

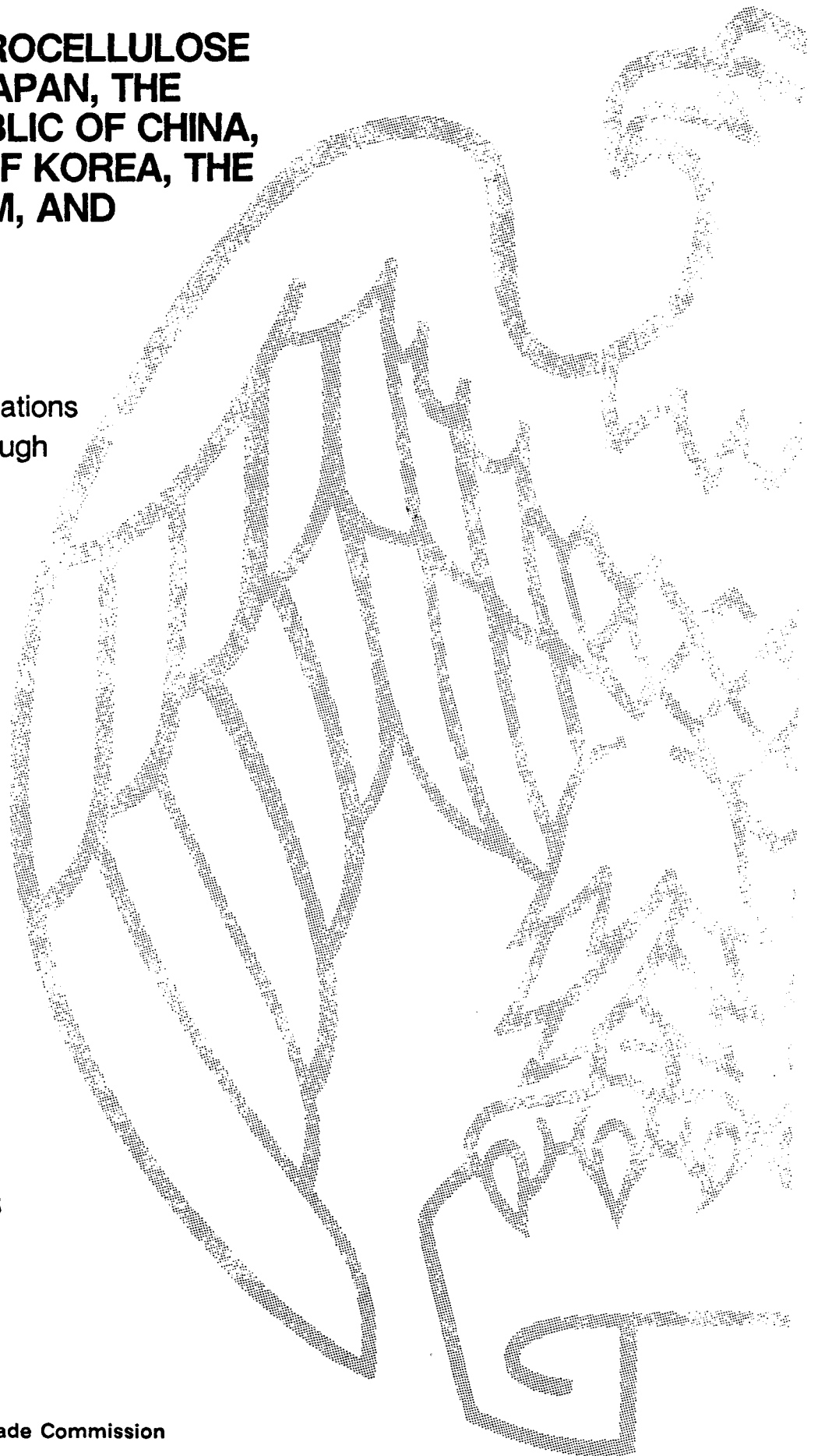
INDUSTRIAL NITROCELLULOSE FROM BRAZIL, JAPAN, THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF KOREA, THE UNITED KINGDOM, AND WEST GERMANY

Determinations of the
Commission in Investigations
Nos. 731-TA-439 through
444 (Final) Under the
Tariff Act of 1930,
Together With the
Information Obtained
in the Investigations

USITC PUBLICATION 2295

JUNE 1990

**United States International Trade Commission
Washington, DC 20436**



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Note.--Information that would reveal the business proprietary operations of individual concerns may not be published and, therefore, has been deleted from this report.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

Investigations Nos. 731-TA-439 through 444 (Final)

INDUSTRIAL NITROCELLULOSE FROM BRAZIL, JAPAN, THE PEOPLE'S REPUBLIC OF CHINA,
THE REPUBLIC OF KOREA, THE UNITED KINGDOM, AND WEST GERMANY

Determinations

On the basis of the record¹ developed in the subject investigations, the Commission unanimously determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the act), that an industry in the United States is materially injured by reason of imports from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, and West Germany of industrial nitrocellulose,² provided for in subheading 3912.20.00 of the Harmonized Tariff Schedule of the United States (previously classified in item 445.25 of the former Tariff Schedules of the United States), that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted these investigations effective March 1, 1990, following preliminary determinations by the Department of Commerce that imports of industrial nitrocellulose from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, and West Germany were

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 Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent, which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. The scope of these investigations does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

being sold at LTFV within the meaning of section 733(a) of the act (19 U.S.C. § 1673b(a)). Notice of the institution of the Commission's investigations and of a 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 March 15, 1990 (55 FR 9781). The hearing was held in Washington, DC, on May 29, 1990, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the information obtained in these final investigations, we unanimously determine that an industry in the United States is materially injured by reason of imports of industrial nitrocellulose from Brazil, the People's Republic of China, the Federal Republic of Germany, Japan, the Republic of Korea, and the United Kingdom, that are sold at less than fair value (LTFV). 1/ 2/

I. Like Product and Domestic Industry

To determine whether "material injury" exists, the Commission must first make factual determinations with respect to the "like product" and the "domestic industry." The term "industry" is defined 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..." 3/ In turn, section 771(10) of the Tariff Act of 1930 defines the "like product" 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..." 4/ The Commerce Department has determined that all industrial nitrocellulose is included in the scope of this investigation. 5/

1/ Former Commissioner Cass did not participate in these determinations.

