establish antidumping duties due, which may be more or less than duties deposited at entry of the merchandise.

Comment 20: Petitioner argues that critical circumstances exist with respect to imports of industrial belts from Taiwan.

DOC Position: We disagree. See our discussion of "Critical Circumstances" above.

Comment 21: In a letter to the Department dated April 5, 1989, petitioner makes certain allegations regarding Hsing Kwo's U.S. sales data.

DOC Position: Petitioner's comments are untimely, and improperly summarized in the public version. As such, the Department cannot consider information in the petitioner's April 5, 1989 submission. Comments submitted three working days before the final

determination do not allow the Department adequate time to properly analyze, or respond to, said comments. Furthermore, the public version of the above submission was improperly prepared; petitioner deleted the entire second and third pages of a three page submission. Only pertinent business proprietary information should be deleted or summarized from the public version.

Comment 22: Petitioner asserts that in its scope of investigation at the preliminary determination, the Department listed only four HTS sub-headings. Petitioner requests that the Department list eighteen HTS sub-headings in its final determination.

DOC Position: We agree. The petition included nine TSUSA item numbers and four HTS sub-headings that petitioner believed would correspond to the TSUSA numbers when the HTS system became effective.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS sub-headings listed in a January 1989 USITC publication, "The Continuity of Import and Export Trade Statistics After Implementation of the Harmonized Commodity Description and Coding System", petitioner requested that the Department expand the four HTS sub-headings listed in our preliminary determination to eighteen sub-headings. We asked for comments from the interested parties in this investigation concerning industrial belts covered by the eighteen HTS sub-headings.

In our preliminary determinations, as now, we note that the written description of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. We do not view providing additional HTS sub-headings as broadening the scope of this investigation.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from Taiwan, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The U.S. Customs Service shall continue to require a cash deposit or posting of a bond equal to the estimated amounts by which the foreign market value of the subject merchandise from Taiwan exceeds the U.S. price as shown below.

This suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/producer/exporter	Weighted-average margin percentage
Hsing Kwo	12.13
All Others	12.13

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officers to assess an antidumping duty on industrial belts from Taiwan entered, or withdrawn from warehouse, for consumption after the effective date of the suspension of liquidation, equal to the amount by which the foreign market value exceeds the U.S. price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

Timothy N. Eergan,

Acting Assistant Secretary for Import Administration.

[FR Doc. 89-9257 Filed 4-17-89; 8:45 am]
BILLING CODE 3510-05-M

[A-412-802]

Final Determination of Sales at Less Than Fair Value: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From the United Kingdom

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We determine that industrial belts and components and parts thereof, whether cured or uncured, (hereinafter referred to as industrial belts) from the United Kingdom (UK) are being, or are likely to be, sold in the United States at less than fair value.

We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to continue to suspend liquidation of all entries of the subject merchandise from the UK as described in the "Continuation of Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the publication of this notice, whether these imports materially injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Louis Apple, or Mary Jenkins, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230, telephone: (202) 377-1769, or 377-1756, respectively.

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that industrial belts from the UK are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a) (the Act)). The average dumping margins are shown in the "Suspension of Liquidation" section of this notice. We also determine that critical circumstances exist with respect to imports from Arntz Belting Company, Ltd. (Optibelt). We have determined that critical circumstances do not exist with respect to imports from J.H. Fenner & Company and all other exporters and producers from the UK, as outlined in the "Critical Circumstances" section of this notice.

Case History

Since our notice of preliminary determination (54 FR 5108, February 1, 1989), the following events have occurred:

Verification of the questionnaire responses provided by Fenner was conducted in the UK and the United States during February and March 1989.

A public hearing was held on March 20, 1989. Petitioner, respondent, and other interested parties have filed pre- and post-hearing briefs.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the *Harmonized Tariff Schedule (HTS)*, and all merchandise entered or withdrawn from warehouse for consumption on or after that date is now classified solely according to the appropriate HTS item number(s). The Department is providing both the appropriate *Tariff Schedules of the United States Annotated (TSUSA)* item number(s) and the appropriate HTS item number(s) with its product descriptions for convenience and Customs purposes. The Department's written description of the products under investigation remains dispositive as to the scope of the products covered by this investigation.

The products covered by this investigation are industrial belts and components and parts thereof, whether cured or uncured, from the UK provided for under TSUSA item numbers 358.0210, 358.0290, 358.0610, 358.0690, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510 and 773.3520, and currently classifiable under HTS item numbers 5910.00.10, 5910.00.90, 4910.10.10, 4010.10.50, 3928.90.55, 3926.90.58, 3926.90.57, 3926.90.59, 3926.90.80, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.00.19, 4010.99.50 and 7328.20.00.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (*i.e.*, closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Period of Investigation

The period of investigation (POI), is January 1, 1988 through June 30, 1988.

Our investigation was limited to J.H. Fenner, a voluntary respondent. Arntz Belting Company, Ltd. (Optibelt), the producer responsible for the bulk of the United Kingdom exports of this product to the United States, did not respond to the Department's questionnaire.

Such or Similar Comparisons

For Fenner, pursuant to section 771(16)(C) of the Act, we established one category of "such or similar" merchandise: V-belts.

Fair Value Comparisons**Fenner**

To determine whether sales of industrial belts from the UK to the United States were made at less than fair value, we compared the U.S. price using exporter's sales price with the foreign market value pursuant to sections 772 and 773 of the Act, respectively.

Optibelt

To determine whether sales of industrial belts from the UK to the United States were made at less than fair value, we compared the United States price to the foreign market value. For our preliminary determination we used best information available as required by section 776(c) of the Act. As best information available, we took the highest margin contained in the petition for each of the product types for the POI and calculated a simple average of those figures to determine a margin for the products under investigation. Since the respondent, Optibelt failed to participate in the investigation we are using the same methodology for calculating a margin for the final determination.

United States Price**Fenner**

Fenner's U.S. sales are treated as exporter's sale price transactions (ESP) for the following reasons: Fenner Manheim, a Fenner U.S. subsidiary, is more than a mere facilitator of transactions between Fenner U.K. and U.S. customers. Fenner Manheim purchases the merchandise from Fenner U.K. at a transfer price and resells the subject merchandise to its unrelated U.S. customers. Fenner Manheim independently determines the price and other terms of sale to U.S. unrelated customers based on market demand. Terms of sale to unrelated U.S. customers are also subject to change without penalty prior to the date Fenner Manheim ships the merchandise and invoices its U.S. customer.

To calculate ESP in accordance with section 772(c) of the Act, we used the packed, f.o.b. prices of industrial belts to unrelated purchasers in the United States.

During the POI, some of Fenner's shipments of V-belts also included

products that were not subject to our investigation.

Fenner took the total movement charges for all products in each shipment of V-belts and allocated the movement expenses for V-belts by value for total merchandise shipped. We have not accepted Fenner's allocation of these expenses by value because shipping documents show that these expenses are based on the weight of each shipment. Because Fenner did not calculate movement expenses based on weight for the merchandise under investigation, we verified Fenner's actual movement expenses for V-belts and all products included in the same shipment with V-belts. As best information available (BIA), the total actual verified movement expenses were allocated over the total shipments of V-belts during the POI.

We made deductions for air freight, foreign inland freight and insurance, brokerage and handling charges, U.S. Custom duty, U.S. inland freight and other processing fees. We deducted indirect selling expenses in the home market and indirect selling expenses in the United States, inventory carrying cost in the home market and inventory carrying cost in the United States and cost for the time merchandise was in transit. We imputed inventory carrying cost based on Fenner's value of merchandise, the number of days merchandise was in inventory and Fenner's short-term borrowing rate. We deducted credit expenses. We made further deductions, where appropriate, for U.S. commissions paid to Fenner Manheim's sales representatives.

All movement charges, commissions and indirect selling expenses were calculated as a percentage of sales price to unrelated purchasers in the United States.

The total of the indirect selling expenses and commissions and inventory carrying cost formed the cap for the allowable home market indirect selling expenses offset under § 353.15(c) of our regulations (*see* 19 CFR 315.15(c)). We added the amount of value added tax which would have been collected if the merchandise had not been exported.

Optibelt

In accordance with section 772 of the Act, United States price was based on the U.S. price information provided in the petition.

Foreign Market Value**Fenner**

In accordance with section 773(a) of the Act, we calculated foreign market

value based on the packed, f.o.b. prices to unrelated customers in the home market. To these prices we added the cost of U.S. packing. Fenner did not provide the cost of home market packing. Therefore, no deduction was made for home market packing cost.

We made deductions from the home market price for discounts. We made further deductions from the home market price for credit expenses. We deducted indirect selling expenses and inventory costs incurred on home market sales up to the amount of commissions and indirect selling expenses incurred on sales in the U.S. market, in accordance with section 353.15(c) of our regulations. We have made an upward adjustment to the tax-exclusive home market prices for the value added tax we computed for U.S. price. We have added export packing cost to the foreign market value.

Optibelt

In accordance with section 773 of the Act, foreign market value was based on home market prices provided in the petition.

Currency Conversion

We used the official exchange rates in effect on the dates of sale, in accordance with section 773(a)(1) of the Act. All currency conversions were made at the rates certified by the Federal Reserve Bank of New York.

Critical Circumstances

On August 1, 1988, petitioner alleged that "critical circumstances" exist with respect to imports of the subject merchandise from the UK. Section 735(a)(3) of the Act provides that critical circumstances exist if we determine that:

(A)(i) there is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation; or

(ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporters was selling the merchandise which is the subject of the investigation at less than its fair value; and

(B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

Pursuant to section 735(a)(3), we generally consider the following factors in determining whether imports have been massive over a relatively short period of time: (1) The volume and value of the imports; (2) seasonal trends (if applicable); and (3) the share of domestic consumption accounted for by imports.

Fenner

Because the Department's import data pertaining to the subject merchandise are based on basket TSUSA categories, we requested specific data on shipments of the subject merchandise as the most appropriate basis for our determination of critical circumstances. Furthermore, we believe that a company-specific critical circumstances determination better fulfills the critical circumstances provisions' objective of deterring a company from increasing imports massively prior to the suspension of liquidation.

We asked Fenner to supply monthly volume shipment data from November 1987 through January 1989 in order for the Department to base the critical circumstances determination on company-specific data. We verified the information submitted by Fenner.

Because the verified data submitted by Fenner indicate that there have not been massive imports over a relatively short period, we find that the requirements of section 735(a)(3)(B) are not satisfied for Fenner.

Optibelt

Since the respondent, Optibelt, failed to participate in the investigation, we are determining that critical circumstances for this respondent exist. Based on best information available, we are assuming that imports of industrial belts have been massive over a relatively short period of time. In determining whether there is a knowledge of dumping, the Department normally considers margins of 25 percent or more to impute knowledge of dumping under section 735(a)(3)(A). (see e.g. *Final Determination of Sales at Less Than Fair Value; Tapered Roller Bearings and Parts thereof, Finished or Unfinished, from Italy* (52 FR 24198, June 29, 1987)). Therefore, in accordance with section 735(a)(3)(A)(ii) and 735(a)(3)(B), we determine that critical circumstances exist with respect to Optibelt.

With respect to other firms covered by the "All others" rate, we have determined that imports of industrial belts have not been massive over a relatively short period of time. Since we do not find that there have been massive imports of industrial belts from other firms included in the "All Other" rate, we do not need to consider whether there is a history of dumping or whether importers of these products knew or should have known that the merchandise was being sold at less than fair value.

Verification

As provided in section 776(b) of the Act, we verified all information provided by Fenner and used this information in reaching the final determination in this investigation. We used standard verification procedures including examination of relevant accounting records and original source documents provided by the respondent.

Interested Party Comments

Comment 1: Petitioner asserts that, in its scope of investigation at the preliminary determination, the Department listed only four HTS subheadings. Petitioner requests that the Department list all eighteen HTS subheadings in its final determination.

DOC Position: We agree. The petition includes nine TSUSA item numbers and four HTS sub-headings that petitioner believed would correspond to the TSUSA numbers when the HTS system become effective.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS sub-headings listed in a January 1989 USITC publication, *The Continuity of Import and Export Trade Statistics After Implementation of the Harmonized Commodity Description and Coding System*, petitioner requested that the Department expand the four HTS sub-headings listed in our preliminary determination to eighteen sub-headings. We asked for comments from the interested parties in this investigation concerning industrial belts covered by the eighteen HTS sub-headings.

In our preliminary determination, as now, we note that the written description of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. Accordingly, we do not view this as a broadening of the scope of this investigation.

Comment 2: Petitioner argues that the best information available (BIA) dumping margin for Optibelt should be the highest margin found in the petition since Optibelt failed to respond to the Department's questionnaire. Petitioner notes that it provided extremely detailed information in the petition with regard to Optibelt. Petitioner also stated that BTL, Ltd. a voluntary respondent who also did not respond to the questionnaire, should be subject to the "All other" rate.

DOC Position: The Department is applying the same methodology used in the preliminary determination to

calculate the margins for the final determination. As best information available, we are taking the highest margin contained in the petition for each of the product types for the period of investigation and then simple averaging those figures to determine the margins for the products under investigation. We agree with petitioner with regard to BTL and they are included in the "All other" rate.

Comment 3: Petitioner claims that Fenner's response should be deemed inadequate and should be rejected and that the margin for Fenner should be based on the highest margin found in the petition.

Respondent claims that for purposes of the final determination, the dumping margin for Fenner should be based on the information submitted by Fenner and verified by the Department. This would include the original questionnaire response and the supplement responses.

DOC Position: A careful review of past antidumping cases, e.g., *Antifriction Bearings from FRG* (issued by the Department on March 24, 1989), *Light-walled Welded Rectangular Carbon Steel Tubing from Argentina* (54 FR 13913, April 6, 1989), and *Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Italy* (52 FR 24198, June 29, 1987), reveals that the facts involved in this case more closely resemble situations where the Department used responses, rather than rejected them due to verification corrections and new submissions. The recalculations and revisions submitted at verification were typical minor methodological problems and mathematical errors similar to those commonly found during other investigations. This case differs substantially from both *Antifriction Bearings from the FRG* and *Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Italy*, where submitted data were incorrect and the Department was never provided accurate and verifiable data. In this case, all data have been satisfactorily verified using standard verification practices and techniques.

Comment 4: Petitioner states that in many instances the revisions Fenner submitted during verification affect all of the sales reported in a particular market. Also, according to petitioner, most of the changes are quite substantial and favor the respondent. In addition, petitioner believes that respondent's revised response was not timely. Petitioner claims that rejection of the response is especially appropriate since Fenner is a voluntary respondent.

Respondent claims the corrections to the response made by the Department at

verification should be considered for purposes of the final determination. Respondent argues that the changes were minor and were limited to the correction of information already on the administrative record and therefore did not amount to the submission of new information. Respondent states that it is the long established policy of the Department to accept corrections to the original response to conform to the information verified. Finally, respondent strongly disagrees with the suggestion by petitioner that Fenner adopted a "wait and see" attitude before telling the Department about discrepancies it discovered prior to verification. Respondent asserts it has always cooperated fully with the Department in this investigation.

DOC Position: Only revisions to Fenner's response concerning indirect selling expenses affect all sales in a particular market. In that instance, the correct indirect selling expenses were submitted by Fenner at verification and verified by the Department. Errors that worked both for Fenner and against Fenner were discovered during verification. These corrections were verified and the corrections were submitted to the Department.

Comment 5: Petitioner claims Fenner has failed to adequately demonstrate that any adjustments should be made to foreign market value. Petitioner states that since neither verification nor post-verification submissions should be used to correct deficiencies in these adjustments, the Department should continue to disallow all adjustments claimed by Fenner.

DOC Position: We have accepted corrections for minor deficiencies found in Fenner's home market sales response. All adjustments relating to these deficiencies have been verified by the Department. We have determined that Fenner has adequately demonstrated the validity of the corrected information.

Comment 6: Petitioner states that in the event the Department uses Fenner's response, no deduction from foreign market value should be made for discounts, or, if discounts are allowed, the smallest discount should be applied to all sales. Petitioner claims that corrected information on home market discounts was submitted during and after verification and was revised to such a degree as to preclude its inclusion in the final determination.

DOC Position: We disagree. Although Fenner's methodology used in reporting gross price and discounts was determined to be inadequate at verification, during verification we found that net price was accurately

reported on all home market sales. Fenner has adequately explained its methodology used in determining adjustments for other discounts and gross price. Based on Fenner's explanation, the Department has determined that the corrections to Fenner's gross price and other discounts are minor and that they do not warrant omission of adjustments to foreign market value.

Comment 7: Petitioner argues the Department should disallow any deduction from foreign market value for home market credit expenses since respondent calculated these costs using standard payment terms rather than actual number of days between date of sale and payment date. If revised payment periods are used by the Department, they should be used only for the individual transactions actually verified.

Respondent states that for purposes of the final determination, a credit expense should be imputed to each non-cash sale based on the verified company-specific interest rate during the POI and an average 45 day credit extension period for outstanding payments. Respondent claims the imputed average 45 day credit period is a conservative estimate of the actual average credit extension period and that the use of an average collection period is consistent with past Department practice.

DOC Position: The Department prefers to have credit reported on a transaction-by-transaction basis. However, given the massive number of transactions in the home market, we do not consider a methodology based on average credit days outstanding to be unreasonable. We verified the number of days credit was outstanding for a number of sales transactions and used the lowest number of days for payment outstanding found in these sales to calculate credit expenses.

Comment 8: With regard to home market indirect selling expenses, petitioner claims the Department should disallow this claim since respondent's revised data could not be verified.

Respondent argues that the Department should make appropriate deductions from foreign market value to account for indirect selling expenses incurred on home market sales. Respondent claims revised indirect selling expenses for the POI were verified.

DOC Position: The Department verified indirect selling expenses for all sales of all products sold by Fenner in the home market. The expenses verified by the Department and reported in its verification report were used to

calculate Fenner's indirect selling expenses.

Comment 9: Petitioner argues that the Department should disallow any inventory carrying costs claimed on home market sales. Petitioner believes it would be improper to deduct any home market warehousing or credit costs for the period in warehouse because such costs were not deducted from exporter's sales price sales in the preliminary determination.

DOC Position: For the final determination the Department has deducted from both sides inventory carrying costs for exporter's sales price transactions. We have also allowed inventory carrying costs claimed on home market sales.

Comment 10: Petitioner states that, according to the U.S. verification report, Fenner failed to report all of its U.S. sales during the period of investigation. Petitioner also believes that much of the information originally submitted by Fenner was unfairly revised during the U.S. verification. The revisions and omissions require the use of best information available for the final determination.

Respondent argues that the addition of three additional belt models to the U.S. and home market sales listings does not constitute an entirely new response. Accordingly to respondent, an inadvertent omission which is less than five percent of total sales is not a substantial deficiency, especially since the Department was informed about the omitted sales prior to starting verification and the Department verified the corrected volume and value of sales.

DOC Position: Prior to starting verification we were informed by Fenner that sales relative to three models had been omitted from its questionnaire response. Fenner was forthright in informing us of these omissions, and it cooperated in providing all information relating to sales of the omitted models. The Department examined all of Fenner's transfer invoices for sales of the subject merchandise to the United States during the POI. We confirmed that sales of the three omitted models were included in one shipment on one invoice that contained a large number of different products that were not subject to our investigation. We instructed Fenner to submit a revised response including the three omitted models and the verified adjustments associated with those models. We also instructed Fenner to include in the submission other minor corrections to its response that were made during verification. We do not consider these corrections to be

substantial enough to warrant rejecting Fenner's response and using BIA.

Comment 11: Petitioner argues that revised and new information on U.S. movement and packing charges and U.S. credit costs provided at verification should have been submitted prior to verification. Because it was not, it should be rejected for purposes of the final determination.

With regard to credit expense, respondent claims that the verified company interest rate during the period of investigation should be used. For purposes of movement and packing expenses, Fenner claims the revised factors it provided, and the Department verified, should be used.

DOC Position: We are using verified movement and packing expenses as submitted in Fenner's responses prior to verification.

With regard to credit expense, the Department has verified a short-term borrowing rate for Fenner during the period of investigation. The interest rate Fenner originally reported was based on Fenner's short-term borrowing rate outside the period of investigation. Therefore, we are using the revised verified rate.

Comment 12: Petitioner claims that since the reported U.S. commission rates were found to be unreliable at verification they should be rejected. However, in the event the Department decides to deduct the commission rate from the exporter's sales price sales, the highest reported rate should be used.

DOC Position: We disagree. At verification we determined that there was one minor discrepancy in Fenner's reported commission rate. We were able to verify the correct rate. Therefore, we are using Fenner's commission rate as verified and reported in its corrected submission.

Comment 13: Petitioner claims Fenner's U.S. selling expenses are not attributable to U.S. sales of the subject merchandise during the period of investigation. Since no verified information is available, the Department should reject Fenner's response in its entirety and use BIA for the final determination.

DOC Position: We are accepting Fenner's allocation of U.S. selling expenses. Our preference is for product-specific expenses; however, given the number of products sold by Fenner and the difficulty of assigning specific expenses to specific products, which include products not subject to the investigation, we believe it is reasonable to accept allocations. We were able to verify independently the amounts for each category that were included in the selling expense. We also verified that

Fenner does not maintain records in such a way as to enable it to report its expenses for each separate class or kind of merchandise.

Comment 14: If the Department decides against using BIA, Fenner's home market selling expenses should be used as a reasonable proxy for non-U.S. indirect selling expenses incurred on U.S. sales.

DOC Position: We agree. To calculate non-U.S. indirect selling expense, we used as best information available a ratio of total indirect selling expenses in the home market to total sales made by Fenner during the period of investigation.

Comment 15: Petitioner states that Fenner failed to report imputed inventory costs on U.S. sales. For purposes of the final determination, the Department should use the information on the record to calculate these imputed costs on U.S. sales. Petitioner claims that these costs should be calculated from the time the merchandise leaves the foreign producer to the time the material is shipped from Fenner's U.S. subsidiary to the U.S. customer.

DOC Position: We have calculated inventory carrying costs for United States sales using the methodology outlined by the petitioner.

Comment 16: Petitioner believes the Department should determine that critical circumstances exist with regard to all U.S. sales of the subject merchandise from the U.K. Petitioner argues that given the size of the dumping margins and the absence of company-specific data, an adverse determination should be made.

Respondent claims that there was no substantial increase in export of the subject merchandise during the five months after the filing of the petition as compared to exports in the five months preceding the filing of the petition.

DOC Position: We have determined that since Optubelt failed to participate in the investigation, as best information available, we are assuming that imports of industrial belts from Optubelt have been massive over a relatively short period of time. Furthermore, we find that the best information available margin of 74.16 percent imputes knowledge that the importer knew or should have known that the exporter was selling the merchandise at less than its fair value.

With regard to other firms covered by the "All others" rate, see the Critical Circumstances section of this determination.

We have also determined that critical circumstances do not with regard to imports from Fenner. See also the

Critical Circumstances section of this determination.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of the subject merchandise from the UK, as defined in the "Scope of Investigations" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. Where we have found affirmative critical circumstances in this final determination, we are instructing the U.S. Customs Service to suspend liquidation of such entries that are entered or withdrawn from warehouse, for consumption, on or after the date which is 90 days prior to the date of publication of the notice of the preliminary determinations in these investigations in the Federal Register. The U.S. Customs Service shall require a cash deposit or posting of a bond equal to the estimated amounts by which the foreign market value of the subject merchandise from the UK exceeds the United States price, as shown below. This suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturers/producers/exporters	Margin percentage
J. H. Fenner & Co.	6.80
Arntz Belting Co., Ltd. (Optibelt).....	74.18
All others	73.85

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determinations. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist with respect to subject merchandise, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing

Customs officials to assess antidumping duties on industrial belts from the UK entered or withdrawn from warehouse, for consumption, on or after the effective date of the suspension of liquidation, equal to the amount by which the foreign market value exceeds the U.S. price.

These determinations are published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Timothy N. Bergan,
Acting Assistant Secretary for Import Administration.

April 11, 1989

[FR Doc. 89-9258 Filed 4-17-89; 8:45 am]

BILLING CODE 3510-05-M

[A-428-802]

Final Determination of Sales at Less Than Fair Value: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From the Federal Republic of Germany

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We determine that industrial belts and components and parts thereof, whether cured or uncured, (hereinafter referred to as industrial belts) from the Federal Republic of Germany are being, or are likely to be, sold in the United States at less than fair value. We also determine that critical circumstances exist with respect to imports of industrial belts from the Federal Republic of Germany.

We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from the Federal Republic of Germany as described in the "Continuation of Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the publication of this notice, whether these imports materially injure, or threaten material injury to the U.S. industry.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Contact Louis Apple or Loc Nguyen, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-1769 or (202) 377-3530.

SUPPLEMENTARY INFORMATION: Final Determination

We determine that industrial belts from the Federal Republic of Germany are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The estimated margins are shown in the "Continuation of Suspension of Liquidation" section of this notice. We also determine that critical circumstances exist with respect to industrial belts from the Federal Republic of Germany.

Case History

On January 26, 1989, we made an affirmative preliminary determination (54 FR 5108, February 1, 1989). We have received a number of requests for exclusion of merchandise from the scope of this final determination (see comment numbers 4 and 5).

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the *Harmonized Tariff Schedule* (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS sub-headings. The HTS sub-headings are provided for convenience and Customs purposes. The written description remains dispositive.

The products covered by this investigation are industrial belts from the Federal Republic of Germany currently provided for under Tariff Schedules of the United States Annotated (TSUSA) item numbers 358.0210, 358.0290, 358.0610, 358.0690, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510 and 773.3520; and currently classifiable under Harmonized Tariff Schedule (HTS) sub-headings 3926.90.55, 3926.90.56, 3926.90.57, 3926.90.59, 3926.90.60, 4010.10.10, 4010.10.50, 4010.91.11, 4010.91.15, 4010.91.19, 4010.91.50, 4010.99.11, 4010.99.15, 4010.99.19, 4010.99.50, 5910.00.10, 5910.00.90, and 7320.20.00.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and

whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Period of Investigation

The period of investigation is January 1, 1988, through June 30, 1988.

Fair Value Comparisons

To determine whether sales of industrial belts from the Federal Republic of Germany to the United States were made at less than fair value, we compared the United States price to the foreign market value. For our preliminary determination, we used best information available as required by section 776(c) of the Act. As best information available, we took the highest margin contained in the petition for each of the product types for the period of investigation and calculated a simple average of those figures to determine a margin for the products under investigation. Since the respondent, Optibelt, failed to participate in the investigation, we are using the same methodology for calculating a margin for the final determination.

United States Price

United States price was based on the U.S. price information provided in the petition pursuant to section 772 of the Act.

Foreign Market Value

Foreign market value was based on home market prices provided in the petition pursuant to section 773 of the Act.

Critical Circumstances

On June 30, 1988, petitioner alleged that critical circumstances exist with respect to imports of the subject merchandise from the Federal Republic of Germany. Section 735(a)(3) of the Act provides that critical circumstances exist if we determine that:

(A)(i) there is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation; or

(ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value; and

(B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

Pursuant to section 735(a)(3), we generally consider the following factors in determining whether imports have been massive over a relatively short period of time: (1) The volume and value of the imports; (2) seasonal trends (if applicable); and (3) the share of domestic consumption accounted for by imports.

Since the respondent, Optibelt, failed to participate in the investigation, we are determining that critical circumstances for this respondent exist based on best information available. As best information available, we are assuming that imports of industrial belts have been massive over a relatively short period of time. In determining knowledge of dumping, the Department normally considers margins of 25% or more sufficient to impute knowledge of dumping under section 735(a)(3)(A) (see, e.g., *Final Determination of Sales at Less Than Fair Value: Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from Italy* (52 FR 24198, June 29, 1987)). Therefore, in accordance with sections 735(a)(3)(A)(ii) and 735(a)(3)(B), we determine that critical circumstances exist with respect to Optibelt.

With respect to firms covered by the "All Other" rate, we have determined that imports of industrial belts have not been massive over a relatively short period of time and, therefore, that critical circumstances do not exist.

Since we do not find that there have been massive imports of industrial belts from firms included in the "All Other" rate, we do not need to consider whether there is a history of dumping or whether importers of these products knew or should have known that the merchandise was being sold at less than fair value.

Interested Party Comments

Comment 1: Petitioner argues that, based on U.S. import statistics, IM 148 data, the Department should find that there have been massive imports of industrial belts over a relatively short period of time. Petitioner further asserts that an antidumping margin of 25% or more is sufficient to impute knowledge to the importer that the exporter was selling the merchandise at less than fair value.

DOC Position: Since the respondent, Optibelt, failed to participate in the investigation, as best information available, we are assuming that its imports of industrial belts from the Federal Republic of Germany have been massive over a relatively short period of time. Furthermore, we find that the best information available margin of 100.60% is sufficient to impute knowledge to the

importer that the exporter was selling the merchandise at less than fair value.

With regard to firms covered by the "All Other" rate, see the "Critical Circumstances" section of this determination.

Comment 2: Petitioner argues that the Department's final determination should be based on the highest less-than-fair-value margin alleged in the petition.

DOC Position: The Department is applying the same methodology used in the preliminary determination to calculate the margins for the final determination. As best information available, we are taking the highest margin contained in the petition for each of the product types for the period of investigation and then calculating a simple average of those figures to determine the margin for the products under investigation.

Comment 3: Petitioner asserts that in its scope of investigation at the preliminary determination, the Department listed only four HTS sub-headings. Petitioner requests that the Department list eighteen HTS sub-headings in its final determination.

DOC Position: We agree. The petition included nine TSUSA item numbers and four HTS sub-headings that petitioner believed would correspond to the TSUSA numbers when the HTS system became effective.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS sub-headings listed in a January 1989 USITC publication, *The Continuity of Import and Export Trade Statistics After Implementation of the Harmonized Commodity Description and Coding System*, petitioner requested that the Department expand the four HTS sub-headings listed in our preliminary determination to eighteen sub-headings. We asked for comments from the interested parties in this investigation concerning industrial belts covered by the eighteen HTS sub-headings.

In our preliminary determinations, as now, we note that the written description of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. We do not view providing additional HTS sub-headings as broadening the scope of this investigation.

Comment 4: Siegling America, Belting Industries Co., Dovey Corporation and IRO Inc., importers, believe it is inappropriate to include nylon core, rubber and leather flat belts, urethane steel timing belts, knit carcass belts

treated with neophrene, corrugator belts, and cog belts, imported from the Federal Republic of Germany in the scope of this investigation. They request that these belt categories be excluded from this investigation.

DOC Position: The information received was insufficient to determine whether the merchandise is properly excluded from the scope of this investigation. In addition, the information received from these firms arrived too late to be analyzed and verified for this final determination. If the final determination of the ITC results in an antidumping duty order on this merchandise, and upon receipt of proper documentation, the Department may conduct a scope ruling procedure concerning the products imported by these firms.

Comment 5: On March 8, 1989, Continental AG submitted some information concerning synchronous belts imported from the Federal Republic of Germany.

DOC Position: We have notified Continental AG that we will not be using their submission in making a final determination because the information was not filed in time to be analyzed, verified and used in this final determination. (see also the DOC Position concerning Comment 4).

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of industrial belts from the Federal Republic of Germany, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after the date which is 90 days prior to the date of publication of the preliminary determination in the Federal Register. The U.S. Customs Service shall continue to require a cash deposit or posting of a bond equal to the estimated amounts by which the foreign market value of the subject merchandise from the Federal Republic of Germany exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice. The average of the highest margin for each of the product types listed in the petition for the period of investigation is as follows:

Manufacturer/producer/exporter	Margin percentage
Optibelt Corporation.....	100.60
All Others.....	100.60

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist with respect to any of the products under investigation, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that material injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on industrial belts from the Federal Republic of Germany entered, or withdrawn from warehouse, for consumption, on or after the effective date of the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673j(d)).

Timothy N. Bergan,
Acting Assistant Secretary for Import Administration.

April 11, 1989.
[FR Doc. 89-9259 Filed 4-17-89; 8:45 am]
BILLING CODE 3510-03-M

[A-583-501]

Preliminary Determination of Sales at Less Than Fair Value; 12-Volt Motorcycle Batteries From Taiwan

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We preliminarily determine that 12-volt motorcycle batteries from Taiwan are being, or are likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to suspend liquidation of all entries of 12-volt motorcycle batteries from Taiwan as described in the "Suspension of

Liquidation" section of this notice. If this investigation proceeds normally, we will make a final determination by June 22, 1989.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Mary Martin, John Gloninger, or Mary S. Clapp, Office of Antidumping Investigation, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW, Washington, DC 20230; telephone: (202) 377-2830, 377-8330, or 377-3965.

SUPPLEMENTAL INFORMATION:

Preliminary Determination

We preliminarily determine that 12-volt motorcycle batteries are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (19 U.S.C. 1673b) (the Act). The estimated margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the notice of reinstatement of antidumping duty investigation (53 FR 46903, November 21, 1988), the following events have occurred: On November 29, 1988, the Department presented antidumping duty questionnaires to Ztong Yee Industrial Co., Ltd. (Ztong Yee), Wei Long Electric Industrial Co., Ltd. (Wei Long), and Cheng Kwang Storage Battery Co., Ltd. (Cheng Kwang). These companies accounted for a substantial portion of exports of the subject merchandise from Taiwan to the United States during the period of investigation. Responses to Section A to the questionnaire were due on December 13, 1988, and responses to the remaining sections were due on December 29, 1988.

At the request of the respondents, response deadlines were extended to December 20, 1988 for Section A, and to January 13, 1989 for sections B and C of the questionnaire. Responses to section A were filed on December 21, 1988, and to sections B and C on January 13, 1989 by all respondents. The Department issued deficiency letters on January 23, 1989 and on February 21, 1989. Supplemental responses were received from the respondents prior to this determination.

On December 30, 1988, the petitioner requested that the preliminary determination be postponed. On January 11, 1989 in accordance with section 733(c)(1)(A) of the Act, we postponed the preliminary determination to April 7, 1989 (54 FR 2197, January 19, 1989).

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of Customs nomenclature. On January 1, 1989, the United States fully converted to the Harmonized Tariff Schedule (HTS) as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered or withdrawn from warehouse for consumption on or after this date will be classified solely according to the appropriate HTS item numbers. The HTS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

The products covered by this investigation are 12-volt motorcycle batteries. Motorcycle batteries are lead-acid storage batteries which are rated from 2 to 32 ampere hours (10 hour rate) with voltage levels of either 6 or 12 volts. This investigation is limited to 12-volt motorcycle batteries. The batteries are mainly used as replacement batteries for motorcycles, but may, to a very limited extent, be used in snowmobiles, lawnmowers, and other such equipment. They are currently classifiable under HTS item number 8507.10.00.

Period of Investigation

The period of investigation is April 1, 1988, through September 30, 1988.

Fair Value Comparisons

To determine whether sales of 12-volt motorcycle batteries from Taiwan to the United States were made at less than fair value, we compared the United States price to the foreign market value, as specified in the United States price and foreign market value sections of this notice.

United States Price

Since all sales used in our analysis were made directly to unrelated parties prior to importation into the United States, we based the United States price on purchase price, in accordance with section 772(b) of the Act. The calculation of United States price for each respondent is detailed below.

A. Ztong Yee

We calculated purchase price based on the packed, C.I.F. price to unrelated purchasers in the United States. We made deductions, where appropriate, for foreign inland freight, ocean freight, marine insurance, brokerage and handling in Taiwan, bank processing fees, and port charges.

We made additions for duty drawback and value-added taxes which

would have been collected if the merchandise had not been exported.