2/ See Additional Views of Acting Chairman Brunsdale, infra.

3/ 19 U.S.C. § 1677(4)(a).

4/ 19 U.S.C. § 1677(10).

5/ The Department of Commerce has defined the imported product subject to this investigation as:

[i]ndustrial nitrocellulose is a dry, white amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture

(continued...)

The Commission's decision regarding like product is essentially a factual determination made on a case-by-case basis. 6/ In analyzing like product issues, we generally examine such factors as: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, (5) customer or producer perceptions, and (6) price. 7/ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a given investigation.

As noted by Congress, the like product requirement is not to be "interpreted in such a narrow fashion as to permit minor differences in physical characteristics and uses to lead to the conclusion that the products are not like each other." 8/ Accordingly, we have found minor product variations to be an insufficient basis for a separate like product analysis, and instead, have looked for clear dividing lines among products. 9/

5/(...continued)

finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the Tariff Schedules of the United States Annotated (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

55 Fed. Reg. 21055 (May 22, 1990).

6/ Asociacion Colombiana De Exportadores de Flores v. United States ("ASCOFLORES"), 693 F. Supp. 1165, 1169 (Ct Int'l Trade 1988) (like product issue essentially one to be based on the unique facts of each case).

7/ See, e.g., ASCOFLORES, 693 F. Supp. at 1170 n.8; Certain All-Terrain Vehicles from Japan, Inv. No 731-TA-388 (Preliminary), USITC Pub. 2071 (March 1988) at 6.

8/ S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

9/ See, e.g., Sony Corporation of America v. United States, 712 F. Supp. 978 (Ct. Int'l Trade, April 26, 1989) at 6; Certain Small Business Telephone Systems and Subassemblies, supra, at 4; Operators for Jalousie (continued...)

In its preliminary investigations, the Commission defined the like product to be "all industrial nitrocellulose." 10/ Further, the Commission defined the domestic industry to be U.S. producers of all industrial nitrocellulose which in these investigations consists of one producer, the petitioner. 11/

In these final investigations petitioner continued to urge the Commission to include all grades of industrial nitrocellulose in all wetting agents as one like product. 12/ Respondents abandoned their arguments that the type of wetting agent used might constitute a basis for creating separate like products. Respondents also abandoned their argument that the plasticized nitrocellulose should be excluded from the like product definition, and nothing on the record indicates a result different from that in the preliminary investigations. Accordingly, in these final investigations, we again define the like product to be all soluble industrial nitrocellulose in all wetting agents.

As we found in our preliminary investigations, the like product includes all grades of industrial nitrocellulose, including "Z" grade. We recognize that the slight differences in the characteristics and uses in each grade mean that the grades are not perfectly substitutable. 13/ Nonetheless, while the different grades of industrial nitrocellulose (RS-type, AS-type,

9/(...continued)

and Awning Windows from El Salvador, Invs. Nos. 701-TA-272 and 731-TA-319 (Final), USITC Pub. 1934 (January 1987) at 4, n.4.

10/ Industrial Nitrocellulose from Brazil, Japan, People's Republic of China, Republic of Korea, United Kingdom, West Germany, and Yugoslavia. Invs. Nos. 731-TA-439-445 (Preliminary), USITC Pub. 2231 (November 1989) at 10.

11/ Id.

12/ Petitioner's prehearing brief at 1-7.

13/ Report at a-3-a-4, a-48.

SS-type and "Z" grade) have varying physical properties with respect to their nitration levels, viscosity and solubility, they generally share the same categories of end uses. 14/ Moreover, all grades of industrial nitrocellulose other than "Z" grade are produced with essentially the same manufacturing process, personnel and equipment. 15/

With respect to channels of distribution, Hercules sells all grades of its industrial nitrocellulose, including Hercules "Z" grade, directly to unrelated end-users, while industrial nitrocellulose imported into the United States is sold directly to end-users and to chemical distributors. 16/ Further, there is nothing on the record to indicate that there is a significant price difference among the grades, other than Hercules' "Z" grade.

In light of the overall similarities in characteristics and uses of all grades, the evident similarity in production processes of all grades except the "Z" grade, the similarity in the channels of distribution for all the grades, and the apparent similarity in prices of all grades except the "Z" grade, we continue to include all grades of industrial nitrocellulose in the like product definition. 17/

In these final investigations we also find it appropriate not to include explosive nitrocellulose in the like product definition. In the preliminary investigations the Commission concluded that the like product

14/ Report at a-8.

15/ Report at a-12.

16/ Report at a-8.

17/ The arguments made by several of the respondents that Hercules caused itself injury because "Z" grade was sometimes sold when Hercules could have sold "A" grade at a higher price to the same customer undercut the suggestion that "Z" grade should be treated as a separate like product. See, e.g., posthearing Brief of ICI at 2-4.

definition should not include explosive nitrocellulose. 18/ The Commission made this determination based, in part, on the fact that the manufacturing facilities for explosive and industrial grades of nitrocellulose are completely distinct beyond the nitration stage. Further, the methods of distribution and the end uses are completely distinct. 19/ Consequently, we find that these facts provide an appropriate basis for not including explosive nitrocellulose in the like product definition.