Ztong Yee incorrectly reported sales to a related purchaser in the United States as purchase price sales. On March 28, 1989, the Department requested that Ztong Yee supply exporter's sales price information for sales made to a related purchaser in the United States, but we did not receive the information in time to use it in this preliminary determination. Therefore, for purposes of this preliminary determination, and in accordance with section 776(c) of the Act, we have used Ztong Yee's calculated rate for sales to unrelated purchasers, as the best information available (BIA), for sales to the related purchaser.

B. Wei Long

We calculated purchase price based on the packed, F.O.B. or C.I.F. price to unrelated purchasers in the United States. We made deductions, where appropriate, for foreign inland freight, ocean freight, marine insurance, brokerage and handling charges in Taiwan, quantity discounts, port and bank processing fees.

C. Cheng Kwang

We calculated purchase price based on the packed, F.O.B. or C.I.F. prices to unrelated purchasers in the United States. We made deductions, where appropriate, for foreign inland freight, ocean freight, marine insurance, brokerage and handling charges in Taiwan, bank processing fees, port charges, and inspection fees.

Foreign Market Value

In accordance with section 773(a)(1) of the Act, we calculated foreign market value based on home market or third country sales. The calculation of foreign market value for each respondent is detailed below.

A. Ztong Yee

For Ztong Yee, we determined there were sufficient sales in the home market to serve as a basis for calculating foreign market value. We calculated foreign market value based on packed F.O.B. and C.I.F. prices to unrelated purchasers in Taiwan. We made deductions, where appropriate, for inland freight and rebates.

We made circumstance of sale adjustments for differences in credit pursuant to 19 CFR 353.15. We made an upward adjustment to tax-exclusive home market prices for the value added tax we computed for United States price. In addition, we added commissions paid to selling agents in the United States where appropriate.

We allowed an offset for indirect selling expenses in the home market (which includes advertising, travel and entertainment expenses, inventory carrying costs, warranty expenses and inspection fees) up to the amount of the commissions in the U.S. market in accordance with 19 CFR 353.15(c).

We made adjustments, where applicable, for differences in the physical characteristics of the merchandise in accordance with 19 CFR 353.16. Ztong Yee did not provide the cost of packing, claiming packing costs were the same for all markets. Therefore, no adjustment was made for packing. Ztong Yee, however, did report that batteries sold in the home market have acid packs. We treated the additional cost of these acid packs as part of the difference in merchandise adjustments.

Ztong Yee claimed advertising as a direct selling expense. However, its claim was not adequately supported, and we have treated advertising as an indirect selling expense for purposes of this determination.

B. Wei Long

Because Wei Long had no home market sales during the period of investigation, we used third country sales to an unrelated Taiwanese trading company and direct sales to a third country for the purpose of determining foreign market value in accordance with section 773(a)(1)(B) of the Act. We calculated foreign market value based on the packed, F.O.B. price to the unrelated trading company, and F.O.B. or C.I.F. prices for the direct sales. We made deductions where appropriate for brokerage and handling charges, foreign inland freight, ocean freight, marine insurance, quantity discounts, and port fees. We made circumstance of sale adjustments for differences in credit and warranty expenses pursuant to 19 CFR 353.15. We deducted third country packing and added U.S. packing.

In addition, we added commissions incurred on U.S. sales to foreign market value. However, Wei Long claimed an offset to U.S. commissions of "indirect selling expenses" incurred on sales to the third country market. It did not, however, include the requisite itemized breakdown of the indirect expenses claimed. Therefore, we have disallowed these expenses for purposes of the preliminary determination and have not performed the offset. If the appropriate information is submitted and verified, we will consider it for the final determination.

C. Cheng Kwang

Because Cheng Kwang's home market sales during the period of investigation were inadequate for determining foreign market value, we used third country sales to unrelated Taiwanese trading companies and direct sales to other third countries in accordance with section 773(a)(1)(B) of the Act. We calculated foreign market value comparisons based on the packed, F.O.B. or C.I.F. prices. We made deductions where appropriate for brokerage and handling charges, foreign inland freight, ocean freight, marine insurance, port usage fees, banking charges, and inspection charges.

We made a circumstance of sale adjustment for differences in credit expenses pursuant to 19 CFR 353.15. We deducted third country packing and added U.S. packing.

We made adjustments, where applicable, for differences in the physical characteristics of the merchandise in accordance with § 353.16 of the Commerce Regulations.

Cheng Kwang claimed an adjustment to third country price for additional costs incurred on smaller production lots. We disallowed this claim for the preliminary determination. If we are able to verify the costs for differing production lots and their corresponding relationship to selling price, we will consider this claim for the final determination.

Currency Conversion

Since we calculated United States price on a purchase price basis, we used the official exchange rates in effect on the date of sale, in accordance with § 353.56(a)(1) of the Commerce Regulations. All currency conversions were made at rates certified by the Federal Reserve Bank of New York.

Verification

We will verify the information used in making our final determination in accordance with section 776(b) of the Act.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of 12-volt motorcycle batteries from Taiwan that are entered or withdrawn from warehouse for consumption on or after the date of publication of this notice in the Federal Register. The U.S. Customs Service shall require a cash deposit or posting of a bond equal to the estimated amounts by which the foreign market value of 12-

volt motorcycle batteries from Taiwan exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturer/producer/exporter:	Margin percentage
Ztong Yee.....	28.06
Wei Long.....	3.97
Cheng Kwang.....	1.00
All others.....	8.95

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

The ITC will determine whether these imports are materially injuring, or threaten material injury to, a U.S. industry before the later of 120 days after the date of this determination, or 45 days after the final determination, if affirmative.

Public Comment

In accordance with 19 CFR 353.47, if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 2:00 p.m. on May 23, 1989, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request to the Assistant Secretary for Import Administration, Room B-099, at the above address within ten days of the publication of this notice. Requests should contain: (1) The party's name, address and telephone number; (2) the number of participants; (3) the reasons for attending; and (4) a list of the issues to be discussed.

In addition, prehearing briefs in at least ten copies must be submitted to the Assistant Secretary by May 16, 1989. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.48, at the above address, in at least ten copies, not less than 30 days before the date of the final

determination, or, if a hearing is held, within seven days after the hearing transcript is available.

This determination is published pursuant to section 733(f) of the Act (19 U.S.C. 1673b(f)).

Timothy N. Bergan,

Acting Assistant Secretary for Import Administration.

April 7, 1989.

[FR Doc. 89-9191 Filed 4-17-89; 8:45 am]

BILLING CODE 3510-DS-M

[C-508-802]

Final Affirmative Countervailing Duty Determination: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From Israel

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Israel of industrial belts and components and parts thereof, whether cured or uncured (industrial belts), as described in the "Scope of Investigation" section of this notice. The estimated net subsidy is 15.42 percent *ad valorem*. In addition, we determine that critical circumstances do exist in this case.

We have notified the United States International Trade Commission (ITC) of our determinations. If the ITC determines that imports of industrial belts materially injure, or threaten material injury to a U.S. industry, we will direct the U.S. Customs Service to resume suspension of liquidation of all entries of industrial belts from Israel that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of our countervailing duty order and to require a cash deposit on entries of industrial belts in an amount equal to the estimated net subsidy.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Roy A. Malmrose, Office of Countervailing Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-5414.

SUPPLEMENTARY INFORMATION: Final Determination

Based on our investigation, we determine that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in Israel of industrial belts. For purposes of this investigation, the following programs are found to confer subsidies:

- Encouragement of Capital Investment Law Grants
- Exchange Rate Risk Insurance
- Long-term Industrial Development Loans
- Encouragement of Research and Development Grants

We determine the estimated net subsidy to be 15.42 percent *ad valorem* for all manufacturers, producers, or exporters in Israel of industrial belts.

Case History

Since publication in the Federal Register of the *Preliminary Affirmative Countervailing Duty Determination: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, from Israel* (53 FR 48670, December 2, 1988) (*Preliminary Determination*), the following events have occurred. We received requests for a public hearing from petitioner on December 7, 1988, and from respondents on December 9, 1988. On December 9, 1988, petitioner filed a request for alignment of the countervailing duty and antidumping final determinations. This postponement was approved under section 705 of the Act and published in the Federal Register on February 13, 1989 (54 FR 6502).

On March 29, 1989, in accordance with Article 5, paragraph 3 of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade (GATT Subsidies Code), we notified U.S. Customs to terminate the suspension of liquidation in this investigation as of April 1, 1989. Petitioner withdrew its request for a public hearing on March 3, 1989, and respondents withdrew their requests on March 8, 1989. We received written comments from petitioner on March 16 and March 20, 1989, and from respondents on February 23 and March 20, 1989.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the *Harmonized Tariff*

Schedules (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS sub-headings. The HTS sub-headings are provided for convenience and Customs purposes.

The products covered by this investigation are industrial belts and components and parts thereof, whether cured or uncured, formerly provided for under TSUSA item numbers 358.0210, 358.0290, 358.0610, 358.0690, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510, and 773.3520 and currently classifiable under HTS item numbers 3926.9055, 3926.9056, 3926.9057, 3926.9059, 3926.9060, 4010.1010, 4010.1050, 4010.9111, 4010.9115, 4010.9119, 4010.9150, 4010.9911, 4010.9915, 4010.9919, 4010.9950, 5910.0010, 5910.0090, and 7326.2000.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Analysis of Programs

Because the Government of Israel (GOI) and Magam United Rubber Industries Ltd. (Magam) withdrew their questionnaire responses, this determination is based on the best information available.

For each program found to be countervailable in prior countervailing duty investigations involving Israel, we used as the best information available the highest rate ever found for that program in previous countervailing duty determinations or administrative reviews involving products from Israel. We did not conduct a verification, since respondents withdrew their responses from the record of the investigation.

Based upon our analysis of the petition, written comments from petitioner and respondents and prior Israeli cases, we determine the following:

I. Programs Determined to Confer Subsidies

We determine that subsidies are being provided to manufacturers, producers, or exporters in Israel of industrial belts under the following programs:

A. The Encouragement of Capital Investment Law (ECIL) Grants

The purpose of the ECIL is to attract capital investment to Israel. In order to be eligible to receive various benefits under the ECIL, including investment grants, drawback grants, capital grants, accelerated depreciation, and reduced tax rates, the applicant must obtain "approved enterprise" status. (ECIL interest subsidy payments and tax programs are listed below under "Programs Determined Not to Be Used".) Approved enterprise status is obtained after review of information submitted to the Ministry of Industry and Trade, Investment Center Division.

Using our *Final Affirmative Countervailing Duty Determination: Potassium Chloride from Israel* (49 FR 35122, September 14, 1984) as the best information available, we determine that the provision of investment grants under this program confers a subsidy on exports of industrial belts from Israel and that the estimated net subsidy for all producers and exporters of industrial belts from Israel is 1.18 percent *ad valorem*.

B. Exchange Rate Risk Insurance

The Exchange Rate Risk Insurance Scheme (EIS), operated by the Israel Foreign Trade Risk Insurance Corporation Ltd. (IFTRIC), is aimed at insuring exporters against losses which result when the rate of inflation exceeds the rate of devaluation and the New Israeli Shekel (NIS) value of an exporter's foreign currency receivables does not rise enough to cover increases in local costs.

The EIS scheme is optional and open to any exporter willing to pay premiums to IFTRIC. Compensation is based on a comparison of the change in the rate of devaluation of the NIS against a basket of foreign currencies with the change in the consumer price index. If the rate of inflation is greater than the rate of devaluation, the exporter is compensated by an amount equal to the difference between these two rates multiplied by the value-added of the exports. If the rate of devaluation is higher than the change in the domestic price index, however, the exporter must compensate IFTRIC. The premium is calculated for all participants as a percentage of the value-added sales value of exports. IFTRIC changes this

percentage rate periodically but, at any given time, it is the same for all exporters.

In determining whether an export insurance program provides a countervailable benefit, we examine whether the premiums and other charges are adequate to cover the program's long-term operating costs and losses. In the last Israeli investigation, *Final Affirmative Countervailing Duty Determination: Industrial Phosphoric Acid from Israel* (52 FR 25447, July 7, 1987) (*Phosphoric Acid*), we found that this program conferred a countervailable benefit. Using our determination in *Phosphoric Acid* as the best information available, we determine that this program confers an export subsidy on exports of industrial belts from Israel.

For the preliminary determination we used the rate calculated for this program in the *Final Affirmative Countervailing Duty Determination: Certain Fresh Cut Flowers from Israel* (52 FR 3316, February 3, 1987) as the best information available with respect to the amount of the subsidy. For this determination, we are using the rate calculated in *Preliminary Results of Countervailing Duty Administrative Review: Fresh Cut Roses from Israel* (54 FR 10395, March 13, 1989), since it is now the highest rate found for this program in all previous countervailing duty determinations and administrative reviews. On this basis, we determine that the estimated net subsidy for all producers and exporters of industrial belts in Israel is 9.18 percent *ad valorem*.

C. Long-term Industrial Development Loans

Prior to July 1985, approved enterprises were eligible to receive long-term industrial development loans funded by the GOI. In *Phosphoric Acid*, we determined that loans under this program are provided to a diverse number of industries. However, the interest rates charged on these loans vary depending on the development zone location of the borrower. The interest rates on loans to borrowers in Development Zone A are lowest, while those on loans to borrowers in the Central Zone are highest.

In the absence of government and company questionnaire responses and verified information, we assume, as the best information available, that the producers and exporters of industrial belts in Israel are not located in the Central Zone. Therefore, we determine that this program confers a regional subsidy on exports of industrial belts from Israel. Using the rate calculated in the *Final Affirmative Countervailing*

Duty Determination: Oil Country Tubular Goods from Israel (52 FR 1651, July 7, 1987) as the best information available, we determine that the estimated net subsidy for all producers and exporters of industrial belts in Israel is 5.02 percent *ad valorem*.

D. Encouragement of Research and Development Law (ERDL) Grants

Petitioner alleges that research and development grants equal to 50 percent of approved project costs are available under ERDL where such activity is directed at export expansion. Using as the best information available our determination in *Phosphoric Acid*, we determine that this program confers a subsidy on exports of industrial belts from Israel and that the estimated net subsidy for all producers and exporters of industrial belts in Israel is 0.04 percent *ad valorem*.

II. Programs Determined Not to be Used

Using as the best information available the non-use of the following programs in previous investigations, we determine that the programs below were not used by manufacturers, producers, or exporters in Israel of industrial belts during the review period. For a full description of these programs, see the *Preliminary Determination*.

A. Certain Benefits Under the Encouragement of Capital Investment Law (ECIL)

1. Accelerated Depreciation Under Section 42
2. Direct Reduction of Corporate Tax Under Section 47
3. Interest Subsidy Payments

B. Labor Training Grants from the Ministry of Labor

C. Special Export Marketing Financing from the Bank of Israel

Critical Circumstances

On June 30, 1988, petitioner alleged that "critical circumstances" exist with respect to imports of the subject merchandise from Israel. Section 705(a)(2) of the Act provides that critical circumstances exist if we determine that:

- A. The alleged subsidy is inconsistent with the Agreement, and
- B. There have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

We generally consider the following factors in determining whether imports have been massive over a relatively short period of time: (1) The volume and value of the imports; (2) seasonal trends (if applicable); and (3) the share of

domestic consumption accounted for by imports. 19 CFR 355.16(f) (53 FR 52306, 52350)

In our preliminary determination of critical circumstances we used import statistics for the basket TSUSA categories applicable to industrial belts and determined that imports of the subject merchandise in the basket TSUSA categories from Israel were not massive over a relatively short period. For our final determination, however, we decided not to rely on basket-category import statistics. Instead, we are using an approach adopted in the recent antidumping determinations on antifriction bearings. In these determinations the Department assumed massive imports when import statistics were based on basket TSUSA categories and respondents did not supply information on company-specific exports of the subject merchandise or the information supplied could not be verified. See, for example, *Final Determinations of Sales at Less than Fair Value: Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany and Final Determinations of Sales at Less than Fair Value: Antifriction Bearings (other than Tapered Roller Bearings) and Parts Thereof from the United Kingdom*. The Commerce Department made these final determinations on March 24, 1989.

In this investigation we have circumstances which are similar to those in the antifriction bearings investigations. The import statistics are based on basket TSUSA categories and respondents withdrew their responses. Therefore, as best information available, we are assuming that imports from Israel have been massive over a relatively short period of time.

As described above, we have determined, on the basis of the best information available, that the GOI provides export subsidies on the merchandise under investigation. Article 9 of the GATT Subsidies Code prohibits the use of export subsidies on non-primary products. However, Article 14 provides an exception for developing countries, provided they do not use "export subsidies on their industrial products * * * in a manner which causes serious prejudice to the trade or production of another signatory" (Article 14, paragraph 3).

For a developing country like Israel, then the issue is whether we find that export subsidies are causing "serious prejudice" to U.S. trade or production of industrial belts. Under section 771(7)(c)(iii) of the Act, the ITC evaluates all relevant economic factors

bearing on the state of the industry, including actual and potential decline in output, sales, market share, profits, productivity, return on investment, and capacity utilization. Thus, in making its preliminary and final injury determinations, the ITC considers trade and production in the United States. We conclude that, in principle, serious prejudice can exist where material injury to a U.S. industry occurs by reason of imports benefiting from export subsidies.

Based upon the information in the record and the ITC's affirmative preliminary determination of August 14, 1988, we conclude that serious prejudice exists within the meaning of Article 14, paragraph 3. Therefore, we find that Israel's export subsidies on industrial belts are inconsistent with the GATT Subsidies Code.

For the reasons discussed above, we find that critical circumstances exist within the meaning of section 705(a)(2) of the Act. If the ITC's final determination should be negative, our critical circumstance finding will become moot in any event, under section 705(a)(4)(A) of the Act, the ITC must make its own affirmative determination of critical circumstances.

Comments

Comment 1: Petitioner claims that the Department should countervail all subsidy programs found to be used in prior Israeli cases at the highest rate calculated for each program, including programs subsequently found to have been discontinued. In making its determination on the basis of the best information available, the Department must adversely infer that respondents failed to supply information on possible new programs that may have been created to replace the discontinued programs. The Department should use the subsidy rates applicable to the discontinued programs as the best information available for the new programs that may have been established.

DOC Position: Since respondents withdrew their responses from the record in this investigation, the Department made its final determination on the basis of the best information available, using as the best information its findings from past countervailing duty determinations or administrative reviews concerning products from Israel. In addition, to calculate a countervailing duty rate in this investigation, the Department used the highest countervailing duty rate previously found in any final countervailing duty determination or administrative review for each of the programs.

In so doing, the Department has adversely inferred that respondent has used each of the ongoing programs previously found countervailable, and that respondent has realized from each program a benefit equal to the highest benefit found in any countervailing duty determination or administrative review. Petitioner has not provided any evidence of new programs that may have been established to replace the programs discontinued. Therefore, the Department sees no reason to make additional adverse inferences.

Comment 2: Petitioner claims that the Department should recognize the existence of a new program granting a partial risk guarantee for unsuccessful export marketing activities and should determine that this program is countervailable. (This program was briefly mentioned in the government response, which, as noted above, was subsequently withdrawn.) Petitioner suggests using the exchange rate risk insurance scheme as a proxy for quantifying the benefit of the program.

DOC Position: We disagree. Both the GOI and Magam withdrew their responses from the record of this investigation. Consequently, the Department made its determination on the basis of the best information available. As the best information available, the Department used the conclusions reached in past Israeli cases. The Department considers it inappropriate to use a portion of the withdrawn response concerning an export market risk guarantee while disregarding the remainder of the responses. As set out in our response to *Comment 3*, we have refused to consider information from the withdrawn response concerning respondent's location within the Central Zone. It would be inconsistent and inappropriate for the Department to pick and choose information from the withdrawn response, using information unfavorable to respondents but not using information favorable to respondent. Furthermore, we note that petitioner has not supplied any substantive information with respect to this possible other program, nor has it described how it might be countervailable.

Comment 3: Respondents maintain that the Department failed to use the best information available in its preliminary determination for two of the programs under investigation: ECIL Grants and Long-Term Industrial Development Loans. Respondents indicate that benefits under these programs vary by zone and that no benefits are received by firms located in the Central Zone. Respondents state that Magam is located in Central Zone

and have supplied a letter from the Government of Israel attesting to this statement. Respondents conclude that the Department should find that Magam has received no benefits under these programs, since it is located in the Central Zone.

Petitioner claims that the Department should not accept incomplete information submitted by Magam indicating that it may be within the Central Zone and, therefore, may be precluded from receiving preferential interest rates under the ECIL.

DOC Position: The GOI and Magam chose to withdraw their questionnaire responses in this investigation. Therefore, we were unable to verify any of the information needed to make this final determination. Under the provisions of the Act, we must verify all information used in our final determination. Because we were unable to verify any information in this investigation, it was necessary to make this final determination on the basis of the best information available.

It would be contrary to the provisions of the Act and Department practice to use partial information provided by respondents in the absence of complete and accurate questionnaire responses which were subject to verification. If the Department were to follow such a practice, potential respondents would have no reason to respond to the Department's questionnaire and would, instead, provide only information favorable to their case. Obviously, this would be an unacceptable result. See *Asociacion Colombiana de Exportadores de Flores v. United States*, Slip op. 89-3 (Ct. Int'l Trade, January 6, 1989).

Comment 4: Respondents claim that the Department should not make an affirmative determination of critical circumstances, since imports from Israel account for a small percentage of U.S. consumption of the subject merchandise.

DOC Position: Because the Department's import data on the subject merchandise are based on basket TSUSA categories, we would normally look to respondents for accurate data on exports of the subject merchandise to the U.S.

In this case, however, respondents have withdrawn their responses, thus eliminating our usual alternative source of import statistics. Therefore, as best information available, we are assuming that imports from Magam have been massive over a relatively short period. Since, in this case, there are also export subsidies inconsistent with the agreement, as explained in the critical circumstances section of this

determination, we have made an affirmative determination of critical circumstances. See our discussion of this issue in the section of this notice on critical circumstances.

Comment 5: Petitioner asserts that, in the scope of investigation at the preliminary determination, the Department listed only four of the 18 HTS items corresponding to the nine TSUSA numbers. Petitioner requests that the Department list all 18 numbers in its final determination.

DOC Position: The scope of this investigation has not changed since the initiation. The petition included nine TSUSA item numbers and four HTS sub-headings that petitioner believed corresponded to the TSUSA numbers.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a January 1989 ITC publication, petitioner requested that the Department expand the four HTS sub-headings to eighteen sub-headings.

We consulted with the respondents in each country subject to concurrent countervailing and antidumping investigations involving industrial belts and received no objections to the petitioner's request.

In our preliminary, as now, we note that the written description of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage.

Verification

As noted above, the questionnaire responses in this investigation were withdrawn. Therefore, we did not conduct a verification. In accordance with section 776(c) of the Act, we made our final determination on the basis of the best information available.

Suspension of Liquidation

In accordance with our preliminary affirmative countervailing duty determination published on December 2, 1988, we directed the U.S. Customs Service to suspend liquidation on the products under investigation and to require a cash deposit or bond equal to the duty deposit rate. This final countervailing duty determination was extended to coincide with the companion final antidumping determinations, pursuant to section 606 of the Trade and Tariff Act of 1984 (section 705(a)(1) of the Act). Under Article 5, paragraph 3 of the GATT Subsidies Code, provisional measures cannot be imposed for more than 120 days without final affirmative determinations of subsidy and injury.

Therefore, on March 29, 1989, we instructed the U.S. Customs Service to discontinue the suspension of liquidation on the subject merchandise entered on or after April 1, 1989, but to continue the suspension of liquidation of all entries, or withdrawals from warehouse, for consumption of the subject merchandise entered between December 2, 1988, and March 31, 1989. Since we are now making a final affirmative determination of critical circumstances, the suspension of liquidation becomes retroactive to September 3, 1988, which is 90 days prior to the date on which liquidation was first suspended. We shall instruct the U.S. Customs Service also to suspend liquidation on all unliquidated entries made between September 3, 1988, and December 1, 1988. If the ITC issues a final affirmative injury determination, we will reinstate suspension of liquidation under section 705 of the Act on the date of publication of the countervailing duty order and again require a cash deposit on all entries of the subject merchandise in an amount equal to 15.42 percent *ad valorem*.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or the threat of material injury, does not exist, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue a countervailing duty order, directing Customs officers to assess countervailing duties on all entries of industrial belts from Israel entered, or withdrawn from warehouse, for consumption, as described in the "Suspension of Liquidation" section of this notice.

This determination is published

pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)).

Timothy N. Bergan,
Acting Assistant Secretary for Import Administration.

April 7, 1989.

[FR Doc. 89-9296 Filed 4-17-89; 8:45 am]

BILLING CODE 3510-DS-M

[C-580-802]

Final Negative Countervailing Duty Determination: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From the Republic of Korea

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that *de minimis* benefits which constitute subsidies within the meaning of the U.S. countervailing duty law are being provided to manufacturers, producers, or exporters in Korea of industrial belts and components and parts thereof, whether cured or uncured (industrial belts), as described in the "Scope of Investigation" section of this notice. The estimated net subsidy is 0.41 percent *ad valorem*. Since this rate is *de minimis*, our final countervailing duty determination is negative.

We have notified the United States International Trade Commission (ITC) of our determination.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT: Roy A. Malmrose, Office of Countervailing Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-5414.

SUPPLEMENTARY INFORMATION:

Final Determination

Based on our investigation, we determine that *de minimis* benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers or exporters in Korea of industrial belts. For purposes of this investigation, the following programs are found to confer subsidies:

- Short-Term Export Financing
- Export Tax Reserves
- Duty Drawback on Non-Physically Incorporated Items and Allowances for Excessive Loss and Wastage Rates

We determine the estimated net subsidy to be 0.41 percent *ad valorem* for all manufacturers, producers or exporters in Korea of industrial belts. Since this rate is *de minimis*, our final countervailing duty determination is negative.

Case History

Since the last Federal Register publication pertaining to this investigation [*Preliminary Affirmative Countervailing Duty Determination: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, from the Republic of Korea* (53 FR 48672, December 2, 1988) (*Preliminary Determination*)], the following events have occurred. On December 9, 1988, petitioner filed a request for alignment of the countervailing duty and antidumping final determinations. This postponement was approved under section 705 of the Act and published in the Federal Register on February 13, 1989 (54 FR 6582).

We conducted verification in Korea from January 23 through January 27, 1989, of the questionnaire responses of the Government of Korea (GOK), Dongil Rubber Belt Co., Ltd. (Dongil), and Taelim Moolsan Co., Ltd. (Taelim Moolsan), a trading company whose exports to the United States are purchased from Dongil. At the GOK we also verified information provided in the GOK responses with respect to another producer of industrial belts which exports to the United States, Hankook Belt Industry (Hankook). All the information submitted by the GOK concerning was received prior to verification.

Petitioner and respondents requested a public hearing in this case which was held on March 16, 1989. Both parties filed pre-hearing briefs on March 13, 1989, and post-hearing briefs on March 23, 1989. On March 29, 1989, in accordance with Article 5, paragraph 3 of the Agreement of Interpretation and Application of Articles VI, XVI and XXII of the General Agreement on Tariffs and Trade (GATT Subsidies Code), we notified U.S. Customs to terminate the suspension of liquidation in this investigation as of April 1, 1989.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the *Harmonized Tariff Schedule* (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988.

All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS sub-headings. The HTS sub-headings are provided for convenience and customs purposes. The Department's written description of the products under investigation remains dispositive as to the scope of the product coverage.

The products covered by this investigation are industrial belts and components and parts thereof, whether cured or uncured, formerly provided for under TSUSA item numbers 358.0210, 358.0290, 358.0610, 358.0890, 358.0800, 358.0900, 358.1100, 358.1400, 358.1600, 657.2520, 773.3510 and 773.3520; and currently classifiable under HTS sub-headings 3926.9055, 3926.9056, 3926.9057, 3926.9059, 3926.9060, 4010.1010, 4010.1050, 4010.9111, 4010.9115, 4010.9119, 4010.9150, 4010.9911, 4010.9915, 4010.9919, 4010.9950, 5910.0010, 5910.0090 and 7328.2000.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses and lift trucks.

Analysis of Programs

As mentioned above, we received and were able to verify the questionnaire responses of Dongil and Taelim. Another producer, Hankook, did not directly respond to our questionnaire. However, information with respect to Hankook, which we were also able to verify, was provided in the GOK response. This information was received prior to verification. A certain limited amount of information pertaining to Hankook was not provided by the GOK and could not be verified. For one program described below (see Section I.C.) where we did not have verified information with respect to Hankook, we used the best information available.

We calculated the country-wide estimated net subsidy rate by weight averaging the respective company-specific rates according to the respondent companies' share of exports of the subject merchandise to the United States. Because this rate is *de minimis*, despite Hankook's level of benefits, our final determination is negative. (See,

Final Negative Countervailing Duty Determinations: Standard Line Pipe, Light-walled Rectangular Tubing and Heavy-walled Rectangular Tubing from Malaysia (53 FR 46904, November 21, 1988); see also preamble discussion of § 355.20(d) of the Commerce Department's regulations published in the Federal Register on December 27, 1988 (53 FR 52308) (to be codified at 19 CFR 355.38), which codifies existing practice.) For informational purposes, at the end of the individual program descriptions below, we have included company-specific rates.

For purposes of this final determination, the period for which we are measuring subsidies ("the review period") is calendar year 1987 which corresponds to the fiscal year of Dongil.

Based upon our analysis of the petition, the responses to our questionnaires, verification, and written comments filed by petitioner and respondents, we determine the following:

I. Programs Determined to Confer Subsidies

We determine that subsidies are being provided to manufacturers, producers and exports in Korea of industrial belts under the following programs:

A. Short-Term Export Financing

The Short-Term Export Financing Regulations provide the guidelines for short-term export financing. Under these regulations, export financing takes the form of loans on bills related to export sales transactions. Eligibility is based upon presentation of export documents or upon past export performance. Export loans based on past performance cannot exceed 90 days, while loans based on specific export documents cannot exceed 180 days and are limited to the terms of the applicable letter of credit. During our review period, the rate of interest charged on short-term export financing remained constant at ten percent, the ceiling established by the Bank of Korea (BOK).

Short-term export financing is available in Korea to finance three types of transactions: (1) Purchases of imported materials, (2) purchases of domestic material, and (3) production. Each type of transaction carries with it a "loan exchange ratio." This ratio, expressed in won, determines the maximum won loan amount per dollar value of the transaction. The ratio varied between small- and medium-sized companies on the one hand, and large-sized companies on the other. We verified that the exchange ratios in

effect during the review period were reduced as of February 8, 1988.

The BOK also establishes rediscount ratios that set the proportion of a short-term loan which the commercial bank may rediscount through the central bank. During the period of investigation, the rediscount ratio for short-term export financing was lowered from 80 percent to 40 percent for large-sized firm, and from 90 percent to 60 percent for small- and medium-sized firms. The rediscount ratio on domestic commercial financing remained at 60 percent for large-sized companies. Small- and medium-sized firms are defined as companies with fewer than 300 employees. We verified that both Dongil and Hankook are classified as large companies.

We verified that both Hankook and Dongil received financing under this program. Because only exporters are eligible to use short-term export financing, we determine these loans to be countervailable to the extent that they are provided on preferential terms. Moreover, we determine that the different rediscount ratios applicable to financing for the large firms during the review period resulted in the provisions of export financing on preferential terms for large firms. This is because in lending to large firms, commercial banks had an incentive to channel more funds to finance those firms' export transactions and, thus, fewer funds to finance their domestic transactions. This is the same analysis we employed in *Certain Stainless Steel Cooking Ware from the Republic of Korea: Final Affirmative Countervailing Duty Determination* (51 FR 42687, November 26, 1986) (*Cooking Ware*). At verification, we found that in September 1988, the BOK equalized the rediscount ratios.

To determine the extent to which these loans are provided on preferential terms, we used verified information provided by the GOK to construct a weighted-average short-term interest rate to represent what large firms pay to finance domestic transactions. Because, during the review period, commercial banks had an incentive to direct their loans to large firms for financing export transactions rather than domestic transactions, large firms would have needed to seek alternative sources for financing domestic sales.

The weighted-average interest rate we have computed is a best estimate measure of the preference created by the different rediscount ratios. It includes the interest rates on commercial bank loans for domestic transactions; the issuance of commercial paper; and financing from investment and finance

companies, merchant banking companies, and mutual savings and finance companies. We verified that these sources constitute all the forms of short-term commercial financing in Korea. They differ from those used in our *Preliminary Determination* in that we have deleted mutual credit cooperatives and included merchant banking companies. We verified that the former were used as a source of short-term finance almost exclusively by households and the latter were a source for companies.

The GOK does not maintain detailed statistical information concerning the weighted-average or average interest rate charged by commercial banks. The BOK annual report only lists the interest rate bands within which banks are permitted to make loans. Therefore, to determine an average interest rate for commercial banks in Korea, we used as the best information available the results of a survey of Korean commercial banks conducted by the GOK. The survey provides the percentage of short-term loans offered by a number of Korean national and local commercial banks at half-percent intervals within the interest rate band allowed by the BOK. Local commercial banks are allowed to charge interest rates up to one percent higher than national commercial banks. We verified that local banks account for 9.1 percent of all commercial bank loans, and national banks, 90.9 percent. We then weight average the national and local commercial bank average interest rates to determine a single weighted-average commercial bank interest rate for the review period of 11.15 percent.

The weights assigned to each of the other sources of short-term domestic credit (*i.e.*, commercial paper, financing from investment and finance companies, merchant banking companies, and mutual savings and finance companies) were derived from the BOK *Monthly Bulletin*. From the *Monthly Bulletin*, we determined the amount of, and interest rates charged on, short-term financing from each of these sources.

Using the above data, we calculated a weighted-average short-term interest rate benchmark of 11.79 percent. We compared this rate to the 10 percent interest rate on export loans received by Dongil and Hankook. (We verified that Taelim Moolsan did not receive any export loans during the period of review.) To determine the benefit of the preferential interest rate, we subtracted the interest paid on the export loans at 10 percent from the interest the companies would have paid if the loans had been contracted at the benchmark.

Because the benefit was not segregable by product or market, we divided the benefit by the total exports of the respective companies during the review period. On this basis, we calculated an estimated net subsidy of 0.14 percent *ad valorem* for Dongil and 0.17 percent *ad valorem* for Hankook. The country-wide rate equals 0.14 percent *ad valorem*.

B. Export Tax Reserves Under Articles 22 and 23

Articles 22 and 23 of the Act Concerning the Regulation of Tax Reduction and Exemption permit deductions from taxable income by exporting firms for a number of different reserves covering export losses, overseas market development and price fluctuation losses.

Under Article 22, a corporation may establish a reserve amounting to the lesser of one percent of foreign exchange earnings or 50 percent of the foreign exchange earnings component of net income. If certain export losses occur, they may be offset by the reserve fund. Following the tax year in which the reserve amount was created, there is a one-year grace period. After the grace period, amounts remaining in the reserve that have not been offset by actual losses are returned to the taxable income account in three equal annual installments.

Article 23, which governs overseas market development funds, allows a corporation to establish a reserve fund amounting to one percent of its foreign exchange earnings in the respective tax year. Expenses incurred in development overseas markets may be offset from the reserve fund. Funds remaining in the reserve after the tax year are treated as under Article 22.

The balance in both reserve funds is not subject to corporate tax, although all moneys in the reserve funds, if not used to offset losses, are eventually returned to income and subject to corporate tax.