In these final investigations, for the reasons stated in our preliminary determination, we also continue to conclude that the Commission has no statutory basis for "excluding" plasticized nitrocellulose. 20/ We note that the respondents abandoned their exclusion argument in these final investigations. Indeed, since the Commission's preliminary determination in these investigations, two Court decisions have reaffirmed the propriety of the Commission's position that it does not have the statutory authority to exclude certain imported products through the like product analysis. 21/

18/ Industrial Nitrocellulose from Brazil, Japan, People's Republic of China, Republic of Korea, United Kingdom, West Germany, and Yugoslavia, Invs. Nos. 731-TA-439-445 (Preliminary), USITC Pub. 2231 (November 1989) at 8.

19/ Id. at 7-8; see also, Report at a-4-a-9.

20/ Industrial Nitrocellulose from Brazil, Japan, People's Republic of China, Republic of Korea, United Kingdom, West Germany, and Yugoslavia, Invs. Nos. 731-TA-439-445 (Preliminary), USITC Pub. 2231 (November 1989) at 9-10.

21/ In Sandvik AB, et al v. United States, Slip Op. 89-131 at 24 (Ct. Int'l Trade Sept. 14, 1989), the Court of International Trade upheld the Commission's interpretation that it lacks the authority to exclude merchandise from the like product definition as a means of altering the scope of the investigation, as the International Trade Administration of the Department of Commerce controls the scope of the investigation. On appeal, appellant argued that the Commission should exclude certain imports from the like product definition or, in the alternative, that the Commission should make a separate negative injury determination for imports for which there is no precisely identical domestic product. The Federal Circuit affirmed the CIT's decision without opinion. Opinion No. 90-1082 (continued...)

Accordingly, we find that the Commission has no statutory basis for excluding plasticized industrial nitrocellulose from these final investigations. We also find that there is only one like product: all industrial nitrocellulose. Further, we define the domestic industry to be U.S. producers of all industrial nitrocellulose which in these investigations consists of one producer, petitioner.

II. Condition of the Industry

In assessing the condition of the domestic industry, we consider, among other factors, U.S. consumption, production, shipments, capacity utilization, inventories, employment, wages, financial performance, capital investment, and research and development expenditures. 22/ No single factor is dispositive, and in each investigation we consider the particular nature of the industry involved and the relevant economic factors that have a bearing on the state of the industry. 23/ Before describing the condition of the industry, we note that much of the information on which we base our decision is business proprietary, as there is only one domestic

21/(...continued)
(Fed. Cir. May 17, 1990).

The Court of International Trade confronted the exclusion issue again in Cambridge Lee Industries, Inc. v. United States, 728 F. Supp. 748 (CIT 1989). In that case the plaintiff argued that the Commission improperly found a certain type of imported brass sheet to constitute a product like domestically manufactured brass sheet even though that type of brass sheet was not produced in the United States. In finding that the Commission's determination was supported by substantial evidence, the Court again noted: "[i]n its investigation, the Commission may not modify the class or kind of imported merchandise examined by Commerce." Id. at 750.

22/ See 19 U.S.C. § 1677(7)(C)(iii).

23/ See 19 U.S.C. § 1677(7)(C)(iii), which require us to consider the condition of the industry in the context of the business cycle and conditions of competition that are distinctive to the domestic industry. See also H.R. Rep. 317, 96th Cong., 1st Sess. at 46; S. Rep. 249, 96th Cong., 1st Sess. at 88.

producer, and our discussion of the condition of the industry must necessarily be general in nature. 24/

In conducting its analysis, the Commission considered data from the period January 1986-March 1990. Although it is more usual for the Commission to use a three and one-half year period of investigation, the Commission has the discretion to "examine a period that most reasonable allows it to determine whether a domestic industry is injured by LTFV imports." 25/ In these investigations, the Commission decided to examine a different period of investigation pursuant to an argument by petitioner that the longer time period was necessary to permit petitioner to demonstrate the financial ramifications of the two strategies petitioner attempted to use to combat dumped imports. 26/ The Commission had already collected 1986 data in the preliminary investigations. Thus, fulfilling petitioner's request only entailed analyzing data in the final investigations that were already part of the Commission's record. Further, no respondent objected to this time period at any stage of the investigations. Moreover, the Commission would have reached an affirmative determination even if it had limited its analysis of the data considered (both with respect to the condition of the industry and with respect to the causation analysis in Section IV below) to the more typical period of investigation; considering the data from 1986 only strengthened the support in the record for an affirmative determination.

24/ Petitioner has given a waiver to permit the Commission to discuss trends in general terms. Letter of November 1, 1989 from Counsel for Petitioner.

25/ Kenda Rubber Industry, Co. v. United States, 630 F. Supp. 354, 359 (CIT 1986); accord, British Steel Corporation v. United States, 593 F. Supp. 405, 411-12, citing American Spring Wire Corporation v. United States, 590 F. Supp. 1273, 1279 (CIT 1984).

26/ Letter of petitioner dated March 9, 1990.