We determine that these export reserves programs confer benefits which constitute export subsidies because they provide a deferment, contingent upon export performance, of direct taxes. We verified that Dongil and Hankook, but not Taelim Moolsan, utilized the provisions under the export tax reserves.

To measure the benefit conferred by the deferments, we followed the same methodology previously use in *Cooking Ware* and calculated the tax savings by multiplying the amount maintained in the reserves by the companies' effective tax rates.

We treated the tax savings on these funds as short-term interest-free loans. Accordingly, to determine the benefit, the amount of the companies' tax savings was multiplied by the average short-term national and local commercial bank interest rate (11.15%) which we calculated under the section above.

On this basis, we calculated an estimated net subsidy of 0.13 percent *ad valorem* for Dongil and 0.00 percent *ad valorem* for Hankook. The country-wide rate is 0.12 percent *ad valorem*.

C. Duty Drawback on Non-Physically Incorporated Items and Allowances for Excessive Loss and Wastage Rates

We examined the Korean duty drawback system to determine whether the companies under investigation were receiving benefits from the allowance of duty drawback on non-physically incorporated items and on recoverable scrap. We verified that input usage rates are determined every four years for producers of exported products. The survey upon which the GOK based its input usage rates was based on an audited survey of Dongil's production process. Tables of these rates are used by Korean Customs for duty drawback purposes.

We verified that recoverable scrap is factored into the usage rates and that, therefore, for Dongil, the loss and waste rates built into the input usage tables are not excessive. Moreover, we verified that Dongil does not have recoverable scrap from its production process. We also verified that Dongil did not receive any duty drawback on non-physically incorporated items. We were unable to make these determinations for Hankook since we could not conduct a complete on-side verification of Hankook and its production process.

We also verified that a fixed rate duty drawback system is used by the GOK for export shipments valued at less than \$20,000. The fixed rate duty drawback is calculated yearly on a product-specific basis. The GOK determines the rate, on an industry-wide basis, based on the previous year's non-fixed rate duty drawback experience of a given product. The rate applicable in the review period was 22 won per dollar of export value.

Since we verified that Dongil has no recoverable scrap and that it has not received any duty drawback on non-physically incorporated items, we determine that Dongil receives no subsidy under this program.

We were unable to verify, however, that Hankook did not receive drawback on non-physically incorporated items or on recoverable scrap. Therefore, as the best information available, we assumed

that the entire amount of duty drawback received by Hankook during the review period was excessive and therefore constitutes a countervailable subsidy.

We were able to verify the amount of drawback received by Hankook on its total exports of the subject merchandise. However, we could not verify the value of Hankook's total exports of the subject merchandise. Therefore, as the best information available, we used the fixed duty drawback rate of 22 won per dollar of export value to calculate the estimated net subsidy.

We applied the rate of 22 won per dollar to Hankook's total exports of the subject merchandise to the United States as an estimate of the total amount of duty drawback that Hankook received on its shipments of the subject merchandise to the United States. We then converted this won value to a dollar value using, as the best information available, the highest dollar/won exchange rate in effect during the review period. We allocated this amount over Hankook's total exports of the subject merchandise to the United States, a figure we had verified in dollars. The result of this calculation yields an estimated net subsidy of 2.78 percent *ad valorem* for Hankook. The country-wide rate is 0.15 percent *ad valorem*.

We also considered using as the best information available the highest estimated net subsidy found for this program in all previous Korean cases. However, the highest rate previously found for this program is smaller than the rate calculated above. Therefore, we used the methodology detailed above.

II. Programs Determined Not To Be Used

We determine, based on verified information, that the programs listed below were not used by manufacturers, producers and exporters in Korea of industrial belts during the review period. For a full description of these programs, see our *Preliminary Determination*.

- A. Unlimited Deduction of Overseas Entertainment Expenses
- B. Loans to Promising Small and Medium Enterprises
- C. Exemption from the Acquisition Tax
- D. Tax Incentives for Businesses Moving to a Provincial Area
- E. Free Export Zone Program
- F. Export Credit Financing from the Export-Import Bank of Korea (KXMB)
- G. Export Guarantees from the KXMB

III. Programs Determined To Have Been Terminated

We determine, based on verified information, that the programs listed

below were terminated and that no benefits were conferred on producers and exporters in Korea of industrial belts during the review period. For a full description of these programs see our *Preliminary Determination*.

A. Special Depreciation Under Article 11 of the Act Concerning the Regulation of Tax Reduction and Exemption (ACTRE)

B. Tax Credit for Investment for Key Industries

C. Accelerated Depreciation Under Article 25 of the Act Concerning the Regulation of Tax Reduction and Exemption

D. Tariff Reductions on Plant and Equipment

E. Export Tax Reserves Under Article 24

V. Program Determined To Not Exist

We determine that the following program does not exist.

Loans for Expansion or Construction of Manufacturing Facilities

Interested Party Comments

Comment 1: Petitioner asserts that the Department's use of a weighted average of interest rates from various types of financial institutions as the benchmark for the short-term export financing program results in an underestimation of the full benefit. Specifically, petitioner states that, regarding commercial banks, the Department incorrectly included in the calculation of the benchmark the rates on sources of funds targeted by the government for particular uses. Petitioner also asserts that insofar as Dongil received short-term loans from commercial banks during the review period, it received government-directed financing. In addition, petitioner contends that targeted funds are likely to be provided to a specific enterprise or industry and should not be considered by the Department to be appropriate bases for the benchmark rate. Petitioner also suggests that the Department should adjust the benchmark calculation by excluding the commercial lending rate and including the curb market rate, *i.e.*, the rate charged by private money lenders.

Respondents claim that Dongil's sources of short-term export financing are commercial banks only, so the curb market should not be included in the benchmark rate.

DOC Position: Petitioner's allegation that all commercial bank loans are targeted to specific enterprises or industries was first raised in the March 13, 1989, pre-hearing brief, and is, therefore, untimely and cannot be

considered for purposes of this final determination.

The curb market has not been included in our calculation of the benchmark for the following reasons: (a) Information from verification and through discussions with officials of the U.S. Treasury Department, the International Monetary Fund, and the World Bank indicates that the curb market is a very marginal source of funds in the Korean financial markets; (b) these same sources indicate that the curb market is not a viable source of financing for any but the smallest companies; and (c) we do not have adequate information on interest rates in the curb market.

Comment 2: Respondents assert that the Department should use Dongil's company-specific cost of comparable short-term commercial bank financing as the short-term interest rate benchmark. Respondents argue that because short-term interest rates in Korea vary greatly depending on the creditworthiness of individual borrowers, a country-wide average rate would be higher since it includes less creditworthy companies. Moreover, respondents maintain that because Dongil is the only exporter of the subject merchandise and the Department already has information concerning Dongil's cost of alternative financing, the calculation of a company-specific rate would not be overly burdensome.

Petitioner claims that the Department should follow its precedent and its preference articulated in the *Subsidies Appendix* attached to the notice of *Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order* (49 FR 18006, April 26, 1984) and use the country-wide short-term benchmark.

DOC Position: In order to administer the countervailing duty law in an administrably manageable way, it is necessary for uniformity that we use a country-wide benchmark for short-term financing programs instead of a company-specific benchmark. See, for example, *Final Affirmative Countervailing Duty Determination and Order: Welded Carbon Steel Pipe and Tube Products from Argentina*, (49 FR 37619, September 27, 1988).

Comment 3: Respondents assert that the Department has verified the actual distribution of commercial bank short-term interest rates in Korea through survey results of Korean banks submitted by the GOK at verification. They contend that the Department should ensure that the country-wide benchmark reflects this survey. Furthermore, respondents argue that the

information was timely since it was submitted at verification and before the Department's new regulations took effect.

Petitioner claims that to the extent that the Department may use commercial bank rates in the benchmark for the final determination, the Department should maintain the rate used in the preliminary determination. Petitioner states that the information regarding the interest rate distribution within the regulated band may be incomplete. Moreover, the information, which was not submitted until verification, was untimely.

DOC Position: Although we recognize that the survey results provided by the GOK may not be a precise reflection of the country-wide weighted-average short-term commercial bank interest rate in Korea, we have decided to use the results as the best information available. We note that interest rate information provided in the survey was verified and that it is consistent with information provided in the GOK annual reports and monthly bulletins.

We find that the survey data is timely because we specifically asked the respondent for the data in our deficiency questionnaire of December 15, 1988. In any event, we agree with respondents that the information was timely since the new regulations were not in effect at the time of verification. Furthermore, our findings were in our verification report and petitioner had adequate time to comment.

Comment 4: Respondents assert that the short-term interest rate benchmark ought to be based exclusively on commercial bank lending rates in the final determination. Respondents state that the Department used a weighted-average basket of interest rates because it determined that the higher rediscount ratio for short-term commercial bank export financing conferred a preference on export financing relative to domestic short-term commercial bank financing. However, respondents assert that, as the rediscount ratios for export and domestic financing were equalized before the preliminary determination, there is no longer an incentive to prefer export financing to domestic financing.

DOC Position: We agree with respondents that the equalization of the rediscount ratios constitutes a program-wide change. However, it is the Department's policy to take into account only those program-wide changes which are measurable and verifiable. The equalization of the rediscount ratios took place in September 1988. The interval since then represents too short a time to measure adequately the effect of that change on the lending practices

of Korean commercial banks. Moreover, we do not have the information to allow us to calculate a commercial bank short-term interest rate based on the period since September 1988. Therefore, for the purposes of this final determination, we are not taking this change into account because the effects of the change cannot be measured.

Comment 5: Respondents assert that the Department should take into account in the final determination another program-wide change which occurred, with respect to the short-term export financing program, prior to the preliminary determination. Specifically, the Department should take into account the information submitted during verification that the GOK effectively abolished the short-term export financing program by allowing all interest rates in the Korean economy to vary according to market forces.

Petitioner claims that the Department should not take into account the changes in the program because the effects are speculative and it is the Department's policy to take into account only those changes that are quantifiable and verifiable.

DOC Position: It is the Department's policy to take into account program-wide changes which occur prior to the preliminary determination and are both measurable and verifiable. The effective date for the liberalization of interest rates in the Korean economy was December 5, 1988, which was after the date of publication of the *Preliminary Determination*. Therefore, this program-wide change occurred too late to be taken into account.

Comment 6: Respondents assert that the Department should consider as a program-wide change the reduction in the loan exchange ratios in the short-term export financing program. According to respondents, the reduction is measurable and was verified and thus should be taken into account.

Petitioner claims that the Department, by ascribing 1988 loan exchange ratios onto Dongil's export borrowing in 1987 as proposed by respondents, would be indulging in speculation. The effect of the change in the loan exchange ratios, according to petitioner, is neither quantifiable nor verifiable. Hence, no adjustment should be made for the reduction in the loan exchange ratios.

DOC Position: We agree with petitioner. Although this particular change occurred prior to our preliminary determination and we were able to verify the change, we cannot measure the effect of the change on the benefit provided to Dongil under the program. The review period for this investigation

is calendar year 1987. Consequently, we do not have verified information with respect to Dongil's 1988 sales, nor its level of borrowing in 1988. Thus, any calculation performed by the Department would be too speculative.

Comment 7: Petitioner asserts that the Department erred in not finding Dongil's long-term loans countervailable in the preliminary determination. Petitioner claims that long-term financing is regulated by the GOK through various financial institutions and loans received from regulated sources are at interest rates below the benchmark rate and as such are on preferential terms. Also, petitioner maintains that approximately 55 percent of commercial loans are directed loans and on this basis, as best information available, the Department should find the long-term loans of Dongil to be provided to a specific enterprise or industry.

DOC Position: Petitioner first raised this argument in its pre-hearing brief.

It is untimely and cannot be considered for purposes of this final determination because the argument was raised after verification and, consequently, we do not have the information to evaluate the argument.

Comment 8: Petitioner asserts that deductions from taxable income through export tax reserves should be treated solely as tax savings in the year received and not as an interest-free loan. Respondents claim that the export tax reserves programs are tax deferrals and the Department should follow its longstanding practice of treating tax deferrals as short-term interest-free loans. Respondents argue that the actual losses of a company in Korea may be used to reduce ordinary income or to reduce the export tax reserves, but not both. Thus, the tax reserves programs do not result in tax savings, it only creates a tax deferral for a specific, limited period of time.

DOC Position: We agree with respondents. We find that the tax reserves programs provide a tax deferral, not tax savings. All money in the reserves, if not used to offset losses, is eventually added back to income and subject to tax. If used to offset losses, the reserve is reduced by the loss amount.

Comment 9: Petitioner states that Dongil's effective tax rate as reported in its response includes the effects of the subsidy benefit from the export tax reserves programs. Therefore, use of this rate understates Dongil's tax savings resulting from their use of the export tax reserves programs. As an alternative effective tax rate, petitioner proposes a "national" effective tax rate for large corporations as reported in an outside

source. Respondents deny that there is a national effective tax rate. Further, they claim that the Department should use company-specific effective tax rates in calculating any benefits received under the export tax reserves programs.

DOC Position: We agree with petitioner that the effective tax rate used to calculate the benefit from the export tax reserves programs should not reflect the benefit from the programs. We disagree, however, with the substitution of an unverified tax rate from an outside source. Instead, we recalculated Dongil's and Hankook's respective effective tax rates by increasing their taxable income by the amount of the reserves set aside under the export tax reserves programs and also increasing the amount of taxes that the companies would have paid absent their use of the tax reserves programs.

Comment 10: Respondents assert that the Department must distinguish between "special exports" and "general exports" in the export tax reserves programs because the amount of export income that can be contributed towards a reserve depends on the country to which the goods have been exported. Thus, respondents claim that, for Dongil, the Department should calculate any subsidy margin by dividing the amount of Dongil's reserves attributable to U.S. exports by Dongil's total U.S. exports. Petitioner claims that the information segregating the tax benefit according to the destination of the exports was provided for the first time at verification. Therefore, under the new procedural regulations, the data submitted was not timely and should not be considered.

DOC Position: The actual benefit attributable to exports to the United States is better measured by the amount of the reserves attributable to the United States and not to worldwide exports. Respondents were able to segregate benefits attributable to exports to the United States at verification and we were able to verify this information. The information provided at verification was not a major change to respondent's original submission, but rather was a clarification to their original submission. We fully described the information submitted by respondent in our verification report. Consequently, petitioner had adequate time to comment. Finally, we note that the new procedural regulations were not in effect at the time of verification and therefore, are not controlling.

Comment 11: Petitioner asserts that the appropriate calculation of the rate for Hankook based on the best information available would be to divide Dongil's total drawback by

Hankook's exports. Respondents claim that the GOK supplied Hankook's total duty drawback amount on all exports of the subject merchandise in response to the Department's questionnaires. Additionally, there are no non-physically incorporated inputs in the production of industrial belts and Korea eliminated its practice of permitting drawback on non-physically incorporated items. Therefore, neither Dongil nor Hankook received a countervailable benefit from this program.

DOC Position: We verified the total amount of duty drawback received by Hankook on the subject merchandise. Therefore, there is no justification for substituting Dongil's drawback amount for Hankook's drawback amount. However, because Hankook did not respond to our questionnaires and did not permit a complete on-site verification, as the best information available, we have assumed that Hankook's drawback amount was excessive and calculated the estimated net subsidy as described in Section I.C.

Comment 12: Petitioner asserts that since Hankook's failure to respond to the Department's questionnaires led the Department to the use of the best information available for the preliminary determination, the Department should continue to use best information available for the final determination. Respondents argue that information regarding Hankook's export data and program participation was submitted in the GOK responses and that the only new information submitted at verification related to the type of belt exported. Therefore, the Department should not use best information available.

DOC Position: Prior to our preliminary determination, we received incomplete information on Hankook from the GOK. Therefore, for the purposes of the preliminary determination, some of the information we used for Hankook was the best information available. Subsequent to the preliminary determination, but prior to verification, the GOK provided Hankook's export data and additional information on its program participation. At verification for the first time, Hankook claimed that the belts it exported to the United States were not covered by the scope of the investigation. Since this was new information first submitted at verification we did not accept this information. Moreover, discussions with the ITC product experts suggested that the belts produced by Hankook may be within the scope of the investigation.

We used the verified information to compute Hankook's estimated net subsidy with respect to the short-term export financing and export tax reserves programs. For the duty drawback program, however, we lacked verified data on Hankook's total exports of the subject merchandise to all markets. As best information available, therefore, we derived an estimate of the amount of duty drawback received by Hankook on its exports of the subject merchandise to the United States. We made this calculation as described in Section I.C.

As mentioned above, the only new information submitted at verification related to the type of belt exported by Hankook. We did not use this information for purposes of this final determination (see *DOC Position* on *Comment 15*).

Comment 13: Petitioner asserts that although Dongil did not benefit from the accelerated depreciation program under Article 25 of ACTRE during the review period, it did use the program during the review period and the benefit was reported on its tax return filed in 1988. As such, petitioner states, a separate duty deposit rate should be established. Respondents claim that there was no program-wide change before the preliminary determination; that participation in a program in one year but not in another does not constitute a change in the program; and that changes in levels of participation by individual companies are taken into account in an administration review, not in the duty deposit rate. Therefore, respondents argue that a separate duty deposit rate should not be established.

DOC Position: It is the Department's practice to provide for a separate duty deposit rate only to take into account program-wide changes which occur prior to the preliminary determination and which are measurable and verifiable. We do not consider participation in a program in one year, but not in another, to constitute a program-wide change. The accelerated depreciation provision under Article 25 was claimed by Dongil on its tax return filed after the review period. According to our standard practice, we use a cash-flow analysis for determining when the benefits of a countervailable tax program are received. Under this analysis, we consider the benefit from a tax program to be received when the tax return is filed. Therefore, we have determined that Dongil did not benefit from Article 25 during the review period.

Comment 14: Petitioner asserts that the Department's preliminary finding of critical circumstances should be upheld in the final determination. Petitioner states that a comparison of imports

three months prior to the filing of the petition to imports for three months after that point demonstrates that there have been massive imports of the subject merchandise over a relatively short period of time. Respondents claim that critical circumstances did not exist at the time of the preliminary determination and do not exist presently. In fact, they state, Dongil's exports of the subject merchandise have declined since 1987. Therefore, the Department should not find critical circumstances in this case.

DOC Position: As we have found the benefits in this investigation to be *de minimis*, critical circumstances do not exist (see *Critical Circumstances* section below).

Comment 15: Respondents assert that Hankook exports only hexagonal belts used in riding lawnmowers to the United States. They state that hexagonal belts are not covered in the description of the subject merchandise under investigation and in fact are expressly excluded from the scope of the investigation. Therefore, Hankook should be excluded from the final determination.

Petitioner claims that hexagonal belts are within the scope of the investigation and are covered in the general description of the scope. Although certain belts used in integral combustion engines are excluded from the investigation, hexagonal belts do not fall into this category. Therefore, Hankook is an exporter of subject merchandise and should be included in the final determination.

DOC Position: Discussions with product experts at the ITC and information submitted by petitioner indicate that the belts exported by Hankook are not used in the engine of the lawnmower, but rather to turn the mowing blades. Given this fact, hexagonal belts we considered as industrial, not automotive, belts. Furthermore, we note that Hankook did not permit a complete verification, and did not provide until verification, the information on the type of belt the company exports. Therefore, information regarding the type of belt manufactured by Hankook was untimely and not verified.

Comment 16: Petitioner asserts that, in its scope of investigation at the preliminary determination, the Department listed only four of the 18 HTS items corresponding to the nine TSUSA numbers. Petitioner requests that the Department list all 18 HTS numbers in its final determination.

DOC Position: The scope of this investigation has not changed since the initiation. The petition included nine TSUSA item numbers and, at the time,

four HTS sub-headings that petitioner believed would correspond to the TSUSA numbers when the HTS system would become effective.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS sub-heading listed in the January 1989 ITC publication "The Continuity of Import and Export Trade Statistics After Implementation of the Harmonized Commodity Description and Coding System", petitioner requested that the Department expand the four HTS sub-headings and listed in our preliminary determination to eighteen sub-headings.

We asked for comments from the interested parties in this investigation concerning industrial belts covered by the eighteen HTS sub-headings. We have received no objections in this particular determination.

In our preliminary determination, as now, we note that the written descriptions of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. Accordingly, we do not view this as a broadening of the scope of this investigation.

Critical Circumstances

Petitioner alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act, with respect to imports of industrial belts from Korea. In determining whether critical circumstances exist, we must examine whether there is a reasonable basis to believe or suspect that (1) the alleged subsidy is inconsistent with the *GATT Subsidies Code*, and (2) there have been massive imports of the subject merchandise over a relatively short period.

Because we determine that the benefit provided to manufacturers, producers, or exporters of industrial belts in Korea is *de minimis*, the final determination is negative. Therefore, critical circumstances do not exist.

Verification

In accordance with section 776(b) of the Act, we verified the information used in making our final determination. As mentioned previously, when we could not verify the information, we used the best information available. During verification, we followed standard verification procedures, including meeting with government and company officials; inspecting documents and ledgers; tracing information in the response to source documents, accounting ledgers, and financial

statements; and collecting additional information that we deemed necessary for making out final determination.

Suspension of liquidation

The estimated net subsidy rate for industrial belts is 0.41 percent *ad valorem*. Under section 355.7 of our regulations, an aggregate net subsidy of less than 0.5 percent *ad valorem* is considered *de minimis*.

Since the suspension of liquidation was discontinued on April 1, 1989, 120 days after our preliminary determination, there is no need to instruct the U.S. Customs Service to discontinue the suspension of liquidation. However, we are instructing the U.S. Customs Service to refund all estimated countervailing duties deposited on all unliquidated entries, or withdrawals from warehouse, for consumption of the subject merchandise entered between September 3, 1988, and March 31, 1989.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. Since we have determined that only *de minimis* countervailing benefits are being provided to manufacturers, producer or exporters in Korea of industrial belts, this investigation will be terminated upon the publication of this notice in the Federal Register. Hence, the ITC is not required to make a final injury determination.

This determination is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)).

Timothy N. Bergan,
Acting Assistant Secretary for Import Administration.

April 11, 1989.

[FR Doc. 89-9260 Filed 4-17-89; 8:45 am]

BILLING CODE 3510-DS-M

[C-559-803]

Final Negative Countervailing Duty Determination: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured, From Singapore

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that *de minimis* benefits which constitute bounties or grants within the meaning of the U.S. countervailing duty law are being provided to manufacturers, producers, or exporters in Singapore of industrial belts and components and

parts thereof, whether cured or uncured (industrial belts), as described in the "Scope of Investigation" section of this notice. The estimated net bounty or grant is 0.35 percent *ad valorem*. Since this rate is *de minimis*, our final countervailing duty determination is negative.

EFFECTIVE DATE: April 18, 1989.

FOR FURTHER INFORMATION CONTACT:

Roy A. Malmrose, Office of Countervailing Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-5414.

SUPPLEMENTARY INFORMATION:

Final Determination

Based on our investigation, we determine that *de minimis* countervailable benefits, within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to Singaporean manufacturers, producers, or exporters of industrial belts. For purposes of this investigation, the following program is found to confer bounties or grants:

- Short-term loans provided under the Monetary Authority of Singapore Rediscount Facility

Although we have determined this program to be countervailable, the respondent received *de minimis* benefits during the review period. Since the countervailable benefits are *de minimis*, we determine that no benefits which constitute bounties or grants within the meaning of section 701 of the Act are being provided to Singaporean manufacturers, producers, or exporters of industrial belts. The review period corresponds to the respondent company's fiscal year, April 1, 1987, through March 31, 1988.

Case History

Since the last Federal Register publication pertaining to this investigation [Preliminary Negative Countervailing Duty Determination: Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured from Singapore 53 FR 48677, December 2, 1988] Preliminary Determination)], the following events have occurred. On December 9, 1988, petitioner filed a request for alignment of the countervailing duty and antidumping final determinations. This postponement was approved under section 705 of the Act and published in the Federal Register on February 13, 1989 (54 FR 6562).

We conducted verification in Singapore, from January 31 through February 2, 1989, of the questionnaire

responses of the Government of Singapore (GOS) and Mitsubishi Belts (Singapore) Pte. Ltd. (MBS).

Petitioner and respondents requested a public hearing, which was held on March 18, 1989. Pre-hearing briefs were filed by petitioner and respondents on March 15 and February 24, respectively. Both parties filed post-hearing briefs on March 28, 1989.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the Harmonized Tariff Schedule (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS sub-headings. The HTS sub-heading are provided for convenience and Customs purposes. The written description remains dispositive.

The products covered by this investigation are industrial belts and components and parts thereof, whether cured or uncured, currently provided for under TSUSA item numbers 358.0210 358.0290 358.0610 358.0690 359.0000 359.0900 358.1100 358.1400 358.1600, 657.2520, 773.3510, and 773.3520 and currently classifiable under HTS item numbers 3926.9055, 3926.9056, 3926.9057, 3926.9059, 3926.9060, 4010.1010, 4010.1050, 4010.9111, 4010.9115, 4010.9119, 4010.9150, 4010.9911, 4010.9915, 4010.9919, 4010.9950, 5910.0010, 5910.0090 and 7326.2000.

The merchandise covered by this investigation includes certain industrial belts for power transmission. These include V-belts, synchronous belts, round belts and flat belts, in part or wholly of rubber or plastic, and containing textile fiber (including glass fiber) or steel wire, cord or strand, and whether in endless (i.e., closed loop) belts, or in belting in lengths or links. This investigation excludes conveyor belts and automotive belts as well as front engine drive belts found on equipment powered by internal combustion engines, including trucks, tractors, buses, and lift trucks.

Analysis of Programs

For purposes of this final determination, the period for which we are measuring bounties or grants ("the review period") is April 1, 1987 to March 31, 1988, which corresponds to the fiscal year of the respondent company.

Based upon our analysis of the petition, the responses to our questionnaires, verification, and written comments filed by the petitioner and respondents, we determine the following:

I. Program Determined to Confer Bounties or Grants

We determine that bounties or grants are being provided to manufacturers, producers, or exporters in Singapore of industrial belts under the following program

Monetary Authority of Singapore (MAS) Rediscount Facility

Under the MAS Rediscounting Scheme, the MAS rediscounts pre-export and export bills of exchange. A qualifying exporter applies for financing from an approved bank, which then discounts the exporter's bills at an MAS-established discount rate plus a maximum spread of 1.5 percent. The bank subsequently rediscounts the bills with the MAS, at the MAS discount rate. The usual period for financing under this program is three months.

Because this program is available only to exporters, we determine that it is countervailable to the extent that it is offered at preferential rates. To determine whether financing under this program was made at preferential rates, we compared the interest rates charged on these loans to a short-term benchmark. In deriving the short-term benchmark, we followed the same methodology explained in our recent *Final Affirmative Countervailing Duty Determinations and Countervailing Duty Orders: Antifriction Bearings (Other Than Tapered Roller Bearings) and parts Thereof from Singapore*, announced on March 23, 1989. Three types of short-term financing were available, exclusively in Singapore dollars, during the review period: overdrafts, short-term loans and commercial bills. Because none of the types of short-term financing was predominant during the review period, we used a weighted average of the rates on these types of financing as our benchmark. Based on the comparison of our short-term benchmark with the MAS rates, we found that the rates on the MAS rediscount facility were preferential. Therefore, we determine this program to be countervailable.

To calculate the benefit arising from this program, we followed our short-term loan methodology, which has been applied consistently in our past determinations and which is described in more detail in the *Subsidies Appendix* attached to the notice of *Cold-Rolled Carbon Steel Flat-Rolled Products from*

Argentina: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order (49 FR 18008, April 28, 1984).

We compared the amount of interest actually paid during the review to the amount the company would have paid at the benchmark rate. MBS utilized MAS financing on a shipment-by-shipment basis and was, therefore, able to segregate MAS loans according to product and export destination. Therefore, we allocated the total benefit attributable to U.S. sales of the subject merchandise over export sales of the subject merchandise to the United States during the review period. The estimated net bounty or grant under this program is 0.35 percent *ad valorem*.

II. Programs Determined Not to be Used

We determine, based on verified information, that the programs listed below were not used by manufacturers, producers, or exporters in Singapore of industrial belts during the review period. For a full description of these programs, see our *Preliminary Determination*.

A. Tax Incentives Under the EELA

The EELA offers tax incentives under the following provisions:

- Part II: Pioneer Industries
- Part IV: Expansion of Established Enterprises
- Part VI: Production of Export
- Part VII: International Trade Incentives
- Part VIII: Foreign Loans for Productive Equipment
- Part IX: Royalties, Fees and Development Contributions
- Part X: Investment Allowances
- Part XI: Warehousing and Servicing Incentives

B. Double Deduction of Export Promotion Expenses under the Income Tax Act (ITA): Sections 14B and 14C

C. Research and Development (R&D) Incentives: Section 19B and 14E of the ITA

D. Research and Development Assistance Scheme (RDAS)

E. Singapore Economic Development Board (EDB)

Comments

Comment 1: Petitioner argues that the Department should not use the three-month rate on commercial bills as the benchmark for the calculation of the benefit from MAS loans because it is not representative of short-term financing in Singapore. Petitioner states that the mere comparability of terms between MAS loans and commercial bills constitutes an insufficient basis for selecting commercial bills as the benchmark. Moreover, commercial bills

are no longer a predominant form of short-term financing and they have no reserve requirements, which petitioner argues is preferential.

Respondents argue that the commercial bill rate is the appropriate benchmark because the terms on commercial bills are most comparable to the financing terms on MAS loans. Respondents refer to the commercial bill benchmark used in *Final Negative Countervailing Duty Determinations: Certain Textile Mill Products and Apparel from Singapore*, (50 FR 9840, May 6, 1985) (*Textiles*) and statements made by officials in Singapore quoting commercial bills as the most comparable alternative to MAS financing. Respondents also argue that overdrafts and short-term money market loans should not be included in the benchmark because they are mainly used to finance non-commercial transactions. In addition, respondents maintain that overdrafts are often treated as unsecured long-term loans and are, therefore, an inappropriate comparison to MAS loans.

DOC Position: Four types of short-term financial instruments are available to exporters in Singapore: commercial bills, overdrafts, short-term loans and trust receipts. None of the four types of financing represented a predominant form of short-term financing. Commercial bills, although the alternative most comparable to MAS financing, represented less than six percent of total short-term financing during the review period. Therefore, for our benchmark, we used a weighted average of the three types of short-term financing available exclusively in Singapore dollars, namely, overdrafts, short-term loans and commercial bills. This weighted average best represents the market cost to an exporter of financing short-term cash needs. Trust receipts were not included in our benchmark calculation because we did not have adequate data on this type of financing. In addition, some of the financing in this category may be given in foreign currencies.

We disagree with petitioner that commercial bills should not be included in the benchmark calculation. They represent an alternative form of financing and should, therefore, be included in the weighted average. Petitioner has not explained how reserve requirements make the calculated rates on commercial bills preferential given our reliance on estimated spreads.

We also disagree with respondents' assertion regarding overdrafts. Overdrafts are, by definition, a form of

short-term financing, as are short-term money market loans. As such, we included them in our benchmark calculation.

Comment 2: Petitioner argues that the Department has not verified the use or administration of Parts IX and X of the Economic Expansion Incentive Act (EEIA) and that the Department should determine on the basis of best information available that the program is contingent upon exporting and is a countervailable export program. Petitioner argues that a portion of the Ribstar poly-V belts manufactured by the respondent are industrial belts within the scope of the investigation. Because respondent stated in the questionnaire response that benefits claimed under these sections were for a product outside the scope of this investigation, petitioner argues that total benefits claimed under these sections of the EEIA should be considered as best information available and allocated over the production of industrial belts.

Respondents state that while the parent company, which is located in Japan, manufactures industrial Ribstar poly-V belts, the respondent company manufactures only automotive Ribstar poly-V belts. Therefore, any benefits claimed under Parts IX and X of the EEIA are not within the scope of the investigation. Furthermore, the benefits that were claimed were for tax year 1988 which is outside the period of investigation.

DOC Position. We verified that the Ribstar poly-V belts manufactured by MES are automotive belts and not industrial belts and that the benefits under Parts IX and X of the EEIA were claimed outside the period of investigation. Furthermore, the benefits claimed under Part X of the EEIA did not pertain to the R&D incentives under investigation.

Comment 3: Petitioner argues that verification exhibits should be released in their entirety based on the intent of the Omnibus Trade and Competitiveness Act of 1988 (the Act of 1988), the Court's determination that computer tapes may be released under an administrative protective order (APO), and prior ITA practice of releasing verification exhibits.

Respondents argue that there is no basis for releasing business proprietary verification exhibits. Respondents state that the section of the Act quoted by petitioner contains no mention of verification exhibits, nor does the legislative history of the 1988 Act. Respondents furthermore state that access to verification exhibits has been limited to specific cases by the courts.

DOC Position: It is our policy not to release a respondent's supporting source documents under an administrative protective order when we have requested this additional information solely to further support respondents' claims. Release of such documents can be damaging to the competitive position of the respondent. If petitioners did not agree with our position, the proper remedy was to appeal the refusal to the release of verification exhibits under APO to the Court of International Trade (CIT) while this investigation was in progress (19 U.S.C. 1677f(c)(2)).

Comment 4: Petitioner asserts that, in its scope of investigation at the preliminary determination, the Department listed only four of the 18 HTS items corresponding to the nine TSUSA numbers. Petitioner requests that the Department list all 18 HTS numbers in its final determination.

DOC Position: The scope of this investigation has not changed since the initiation. The petition included nine TSUSA item numbers and, at the time, four HTS sub-headings that petitioner believed would correspond to the TSUSA numbers when the HTS system would become effective.

The Harmonized Tariff Schedule went into effect on January 1, 1989. Based on a concordance between TSUSA item numbers and HTS sub-headings listed in the January 1989 ITC publication "*The Continuity of Import and Export Trade Statistics After Implementation of the Harmonized Commodity Description and Coding System*", petitioner requested that the Department expand the four HTS sub-headings listed in our preliminary determination to eighteen sub-headings.

We asked for comments from the interested parties in this investigation concerning industrial belts covered by the eighteen HTS sub-headings. We have received no objections in this particular determination.

In our preliminary determination, as now, we note that the written descriptions of the products covered by the investigation is dispositive. The HTS numbers are provided for convenience and customs purposes as to the scope of the product coverage. Accordingly, we do not view this as a broadening of the scope of this investigation.

Critical Circumstances

Petitioner alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act, with respect to imports of industrial belts from Singapore. In determining whether critical circumstances exist, we must examine whether there is a reasonable basis to believe or support that (1) the

alleged subsidy is inconsistent with the *Subsidy Code*, and (2) there have been massive imports of the subject merchandise over a relatively short period.

Because we determine that the benefit provided to manufacturers, producers, or exporters of industrial belts in Singapore is *de minimis*, the final determination is negative. Therefore, critical circumstances do not exist.

Verification

In accordance with section 776(b) of the Act, we verified the information used in making our final determination. During verification, we followed standard verification procedures, including meeting with government and company officials, inspecting documents and ledgers, tracing information in the response to source documents, accounting ledgers, and financial statements, and collecting additional information deemed necessary for making our final determinations.

ITC Notification

Since Singapore is not a "country under the Agreement" within the meaning of section 701(b) of the Act, section 303 of the Act applies to these investigations. However, Singapore is a signatory to the General Agreement on Tariffs and Trade. At the time of the preliminary determination, certain products included in the scope of these investigations (*i.e.*, those classified under items 358.0610, 358.0690, 358.1400, 657.2520, 773.3510 and 773.3520 of the *Tariff Schedules of the United States Annotated*) were nondutiable. However, on January 1, 1989, Singapore lost its Generalized System of Preference status. Thus, all of the merchandise covered by this investigation is now dutiable. Consequently, even if our final determination had been affirmative, the U.S. International Trade Commission (ITC) would not have been required to make a final injury determination in this proceeding.