United States apparent consumption of industrial nitrocellulose increased slightly from 1986 to 1987, decreased to a level below 1986 in 1988, and dropped even further from 1988 to 1989. This measure also showed a decrease in the interim period of 1990 (January - March) when compared with the same period in 1989. 27/

United States production of industrial nitrocellulose increased from 1987 to 1988, dropped significantly from 1987 to 1988, and plummeted from 1988 to 1989. Production also decreased in the interim period of 1990 (January - March) when compared with the same period in 1989. 28/

Capacity utilization mirrored the production pattern, increasing from 1986 to 1987, dropping substantially from 1987 to 1988, and declining even more precipitously from 1988 to 1989. The rate of capacity utilization was also less in the interim period of 1990 than it was in the same period in 1989. 29/

Domestic market shipments dropped significantly from 1986 to 1987, declined somewhat from 1987 to 1988, and dropped again from 1988 to 1989. Domestic market shipments were somewhat lower in the interim period of 1990 than they were during the same period of 1989. 30/

Although the number of workers and the number of hours worked in petitioner's industrial nitrocellulose operations increased slightly from 1986 to 1987, both measures declined from 1987 to 1988, and again from 1988 to 1989. These measures also showed a slight decline in January - March 1990 when compared to the same period in 1989. Wages paid to workers

27/ Report at table 1, a-9; a-10.

28/ Report at a-12-13, table 2.

29/ Report at a-13-14, table 2.

30/ Report at a-14-15, table 3.

producing industrial nitrocellulose increased from 1986 to 1987, decreased slightly from 1987 to 1988, and decreased again from 1988 to 1989. Wages paid to such workers were slightly higher in the interim period in 1990, than they were in the same period in 1989. 31/

Net sales decreased somewhat from 1986 to 1987. Net sales increased significantly from 1987 to 1988, and showed a slight increase again from 1988 to 1989. Net sales were significantly lower in the interim period in 1990 than they were during the same period in 1989. 32/

Operating income decreased dramatically from 1986 to 1987. Operating income increased significantly from 1987 to 1988, and then again from 1988 to 1989. However, on average, the operating income of industrial nitrocellulose operations was negative from 1987 to 1989. Petitioner had slightly positive operating margins in the interim period of 1989, but had slightly negative operating margins during the same period in 1990. 33/

Based on the data available in these investigations, we find that the domestic industry is materially injured. Although the general financial data indicate that Hercules' condition has improved somewhat from 1987 to 1989, a comparison of the data for the interim period of 1989 with the same period in 1990 suggests that Hercules' financial condition is weakening again. Further, the trends in domestic production, domestic shipments, capacity utilization, and employment constitute a sufficient basis for concluding that there is material injury.

31/ Report at a-19-20, table 6.

32/ Report at a-21, table 7.

33/ Report at a-21, table 7.

III. Cumulation

The statute under which petitioner filed its petition provides that---

For purposes of clauses (i) and (ii), the Commission shall cumulatively assess the volume and effect of the imports from two or more countries of like products subject to investigation if the imports compete with each other and with like products of the domestic industry in the United States market. 34/

In determining whether the competition requirement of the cumulation provision is satisfied, the Commission has considered the following factors:

- (1) the degree of fungibility of imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographical markets or 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 imports are simultaneously present in the market. 35/

While no single factor is determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.

As we anticipated in the preliminary investigations, we explored further the extent to which quality differences among the imports from the seven

34/ 19 U.S.C. § 1677(7)(C)(iv).

35/ 19 U.S.C. § 1677(7)(C)(iv). Certain Cast Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, Inv. Nos. 731-TA-278-280(Final), USITC Pub. No. 1845 (May 1986), aff'd, Fundicao Tupy S.A. v. United States, 859 F. 2d 915 (Fed. Cir. 1988); see also Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From the Federal Republic of Germany, France, Italy, Rumania, Singapore, Sweden, Thailand, and the United Kingdom, Inv. Nos. 303-TA-19 and 20 and Inv. Nos. 731-TA-391-399 (Final) (May 1989).

countries subject to investigation might have made cumulation inappropriate with respect to some imports. 36/ Although there is some evidence of perceived quality differences among the imports, as well as between some of the imports and the domestic like product, there is also a significant body of evidence stating that the imports and domestic like product are comparable in quality, and are essentially fungible. 37/

We also explored the contention that cumulation is inappropriate because certain respondents market their product primarily in one geographic market. We conclude that there appears to be a reasonable overlap in the geographic and end-user markets in which the imports from all seven countries and the domestic like product are sold. For example, all countries subject to investigation and Hercules sell RS grade in the U.S. marketplace. 38/ Sales of RS grade account for most of the sales of industrial nitrocellulose in the United States. There is also a significant overlap in the channels of distribution, as both the domestic producer and most importers sell directly to end-users, although some end-users purchase imported nitrocellulose from distributors. 39/ Further evidence of the reasonable overlap in competition can be found in the record, but is business proprietary and cannot be discussed in these public views. 40/

36/ In defining the term "subject to investigation," we note that we include industrial nitrocellulose from Yugoslavia, which Commerce has found preliminarily is being sold at LTFV. See *Chaparral Steel Co. v. United States*, Appeal Nos. 89-1338, 1339 (Fed. Cir. April 17, 1990) at 12.

37/ Report at a-62, a-64-65, a-66, a-68, a-70-71, a-72, a-72, a-75-77.

38/ Report at a-37, a-39-42, Table 22.

39/ Report at a-8.

40/ Report at a-8, a-10-12, a-81-85, and a-87-92.