This determination is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)).

Timothy N. Bergan,
Acting Assistant Secretary for Import Administration.
April 11, 1989.

[FR Doc. 89-9261 Filed 4-17-89; 8:45 am,
BILLING CODE 3510-DS-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE COMMISSION'S HEARING

CALENDAR OF PUBLIC HEARINGS

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

Subject : Industrial Belts from Israel, Italy,
Japan, Singapore, South Korea, Taiwan,
The United Kingdom, and West Germany

Inv. Nos. : 701-TA-293 and 295 (Final)
and
731-TA-412 through 419 (Final)

Date and Time : April 27, 1989 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main Hearing Room 101 of the United States International Trade Commission, 500 E Street, S.W. in Washington.

In support of the imposition of Countervailing/
Antidumping Duties:

Stewart and Stewart
Washington, D.C.
on behalf of

Gates Rubber Company, Denver Colorado

Donald E. Miller, President and Chief Operating
Officer, The Gates Rubber Company

Thomas J. Gibson, Executive Vice President,
Secretary and Chief Financial Officer,
The Gates Corporation

John M. Riess, Group Vice President,
Marketing, The Gates Rubber Company

Jerald D. Hoesel, Vice President/Controller,
The Gates Rubber Company

Durkee-Atwood Company, New Hope, Minneapolis

Richard W. Atwood, Chairman, Executive Committee

-more-

In opposition to the imposition of
Countervailing/Antidumping duties:

Gibson, Dunn and Crutcher
Washington, D.C.
on behalf of

Bando Chemical Industries Limited

Bando American, Inc.

Allen Hanano, President of Bando American and Chairman
of Bando Manufacturing of America

Noriyuki Mori, Executive Vice President of Bando
Manufacturing of America

Eizo Nakawa, Manager, Power Transmission Belt Sales,
Bando Chemical Industries

Dick Browsky, Vice President, Sales, Bando American

Andrew R. Wechsler, Economist, Economists Incorporated

Pieter Van Leeuwen, Economist, Economists Incorporated

Joseph H. Price)
)--OF COUNSEL
C. Scott Talbot)

2nd Panel

Hopkins, Sutter, Hamel and Park
Washington, D.C.
on behalf of

Nitta International, Inc., Duluth, Georgia
John E. Gilbert, President, Nitta
International, Inc.

Charles Elder, Manager Engineering/Technical
Nitta International, Inc.

-more-

In opposition to the imposition of
Countervailing/Antidumping duties:

J.E. Rhoads and Sons, Inc.
Newark, Delaware

John P. McGough, President, Rhoads and Sons, Inc.

Barnes, Richardson and Colburn
Washington, D.C.
on behalf of

Gaetano Mannino, Pirelli Industrial
Products Corporation, Erlanger, Kentucky

Matthew T. McGrath)
)--OF COUNSEL
Peter A. Martin)

Reid and Priest
Washington, D.C.
on behalf of

IRO Inc.

Andrea E. Migdal)
)--OF COUNSEL
Donald Zarin)

-end-

APPENDIX C
INDUSTRIAL, AUTOMOTIVE, AND ALL POWER BELTS

Table C-1

Industrial and automotive belts: U.S. shipments of domestic and imported product and apparent U.S. consumption, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
<u>Quantity (1,000 units)</u>					
Industrial belts:					
Producers' U.S. shipments..	75,413	78,123	77,572	13,394	13,104
U.S. shipments of imports..	7,435	11,158	13,770	2,600	1,810
Total, apparent U.S. consumption.....	82,848	89,281	91,342	15,994	14,914
Automotive belts:					
Producers' U.S. shipments..	115,887	97,111	94,507	14,726	15,069
U.S. shipments of imports..	5,745	6,417	8,919	1,830	1,527
Total, apparent U.S. consumption.....	121,632	103,528	103,426	16,556	16,596
Industrial and automotive belts:					
Producers' U.S. shipments..	191,300	175,234	172,079	28,120	28,173
U.S. shipments of imports..	13,180	17,575	22,689	4,430	3,337
Total, apparent U.S. consumption.....	204,480	192,809	194,768	32,550	31,510
<u>Value (1,000 dollars)</u>					
Industrial belts:					
Producers' U.S. shipments..	225,586	250,725	255,666	42,310	43,143
U.S. shipments of imports..	27,876	36,119	45,104	7,526	6,570
Total, apparent U.S. consumption.....	253,462	286,844	300,770	49,836	49,713
Automotive belts:					
Producers' U.S. shipments..	242,474	238,742	245,867	35,581	38,888
U.S. shipments of imports..	10,420	11,557	17,547	3,665	3,771
Total, apparent U.S. consumption.....	252,894	250,299	263,414	39,246	42,659
Industrial and automotive belts:					
Producers' U.S. shipments..	468,060	489,467	501,533	77,891	82,031
U.S. shipments of imports..	38,296	47,676	62,651	11,191	10,341
Total, apparent U.S. consumption.....	506,356	537,143	564,184	89,082	92,372
<u>As a share of the quantity of apparent U.S. consumption (percent)</u>					
Industrial belts:					
Producers' U.S. shipments..	91.0	87.5	84.9	83.7	87.9
U.S. shipments of imports..	9.0	12.5	15.1	16.3	12.1
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0

Table C-1--Continued

Industrial and automotive belts: U.S. shipments of domestic and imported product and apparent U.S. consumption, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
As a share of the quantity of apparent U.S. consumption (percent)					
Automotive belts:					
Producers' U.S. shipments..	95.3	93.8	91.4	88.9	90.8
U.S. shipments of imports..	4.7	6.2	8.6	11.1	9.2
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
Industrial and automotive belts:					
Producers' U.S. shipments..	93.6	90.9	88.4	86.4	89.4
U.S. shipments of imports..	6.4	9.1	11.6	13.6	10.6
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
As a share of the value of apparent U.S. consumption (percent)					
Industrial belts:					
Producers' U.S. shipments..	89.0	87.4	85.0	84.9	86.8
U.S. shipments of imports..	11.0	12.6	15.0	15.1	13.2
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
Automotive belts:					
Producers' U.S. shipments..	95.9	95.4	93.3	90.7	91.2
U.S. shipments of imports..	4.1	4.6	6.7	9.3	8.8
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0
Industrial and automotive belts:					
Producers' U.S. shipments..	92.4	91.1	88.9	87.4	88.8
U.S. shipments of imports..	7.6	8.9	11.1	12.6	11.2
Total, apparent U.S. consumption.....	100.0	100.0	100.0	100.0	100.0

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

Table C-2

Industrial and automotive belts: U.S. capacity, production, and capacity utilization, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
Quantity (1,000 pounds)					
Average capacity:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Production:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Quantity (1,000 units)					
Average capacity:					
Industrial belts.....	126,448	129,504	131,106	23,180	22,996
Automotive belts.....	121,063	120,422	116,669	20,106	19,967
Total.....	247,511	249,926	247,775	43,286	42,963
Production:					
Industrial belts.....	81,250	80,364	86,018	15,217	14,132
Automotive belts.....	122,952	105,781	104,045	17,217	17,874
Total.....	204,202	186,145	190,063	32,434	32,006
Capacity utilization 1/ (percent)					
On the basis of pounds:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
On the basis of units:					
Industrial belts.....	64.3	62.1	65.6	65.6	61.5
Automotive belts.....	101.6	87.8	89.2	85.6	89.5
Average.....	82.5	74.5	76.7	74.9	74.5

1/ Capacity utilization rates are based on data for those firms that provided figures for both capacity and production; therefore, ratios based on capacity and production figures as presented may not reconcile.

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

Table C-3

Industrial and automotive belts: Shipments of U.S. producers, by types and by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
<u>Quantity (1,000 pounds)</u>					
U.S. shipments: 1/					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Export shipments:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Total shipments:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
<u>Quantity (1,000 units)</u>					
U.S. shipments: 1/					
Industrial belts.....	75,413	78,123	77,572	13,394	13,104
Automotive belts.....	115,887	97,111	94,507	14,726	15,069
Total.....	191,300	175,234	172,079	28,120	28,173
Export shipments:					
Industrial belts.....	3,870	5,036	6,679	830	1,796
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Total shipments:					
Industrial belts.....	79,283	83,159	84,251	14,224	14,900
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
<u>Value (1,000 dollars)</u>					
U.S. shipments: 1/					
Industrial belts.....	225,586	250,725	255,666	42,310	43,143
Automotive belts.....	242,474	238,742	245,867	35,581	38,888
Total.....	468,060	489,467	501,533	77,891	82,031
Export shipments:					
Industrial belts.....	12,285	16,338	22,083	2,895	5,455
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
Total shipments:					
Industrial belts.....	237,871	267,063	277,749	45,205	48,598
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***

See footnotes at end of table.

Table C-3--Continued

Industrial and automotive belts: Shipments of U.S. producers, by types and by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
<u>Unit value (per pound) 2/</u>					
U.S. shipments: 1/					
Industrial belts.....	\$***	\$***	\$***	\$***	\$***
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
Export shipments:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
Total shipments:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
<u>Unit value (per unit) 2/</u>					
U.S. shipments: 1/					
Industrial belts.....	\$2.99	\$3.21	\$3.30	\$3.16	\$3.29
Automotive belts.....	2.09	2.46	2.60	2.42	2.58
Average.....	2.45	2.79	2.91	2.77	2.91
Export shipments:					
Industrial belts.....	3.19	3.24	3.31	3.48	3.03
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
Total shipments:					
Industrial belts.....	3.00	3.21	3.30	3.18	3.26
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***

1/ U.S. shipments consists of company transfers plus domestic shipments.

2/ Computed from data supplied by firms providing figures for both quantity and value.

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

Table C-4

Industrial and automotive belts: End-of-period inventories held by U.S. producers, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. - Feb. --	
				1988	1989
<u>End-of-period inventories (1,000 pounds)</u>					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
<u>End-of-period inventories (1,000 units)</u>					
Industrial belts.....	22,385	19,642	19,811	20,395	18,973
Automotive belts.....	22,638	22,774	20,989	23,964	22,438
Total.....	45,023	42,416	40,800	44,359	41,411
<u>Ratio to U.S. shipments (percent) 1/</u>					
On the basis of pounds:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
On the basis of units:					
Industrial belts.....	30.8	26.0	26.4	25.8	24.6
Automotive belts.....	19.5	23.5	22.2	27.1	24.8
Average.....	23.9	24.6	24.1	26.5	24.7
<u>Ratio to total shipments (percent) 1/</u>					
On the basis of pounds:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
On the basis of units:					
Industrial belts.....	29.3	24.5	24.4	24.4	21.6
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***

1/ Ratios are based on data supplied by firms that reported both inventory and shipments information. Partial-year ratios are based on annualized shipments.

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

Table C-5

Income-and-loss experience of U.S. producers on their operations producing industrial and automotive belts, accounting years 1986-88 and interim periods ended Feb. 28, 1988, and Feb. 28, 1989

Item	1986	1987	1988	Interim period ended Feb. 28--	
				1988	1989
	Value (1,000 dollars)				
Net sales:					
Industrial belts.....	248,083	263,523	280,108	60,011	62,158
Automotive belts.....	252,296	242,706	264,442	***	***
Total power belts.....	500,379	506,229	544,550	***	***
Gross profit:					
Industrial belts.....	70,831	69,751	67,577	15,976	18,575
Automotive belts.....	122,230	114,386	117,481	***	***
Total power belts.....	193,061	184,137	185,058	***	***
Operating income:					
Industrial belts.....	8,271	15,989	8,407	2,614	5,134
Automotive belts.....	56,040	54,370	52,225	***	***
Total power belts.....	64,311	70,359	60,632	***	***
	Share of net sales (percent)				
Gross profit:					
Industrial belts.....	28.6	26.5	24.1	26.6	29.9
Automotive belts.....	48.4	47.1	44.4	***	***
Total power belts.....	38.6	36.4	34.0	***	***
Operating income:					
Industrial belts.....	3.3	6.1	3.0	4.4	8.3
Automotive belts.....	22.2	22.4	19.7	***	***
Total power belts.....	12.9	13.9	11.1	***	***

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

Table C-6

Industrial and automotive belts: End-of-period inventories held by U.S. importers, by products, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
<u>End-of-period inventories (1,000 pounds)</u>					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Total.....	***	***	***	***	***
<u>End-of-period inventories (1,000 units)</u>					
Industrial belts.....	5,099	5,196	4,038	5,030	3,076
Automotive belts.....	2,138	3,130	2,808	3,006	2,923
Total.....	7,237	8,326	6,846	8,036	5,999
<u>Ratio to imports (percent) 1/</u>					
On the basis of pounds:					
Industrial belts.....	***	***	***	***	***
Automotive belts.....	***	***	***	***	***
Average.....	***	***	***	***	***
On the basis of units:					
Industrial belts.....	75.1	54.6	40.9	53.0	75.5
Automotive belts.....	50.1	59.8	59.9	46.3	43.8
Average.....	65.5	56.5	47.2	50.3	55.2

1/ Ratios are based on data supplied by firms that reported both inventory and imports information. Partial-year ratios are based on annualized imports.

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

Table C-7

Industrial and automotive belts: U.S. imports for consumption, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
	Quantity (1,000 pounds) 1/				
Industrial belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	***	***	***	***	***
Automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	***	***	***	***	***
Industrial and automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	***	***	***	***	***

See footnotes at end of table.

Table C-7--Continued

Industrial and automotive belts: U.S. imports for consumption, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
	Quantity (1,000 units) 1/				
Industrial belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	6,964	11,214	12,497	2,285	936
Automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	5,837	6,977	8,626	1,524	1,645
Industrial and automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	12,801	18,191	21,123	3,809	2,581

See footnotes at end of table.

Table C-7--Continued

Industrial and automotive belts: U.S. imports for consumption, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
	<u>C.i.f. duty-paid value (1,000 dollars)</u>				
Industrial belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	19,936	27,377	29,613	5,345	2,831
Automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	10,118	11,381	16,662	3,312	3,526
Industrial and automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	30,054	38,758	46,275	8,657	6,357

See footnotes at end of table.

Table C-7--Continued

Industrial and automotive belts: U.S. imports for consumption, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
Unit value (per pound) 2/					
Industrial belts:					
Israel.....	\$***	\$***	\$***	\$***	\$***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Average.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Average.....	***	***	***	***	***
Automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Average.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Average.....	***	***	***	***	***
Industrial and automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Average.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Average.....	***	***	***	***	***

See footnotes at end of table.

Table C-7--Continued

Industrial and automotive belts: U.S. imports for consumption, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
	Unit value (per unit) 2/				
Industrial belts:					
Israel.....	\$***	\$***	\$***	\$***	\$***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Average.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Average.....	2.08	1.81	1.77	1.52	1.95
Automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Average.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Average.....	1.97	2.07	2.20	2.27	3.32
Industrial and automotive belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Average.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Average.....	2.03	1.89	1.93	1.81	2.68

Footnotes for table C-7.

1/ Quantity data for industrial belts are understated in both units and pounds, and quantity data for automotive belts are understated in pounds because several firms providing value data were unable to provide comparable quantity data. For industrial belts, quantity data in units and pounds were provided by firms accounting for 75 and 77 percent, respectively, of the reported value of imports in 1988. For automotive belts, there is no understatement of units; however, quantity data in pounds were provided by firms accounting for 74 percent of the reported value of such imports. The shares of value of imports of industrial belts in 1988 for which comparable quantity data in units were provided are as follows: Israel (* * * percent), Italy (* * * percent), Japan (* * * percent), Singapore (* * * percent), South Korea (* * * percent), Taiwan (* * * percent), the United Kingdom (* * * percent), West Germany (* * * percent), all eight subject sources (75 percent), all other sources (75 percent), and all sources (75 percent). The shares of value of 1988 imports of industrial belts for which comparable quantity data in pounds were provided are as follows: Israel (* * * percent), Italy (* * * percent), Japan (* * * percent), Singapore (* * * percent), South Korea (* * * percent), Taiwan (* * * percent), the United Kingdom (* * * percent), West Germany (* * * percent), all eight subject sources (72 percent), all other sources (90 percent), and all sources (77 percent). The shares of value of 1988 imports of automotive belts for which comparable quantity data in pounds were provided are as follows: Italy (* * * percent), Japan (* * * percent), Singapore (* * * percent), South Korea (* * * percent), Taiwan (* * * percent), the United Kingdom (* * * percent), West Germany (* * * percent), all eight subject sources (65 percent), all other sources (81 percent), and all sources (69 percent).

2/ Computed from data of firms providing data on both quantity and value of imports.

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

Table C-8

Industrial and automotive belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. - Feb. --	
				1988	1989
	<u>Quantity (1,000 units)</u>				
Industrial belts:					
Apparent U.S. consumption..	82,848	89,281	91,342	15,994	14,914
Producers' U.S. shipments..	75,413	78,123	77,572	13,394	13,104
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	7,435	11,158	13,770	2,600	1,810
Automotive belts:					
Apparent U.S. consumption..	121,632	103,528	103,426	16,556	16,596
Producers' U.S. shipments..	115,887	97,111	94,507	14,726	15,069
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	5,745	6,417	8,919	1,830	1,527

Table C-8--Continued

Industrial and automotive belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. -Feb. --	
				1988	1989
<u>Quantity (1,000 units)</u>					
Industrial and automotive belts:					
Apparent U.S. consumption..	204,480	192,809	194,768	32,550	31,510
Producers' U.S. shipments..	191,300	175,234	172,079	28,120	28,173
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	13,180	17,575	22,689	4,430	3,337
<u>Value (1,000 dollars)</u>					
Industrial belts:					
Apparent U.S. consumption..	253,462	286,844	300,770	49,836	49,713
Producers' U.S. shipments..	225,586	250,725	255,666	42,310	43,143
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	27,876	36,119	45,104	7,526	6,570

Table C-8--Continued

Industrial and automotive belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. -Feb. --	
				1988	1989
	Value (1,000 dollars)				
Automotive belts:					
Apparent U.S. consumption..	252,894	250,299	263,414	39,246	42,659
Producers' U.S. shipments..	242,474	238,742	245,867	35,581	38,888
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	10,420	11,557	17,547	3,665	3,771
Industrial and automotive belts:					
Apparent U.S. consumption..	506,356	537,143	564,184	89,082	92,372
Producers' U.S. shipments..	468,060	489,467	501,533	77,891	82,031
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	38,296	47,676	62,651	11,191	10,341

Table C-8--Continued

Industrial and automotive belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan. - Feb. --	
				1988	1989
As a ratio to the quantity of apparent U.S. consumption (percent)					
Industrial belts:					
Producers' U.S. shipments..	91.0	87.5	84.9	83.7	87.9
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	9.0	12.5	15.1	16.3	12.1
Automotive belts:					
Producers' U.S. shipments..	95.3	93.8	91.4	88.9	90.8
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	4.7	6.2	8.6	11.1	9.2

Table C-8--Continued

Industrial and automotive belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
As a ratio to the quantity of apparent U.S. consumption (percent)					
Industrial and automotive belts:					
Producers' U.S. shipments..	93.6	90.9	88.4	86.4	89.4
U.S. shipments of imports of industrial belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	3.6	5.8	7.1	8.0	5.7
U.S. shipments of imports of automotive belts.....	2.8	3.3	4.6	5.6	4.8
As a ratio to the value of apparent U.S. consumption (percent)					
Industrial belts:					
Producers' U.S. shipments..	89.0	87.4	85.0	84.9	86.8
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	11.0	12.6	15.0	15.1	13.2

Table C-8--Continued

Industrial and automotive belts: Market penetration of subject imports, by products and by sources, 1986-88, January-February 1988, and January-February 1989

Item	1986	1987	1988	Jan.-Feb.--	
				1988	1989
As a ratio to the value of apparent U.S. consumption (percent)					
Automotive belts:					
Producers' U.S. shipments..	95.9	95.4	93.3	90.7	91.2
U.S. shipments of imports:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	4.1	4.6	6.7	9.3	8.8
Industrial and automotive belts:					
Producers' U.S. shipments..	92.4	91.1	88.9	87.4	88.8
U.S. shipments of imports of industrial belts:					
Israel.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Singapore.....	***	***	***	***	***
South Korea.....	***	***	***	***	***
Taiwan.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other sources.....	***	***	***	***	***
Total.....	5.5	6.7	8.0	8.4	7.1
U.S. shipments of imports of automotive belts.....	2.1	2.2	3.1	4.1	4.1

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

APPENDIX D

IMPACT OF IMPORTS ON U.S. PRODUCERS' GROWTH, INVESTMENT, DEVELOPMENT
AND PRODUCTION EFFORTS, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of industrial belts from the eight countries on their firms' growth, investment, development and production efforts, and ability to raise capital. Their responses are shown below:

Actual negative effects

* * * * *

Anticipated negative effects

* * * * *

Influence of imports on capital investment

* * * * *

APPENDIX E

ADDITIONAL FOREIGN INDUSTRY DATA FOR FIRMS TO WHICH COMMERCE'S
CRITICAL CIRCUMSTANCES DETERMINATIONS APPLY

As shown in table E-1, exports of industrial belts to the United States by Magam (Israel) * * * percent, based on pounds, during July-December 1988 compared with exports during January-June 1988; exports of industrial belts by Pirelli (Italy) * * * percent, based on units, during July-December 1988 compared with exports during January-June 1988; exports of industrial belts to the United States by Bando (Japan) * * * percent, based on units, during July-December 1988 compared with exports during January-June 1988; exports of industrial belts to the United States by Dongil (South Korea) * * * percent, based on units, during July-November 1988 (five months) compared with exports during January-May 1988 (five months); exports of industrial belts to the United States by Optibelt (United Kingdom) * * * percent, based on units, during July-December 1988 compared with exports during January-June 1988; and exports of industrial belts to the United States by Optibelt (West Germany) * * * percent, based on units, during July-December 1988 compared with exports during January-June 1988.

Table E-1
Additional foreign industry data for firms to which Commerce's critical circumstances determinations apply

Period	Industrial belts	
	Quantity 1,000 units	Value 1,000 dollars
Magam (Israel): 1/		
1988:		
January-June.....	*** 2/	***
July-December.....	*** 2/	***
Total.....	*** 2/	***
Pirelli (Italy): 3/		
1988:		
January-June.....	***	***
July.....	***	***
August.....	***	***
September.....	***	***
October.....	***	***
November.....	***	***
December.....	***	***
Subtotal.....	***	***
Total.....	***	***
Bando (Japan): 4/		
1988:		
January-June.....	***	***
July-December.....	***	***
Total.....	***	***

See footnotes at end of table.

Table E-1-Continued

Additional foreign industry data for firms to which Commerce's critical circumstances determinations apply

Period	Industrial belts	
	Quantity 1,000 units	Value 1,000 dollars
Dongil (South Korea):		
1988:		
January.....	***	***
February.....	***	***
March.....	***	***
April.....	***	***
May.....	***	***
June.....	***	***
Subtotal.....	***	***
July.....	***	***
August.....	***	***
September.....	***	***
October.....	***	***
November.....	***	***
December.....	***	***
Subtotal.....	***	***
Total.....	***	***
Optibelt (United Kingdom):		
1988:		
January-June.....	***	***
July-December.....	***	***
Total.....	***	***
Optibelt (West Germany):		
1988:		
January-June.....	***	***
July-December.....	***	***
Total.....	***	***

1/ See briefs of counsel for Magam for discussion of critical circumstances with respect to Magam.

2/ 1,000 pounds.

3/ See briefs of counsel for Pirelli for discussion of critical circumstances with respect to Pirelli.

4/ See briefs of counsel for Bando for discussion of critical circumstances with respect to Bando.

5/ Not available.

Source: Compiled from data submitted in response to Commission request.

APPENDIX F
GATES TEST RESULTS WITH FOREIGN V-BELTS



The Gates Rubber Company
999 South Broadway
P.O. Box 5887
Denver, Colorado 80217
(303) 744-1911

Update on
Foreign Belt Competitors

July, 1985

In order to make gains in the U.S. market, foreign V-belt manufacturers are making fantastic claims concerning their belts' performance. However, user reports indicate these claims are not substantiated in actual use! Gates laboratory tests also proved many of these claims to be false.

Gates, the recognized leader in V-belts, conducted a series of tension decay and accelerated life tests on a number of foreign belts to determine their performance levels — comparing them to Gates Hi-Power[®] II belts. These tests were performed in Gates test labs which are acknowledged to be the most extensive and advanced in the world in terms of technology and capability. Figures A & B on attached sheet graphically show the test results.

TENSION DECAY TEST

What We Found: Foreign belts slipped 200% to 300% more than Gates belts.

What This Means To User:

- Increased maintenance costs (more attention must be given to the foreign belt drives).
- Increased energy costs (excessive stretch causes greater energy consumption).
- Increased belt replacement costs (excessive stretch causes belt to run out of take-up sooner and must be replaced).
- Increased down time (due to need for unscheduled maintenance and replacement of belts).

LIFE TEST

What We Found: Foreign belts lasted from 2/3 to 1/3 as long as Gates belts.

What This Means To User: In addition to the above disadvantages, it means

- Belt costs could triple!

These test results are proof of the statement that Gates is "Not Just Another Belt." Our Belt Demo Kit contains many devices to demonstrate the difference — and why Gates belts outperform competition.

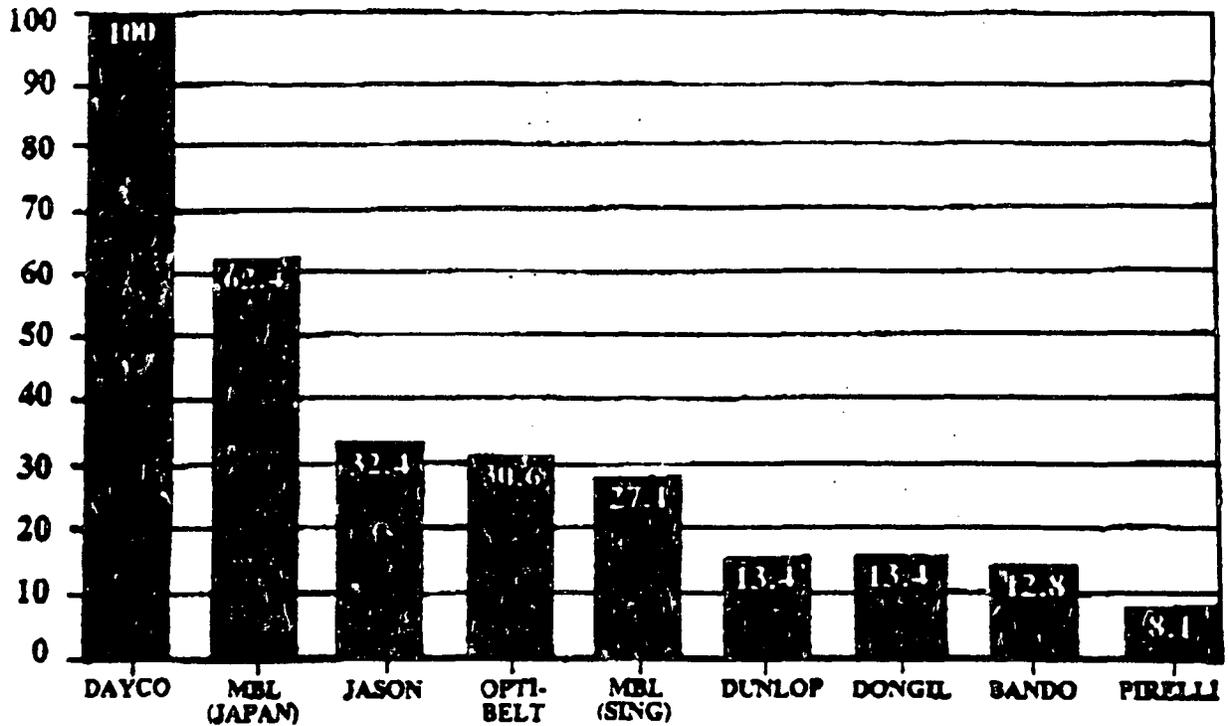
Ask your Gates representative to show you the differences.

The benefits of the features built into Gates belts provide your customers a far greater value in terms of long service life and more performance per dollar spent than they can achieve with any competitive belt.

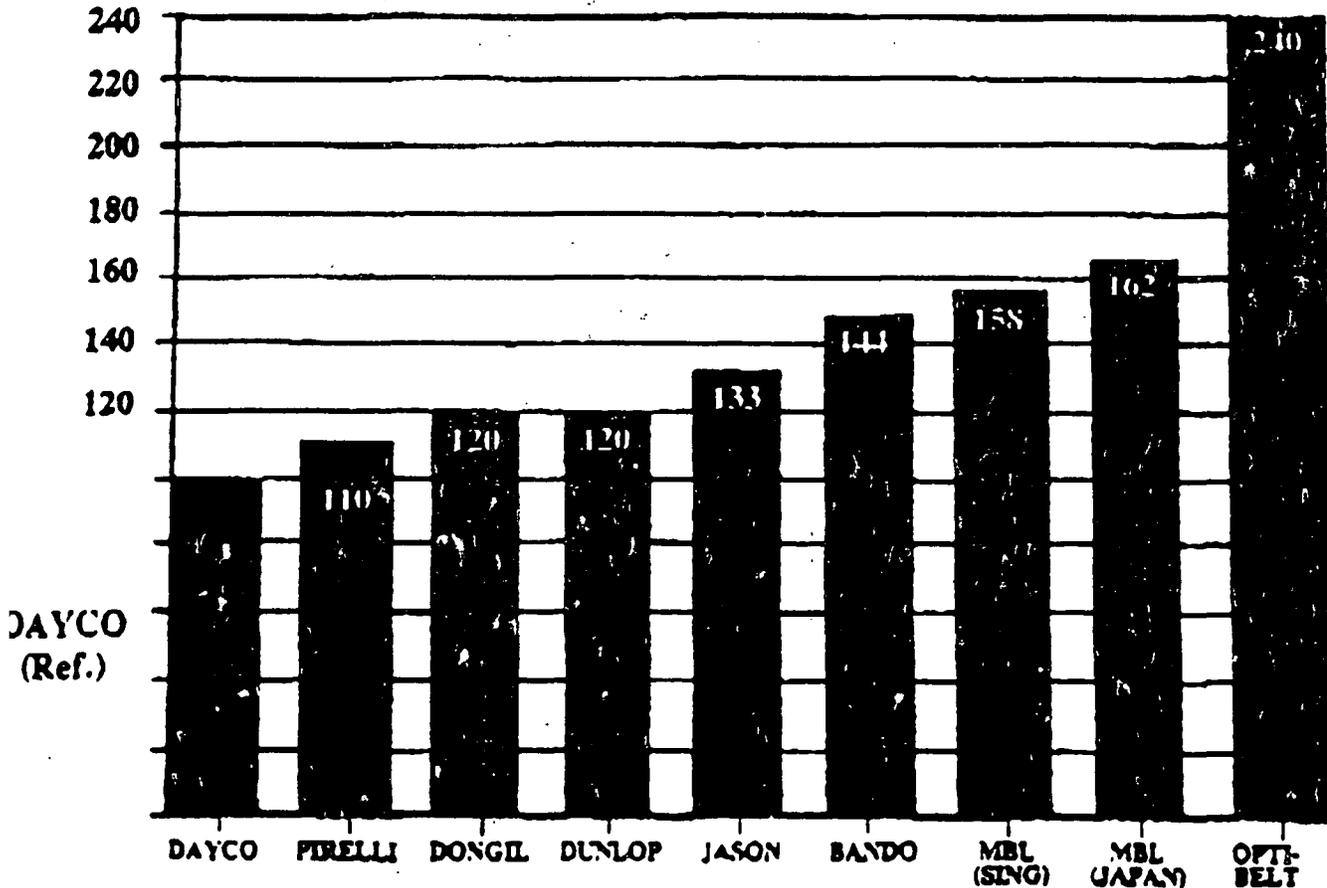
Sincerely,

Ralph Rivers
Manager, Industrial Belt Marketing

F-3
% BELT LIFE VS DAYCO



% BELT STRETCH VS DAYCO



All other belts show percent of increased stretch compared to Dayco.

GATE

Figure A
Tension Decay vs. Time

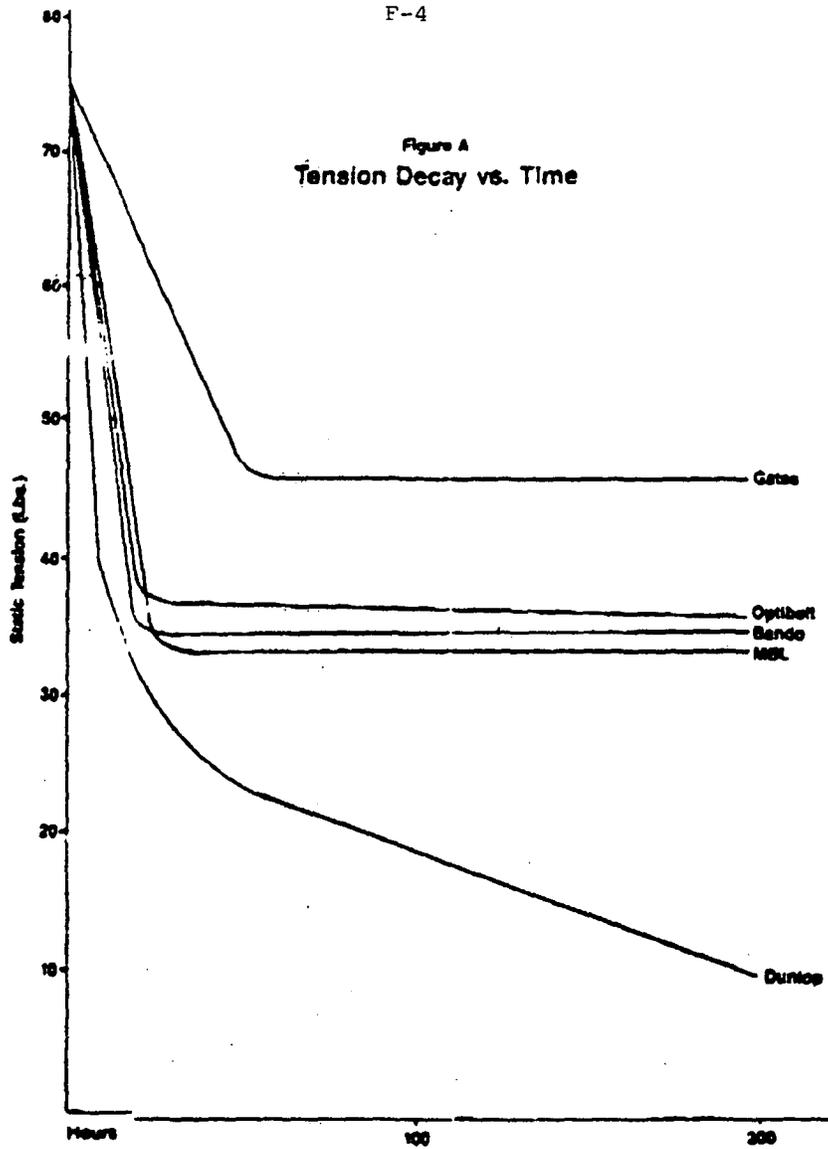


Figure B
V-Belt Life Index