In the preliminary investigations, the Commission also concluded that both Chinese and Korean imports failed to qualify for the narrow statutory exception for negligible imports. 41/ 42/ Although neither the Chinese nor the South Korean respondent was represented by counsel in these final investigations, counsel for Asahi requested that the Commission reconsider its conclusion. 43/ We continue to conclude, on the basis of China's volume and market share, the dramatic rate of increase in Korea's market share, and the evidence suggesting that industrial nitrocellulose is highly price sensitive, that both Chinese and Korean imports fail to qualify for the narrow statutory exception for negligible imports. 44/

Accordingly, in reaching its determination in these investigations, the Commission concludes that it is appropriate to cumulate the imports from all seven countries currently subject to investigation. 45/

41/ Industrial Nitrocellulose from Brazil, Japan, People's Republic of China, Republic of Korea, United Kingdom, West Germany, and Yugoslavia, Invs. Nos. 731-TA-439-445 (Preliminary), USITC Pub. 2231 (November 1989) at 16-17.

42/ 19 U.S.C. § 1677 (7)(C)(v) states:

The Commission is not required to apply clause (iv) [regarding the application of cumulation in material injury determinations]... 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 making such determination, the Commission shall evaluate all relevant economic factors regarding the imports, including, but not limited to, whether--

(I) the volume and market share of the imports are negligible,
(II) sales transactions involving the imports are isolated and sporadic, and

(III) the domestic market for the like product is price sensitive by reason of the nature of the product, so that a small quantity of imports can result in price suppression or depression....

43/ Prehearing brief of Asahi at 46.

44/ Report at a-44, a-45-46, tables 23 and 24.

45/ In addition, we note that we have concluded, as an exercise of discretion, that the facts set forth above, in combination with additional business proprietary information on the record, demonstrate that the imports from each of the seven countries subject to investigation compete with each other and with the domestic like product.

IV. Material injury by reason of LTFV imports from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, and West Germany.

A. Background

Initially, we note that the Commission was confronted with a serious question about the credibility of a part of its record. 46/ Counsel for one of the respondents wrote a memorandum to a number of purchasers in which they urged that the purchasers take, in effect, an advocacy position in answering questions in the Commission's Purchasers' Questionnaire. A review of the questionnaires of the recipients of the memorandum suggests that some of their answers may have been influenced by counsel's memorandum. The confidential nature of these data prevents us from including examples in this public opinion.

Such conduct by counsel in a Title VII investigation is contrary to the nature of the proceedings under the statute, which contemplates an investigation by the Commission rather than an adjudicative proceeding. 47/

46/ See Letter of Counsel for petitioner to the Commission, dated April 24, 1990; Response to Administrative Subpoenas, dated May 24, 1990.

47/ Indeed, the Court of International Trade has repeatedly condemned conduct by counsel and by parties in Title VII proceedings when they are attempting to duplicate the agency's role as an investigator. As the Court stated in *SNR Roulements v. United States*, 704 F. Supp. 1103, 1109 (CIT 1989): ".... counsel are not empowered to act as an independent investigator to the proceeding." See, *Bethlehem Steel Corp. v. United States*, 718 F. Supp. 70, 73 (CIT 1989) ("Petitioners should not attempt pure duplication of Commerce's function, but rather should provide the comment and analysis which will contribute to the objectives of the investigation more than it will detract from the confidentiality of the information."); *Monsanto Industrial Chemicals, Co. v. United States*, 6 CIT 241, 243 (1983) ("Plaintiff is not empowered to act as an independent investigator to the proceeding."); *Sacilor, Acieries et Laminoirs de Lorraine v. United States*, 542 F. Supp. 1020, 1025 (CIT 1982) (in deciding whether to release certain confidential information to a party, Commerce should "not confuse the role and need of a party to an administrative investigation with that of a litigant in a court of law and it should not reflect an abdication of the investigative duty of the agency.").

The Commission is aware that it is common practice for counsel to contact purchasers in the course of representing their clients during Commission investigations. Nor, in making these comments, does the Commission mean to preclude counsel from conduct which is proper in most circumstances such as preparing customers as witnesses for a Commission hearing, explaining the nature of the Commission investigation process, and even assisting a customer in interpreting the meaning of a question in a Commission questionnaire.

The Commission has previously indicated its concern with the possible effect of contact by the parties with nonparties on the Commission's investigative process. For example, in a previous investigation, in which counsel for respondent represented a party, the Commission placed less probative weight on certain information that it believed may have been affected by contact from the parties. 48/ The Commission has also noted its option to take an adverse inference against a party which obstructs a Commission investigation. 49/ While the Commission recognizes that it may sometimes be difficult to determine whether certain contacts with customers are appropriate, counsel's memorandum in the subject investigations, which

48/ Certain Telephone Systems and Subassemblies Thereof from Japan and Taiwan, 731-TA-426, 428 (Final), USITC Pub. 2237 (November 1989) at 52 n.142.

49/ Limousines From Canada, Inv. Nos. 701-TA-300 and 731-TA-438 (Preliminary), USITC Pub. 2220 (September 1989) at 14, n.50; see 19 U.S.C. § 1677e; Pistachio Group of Association of Ford Industries v. United States, 671 F. Supp. 31, 40 (CIT 1987); see also Fresh, Chilled, or Frozen Pork from Canada, Inv. No. 731-TA-298 (Preliminary), USITC Pub. 2158 (February 1989) at 17, n.44; Weighing Machinery and Scales from Japan, Inv. No. 7-1-TA-7 (Final), USITC 1063 (May 1980); Fish, Fresh, Chilled or Frozen, Whether or Not Whole, But Not Otherwise Prepared or Preserved, From Canada, Inv. No. 701-TA-40 (Final), USITC Pub. 1066 (May 1980); Atlantic Sugar Ltd. V. United States, 553 F. Supp. 1055, 1059 (CIT 1982). We do not make such an inference in these investigations, but note its availability.

was written in generic terms and advocated a specific point of view, is beyond the bounds of proper conduct of a party in a Commission proceeding.

In order to address the Commission's concerns about the effect of this conduct on these investigations, we have decided not to rely on any of the data in the questionnaires of those purchasers receiving the memorandum. 50/ Moreover, we have a sufficient number of unaffected questionnaires available so that we have an adequate purchasers' response, and excluding the affected questionnaires from the record is not outcome determinative. 51/ The Commission will determine at a later date whether conduct of counsel warrants additional action.

B. Analysis

In these antidumping investigations the Commission's final step is to determine whether material injury to the domestic industry is "by reason of" the imports under investigation. 52/ 53/ The Commission may take into account other causes of harm to the domestic industry, but it is not to weigh causes. 54/ The imports need only be a cause of material injury. 55/

50/ We note that some distributors also received a copy of this memorandum. After comparing the answers of those distributors to the questionnaires in the final investigations with their answers to the importers' questionnaire in the preliminary investigations, we have determined that it does not appear that the memorandum influenced the responses of these distributors.

51/ The Commission notes that its determination would not have changed even if these purchaser questionnaires had been part of the administrative record on which the Commission relied.

52/ 19 U.S.C. § 1673b(a).

53/ For a discussion of his views concerning analysis of the relationship of unfairly traded imports and material injury, see the Additional Views of Commissioner Eckes, *infra*.

54/ "Current law does not... contemplate that the effects from the subsidized [or LTFV] imports be weighted against the effects associated with other factors (e.g., the volume and prices of nonsubsidized [LTFV] imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic

(continued...)

The Commission should consider all relevant factors and conditions of trade in making its determination. 56/

As we have previously noted, the antidumping and countervailing duty laws are not antitrust statutes. 57/ Methods of economic analysis such as those used under the antitrust laws may be useful to the Commission's analysis under the antidumping or countervailing laws so long as they are consistent with or do not supplant the specific directives of those laws. 58/

The legislative history of the antidumping laws dating back to the Trade Act of 1974, and continuing in the legislative history of the Trade Agreements of 1979, indicates that Congress intended that the Commission make its determinations after assessing all relevant factors of trade and competition. 59/ While all relevant factors of trade and competition may

54/(...continued)

producers, developments in technology, and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong. 1st Sess. 57-58, 74 (1979)

55/ Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1088 (Ct. Int'l Trade 1988); Hercules, Inc. v. United States, 673 F. Supp. 454, 479 (1987).

56/ 19 U.S.C. § 1677(7)(C)(iii) (Supp. 1989).

57/ See, Maverick Tube Corp v. United States, 12 CIT ____, 687 F. Supp. 1569, 1573-74 (CIT 1988) (criticizing the use of "predatory pricing analysis more akin to antitrust than antidumping"); USX Corp. v. United States, 12 CIT ____, 682 F. Supp. 60, 65-68 (noting that the antidumping law administered by the Commission is based on "injury to industry" not "injury to competition").

58/ See, e.g., USX Corp., supra, at 67 (the court did not "condemn for all cases" any inquiry into the effects of competition; "such inquiry can be a useful way of exploring the causation issue. Such an inquiry cannot supplant the inquiry required by the statute.").

59/ See S. Rep. No. 1298, 93rd Cong., 2d Sess. 180 (1974) ("factors and conditions of trade"); S. Rep. No. 249, 96th Cong., 1st Sess. 88 (1979) ("It is expected that in its investigation the Commission will continue to focus on the conditions of trade, competition, and development regarding the industry concerned"); H.R. Rep. No. 317, 96th Cong., 1st Sess. 46

(continued...)

include some issues also considered in antitrust cases so long as they are fully consistent with title VII, Congress intended to create a title VII analysis and not the type of analysis that would be appropriate, for example, for the FTC under the antitrust laws. Moreover, we note that what respondents are actually urging is that the Commission make a negative determination even if there is material injury, if an affirmative finding would have negative consequences for the public. This type of consideration of the public interest clearly is not contemplated by the statute.

We find that the subject imports are a cause of material injury to the domestic industrial nitrocellulose industry. Both market penetration and the absolute volume of subject imports increased significantly from 1986 to 1989. Although the absolute volume of imports decreased slightly in the interim period of 1990 when compared with the same period in 1989, market penetration was higher during that same period in 1990 than it had been in 1989. In fact, the total market share of industrial nitrocellulose imported from the seven subject countries in 1989 was approximately double their total market share in 1986. 60/

The presence of underselling by the cumulated imports was also a significant factor in the Commission's decision. A total of 662 quarterly comparisons of domestic versus import price were possible on a country-by-country basis. Comparisons in 435 instances indicate underselling by the

59/(...continued)

(1979) (same language); H.R. Doc. No. 153, Part II, 96th Cong. 1st Sess. 46 (1979) (same language, statement of the Administration).

60/ Report at a-45-46, table 24.

imported nitrocellulose from one or another of the subject countries. 61/ 62/ Accordingly, we determine that the evidence of underselling on the record, overall, although mixed, is significant.

In this connection, the Commission considered carefully the evidence concerning underselling of petitioner's "Z" grade. We note that sales of "Z" grade constitute a relatively small percentage of petitioner's sales of industrial nitrocellulose. Further, while sales of "Z" grade could conceivably be causing some financial injury to petitioner, we reiterate that the subject imports need only be a cause of material injury. Thus, the Commission has determined that underselling by the subject countries is significant and supports an affirmative determination. 63/

In measuring the occurrences of underselling, the Commission made no adjustments to the prices, either upward or downward, for the fact that industrial nitrocellulose is shipped in various types of drums. The Commission's unwillingness to make such adjustments stems from the fact that the effect on nitrocellulose pricing of different types of drums can not be generalized and can not be traced back to individual transactions. 64/ The Commission notes, however, that if it had made adjustments to the prices in conducting its underselling analyses in the ranges estimated by

61/ Report at a-63, a-64, a-65, a-66, a-68, a-70-72, a-74, a-75, a-76, a-77, and tables 33-41.

62/ See 19 U.S.C. § 1677(7)(E)(ii).

63/ See, Negev Phosphates, Ltd. v. United States Department of Commerce, 699 F. Supp. 938, 948-49 (Ct. Int'l Trade 1988) (underselling "mixed" although significant); Copperweld Corp. v. UNR v. United States, 682 F. Supp. 552, 564-67 (Ct. Int'l Trade 1988) (statute's focus is on significant underselling; the Commission has discretion to determine whether underselling is significant) (emphasis added).

64/ Report at a-48-49, a-62.

the staff report, such adjustments would not have altered the outcome of the Commission's determinations.

Total market demand for nitrocellulose is only slightly affected by the price of nitrocellulose. 65/ Therefore, underselling by the subject imports did not cause an increase in the quantity of nitrocellulose consumed. Rather, underselling caused a shift in market share within a relatively fixed level of consumption, to the detriment of petitioner.

The fact that the record is replete with confirmed instances of both sales and revenue lost to the subject imports is also significant to the Commission in reaching its determination in these final investigations. The Commission was able to confirm several instances in which Hercules lost revenue, either from reducing prices or from the rollback of price increases, in response to competition from the respondents. 66/ The Commission was also able to confirm numerous instances of sales lost due to the lower price of products imported from the respondent countries. 67/

The Commission notes that, although petitioner did raise its prices during the period of investigation, the persistent underselling by the subject imports, resulting in instances of lost revenue and lost sales, prevented petitioner from raising its prices sufficiently to cover increased costs. 68/ It should also be noted that when the petitioner raised prices, it lost market share, which had an adverse effect on plant

65/ Memorandum INV-N-058, June 15, 1990, at 28-30.

66/ Report at a-82, a-83-85.

67/ Report at a-85-86, a-88-89, a-91-92.

68/ Letter of petitioner of March 9, 1990; prehearing brief of petitioner at 11-13. Additional support can be found in business proprietary information which cannot be discussed in this public opinion.

capacity utilization and the economies of scale inherent in chemical processes. 69/

Conclusion

For all the reasons set forth above, we determine that the U.S. industrial nitrocellulose industry is materially injured by reason of LTFV imports from Brazil, People's Republic of China, Federal Republic of Germany, Japan, Republic of Korea, and the United Kingdom.

69/ Id. Additional support can be found in business proprietary information which cannot be discussed in this public opinion.

CONCURRING VIEWS OF ACTING CHAIRMAN ANNE E. BRUNSDALE

Industrial Nitrocellulose from Brazil,
Japan, the People's Republic of China,
the Republic of Korea, the United Kingdom,
and West Germany

Investigation Nos. 731-TA-439 through 444 (Final)

June 28, 1990

I concur in the Commission's determination that an industry in the United States is materially injured by reason of dumped imports of industrial nitrocellulose. I also join the Views of the Commission with respect to the like product and cumulation¹ issues. Beyond those issues, we part company. I set forth the reasons supporting my affirmative determination below.

The Industrial Nitrocellulose Industry

More often than not, the Views of the Commission include a section entitled "The Condition of the Industry." In the usual scheme of things, I append a footnote to that section noting that I draw no legal conclusions from the state of the industry per se, that I find the condition of the industry over the period of investigation to be worthy of consideration, and that I join in

¹ Like the majority, I cumulate the imports subject to these investigations with the imports from Yugoslavia, which are now the subject of a delayed, final dumping investigation at the Department of Commerce. As I have stated in the past, such an approach is unfair to the respondents in the instant investigation because their imports are cumulated with imports on which no conclusive dumping determination has been made. However unfair that procedure might be, it is nonetheless required by statute. As consolation, I note that the cumulation of Yugoslav imports with the imports subject to these investigations has had no material bearing on my determination in these investigations.

the discussion to the extent that I believe it to be an accurate description of the industry. In this case, however, while the description of the industry in the majority's Views is accurate, it represents a departure from standard Commission practice that I cannot endorse.

In almost every dumping or countervailing duty investigation, the Commission collects and analyzes data for the past three years as well as for the current year up to the end of the previous quarter. The three-year-plus rule combines convenience and practicality. Three years of data provide the Commission with a reasonably complete picture of the domestic industry and the pattern of trade in the like product without imposing an undue burden on those who are asked to respond to Commission questionnaires (many of whom are not parties to the investigation).

In this investigation, the Commission analyzes data covering four years plus the first quarter of 1990.² The Commission purports to be responding to petitioner's argument that a fourth year of data is necessary in order demonstrate the financial ramifications of the strategies the petitioner used to fend off the pernicious effects of the dumped imports. This is, in my view, a completely unsatisfactory explanation for the Commission's departure from its regular procedures. If in fact

² No drafts of the Views of the Commission were made available to me following my distribution to the Commission of a draft of this opinion on June 26, 1990. My comments, therefore, are based on the early drafts of the Commission's Views and not the final version.

petitioner undertook a program of import competition, that program was successful or it was not. The dumping statute requires that we determine whether an industry "is" materially injured by reason of dumped imports. The petitioner's argument thus raises the question whether or not its efforts have proved successful. If the answer is yes -- e.g., the petitioner has managed to distinguish its product in the marketplace to such a degree that it is no longer affected by the terms on which imports are sold -- then we should reach a negative determination. But if we find that petitioner has been unsuccessful -- that the dumped imports have a material impact on domestic nitrocellulose production -- then we must reach an affirmative determination. The nature or extent of petitioner's purported battle with imports four years ago is, by statute, irrelevant.

Furthermore, even the court decisions that established the Commission's discretion to select an appropriate time period for investigation are at best inapposite and, in fact, set forth propositions contrary to the adoption of a new procedure in this case. In Kenda Rubber Co. v. United States,³ the court noted the present tense of the statute and pointed out that "in a normal investigation, the present tense language of the statute anticipates that the Commission will examine a time period close to that examined by Commerce."⁴ The court approved the

³ 630 F. Supp. 354 (Ct. of Int'l Trade 1986).

⁴ Id. at 659 (emphasis added).

Commission's use of an earlier time period in that case -- an "unusual case" in the court's words⁵ -- because of the intervention of an appeal between the original investigation and the final Commission decision. In British Steel Corp. v. United States,⁶ the court actually approved the Commission's application of its regular procedure despite respondent's contention that the time period was not representative of the actual state of trade. If the latter case stands for any proposition, it is that special pleadings such as those advanced by the petitioner should be rejected.⁷

Turning to the figures in this case, if petitioner is inviting us to look at the trends in its financial performance over the past four years as a relevant factor, then the only reasonable conclusion to be drawn is that petitioner's battle with the imports was largely successful. Petitioner's financial data over the four year period show that in every relevant category -- net sales, gross profit, operating income, net income, and cash flow -- its performance declined in 1987 but then rebounded dramatically over the next two years to levels that exceeded those in 1986.⁸ This general patterns holds true

⁵ Id.

⁶ 593 F. Supp. 405, 411-12 (Ct. of Int'l Trade 1985).

⁷ The statute itself contains one mandatory exception to the three-year-plus rule by requiring that the Commission shall make its evaluation "within the context of the business cycle." 19 U.S.C. § 1677(7)(C). That provision has no relevance to this case.

⁸ Report at A-21.

not only for aggregate financial accounts but also for returns per wet pound of product sold (including total revenue and profit per pound sold).⁹

The data on import penetration tell a similar, though not quite so dramatic, story. Imports from the seven countries under investigation surged by nearly 50 percent in 1987 over 1986 levels, from [****] million wet pounds to [****] million wet pounds. The increase in import penetration slowed dramatically thereafter, growing by [*] million wet pounds in 1988 and [*] million wet pounds in 1989. In interim 1990, import penetration is lower than in interim 1989.¹⁰

Furthermore, there is evidence on the record to suggest that the Commission has drawn exactly the wrong conclusion from the 1986 data. Evidence on the record indicates that two fires in petitioner's plant in 1986 disrupted petitioner's operations.¹¹ One might expect distortions in petitioner's financial and production performance in 1986 and 1987. Moreover, petitioner itself conceded that industrial nitrocellulose purchasers in this country are concerned about maintaining alternate sources of supply.¹² It is thus not surprising that a fire in petitioner's production facility would result in an increase in imports over

⁹ Id.

¹⁰ Report at A-43.

¹¹ Report at A-12. Although not as combustible as its first cousin, explosive nitrocellulose (guncotton), industrial nitrocellulose is still quite hazardous.

¹² Petitioner's Prehearing Brief at 22.

the next few years. In the absence of any explanation from either the petitioner or the Commission as to how the trends reflect petitioner's anti-import strategies, the data collected from 1986 and the trends revealed by the annual data over the past four years in my view reflect, if anything, the disruption in production and the signals that disruption sent to the domestic market.

Finally, if one looks at the data over the Commission's traditional three-year period of investigation, it is clear that the market trends do not support any particular conclusion about the relative condition of the domestic industry. In the usual case I would simply note that fact but join the majority's description of the industry as a useful background on which to base the systematic analysis required by the statute. Here, however, where the Commission has decided to use the additional year of data and even then the data are at best ambiguous, I do not believe that any worthwhile description of the industry's condition is possible in this case.

Material Injury by Reason of the Subject Imports

The dumping laws that we apply are quite specific on the nature of the Commission's inquiry. We are to decide whether a domestic industry is materially injured "by reason of" the subject imports.¹³ The statutory phrase "by reason of" means that, as a predicate to an affirmative finding, the record must reveal a

¹³ 19 U.S.C. § 1673.

sufficient causal connection between the subject imports and material harm to the domestic industry -- in short, the subject imports must be the cause of material injury to the domestic industry.

To say, as the Commission frequently has in the past, that the imports must be "a cause" of material injury not only miscasts the plain language of the statute, but also changes the nature of the Commission's function. Common sense suggests that the imports always will have some impact on the domestic industry producing the competing product -- that is, the domestic industry always will be somewhat better off in the absence of imports, dumped or otherwise. The "a cause" standard therefore changes the Commission's function from providing an injury test (since, under this standard, injury will always exist) to providing a materiality test.

That said, the statute does not provide guidance on the method by which the Commission is to assess the causal connection between the imports and the state of the domestic industry. The statute instead provides instruction on where to look for such a connection by requiring that the Commission consider, "in each case":

- (I) the volume of imports of the merchandise which is the subject of 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, but only within

the context of production operations within the United States.¹⁴

With respect to volume, the Commission must consider whether the volume of imports in absolute terms or relevant to domestic consumption is significant; with respect to price, the Commission must evaluate the record for evidence of price suppression or depression; and, finally, the Commission must evaluate the impact of the imports on various enumerated financial and production performance categories.¹⁵

I begin my analysis by noting that the market share of the imports under investigation is substantial. In 1989, the subject imports from the seven countries accounted for fully [*****] of domestic consumption.¹⁶ Over the relevant period of investigation, 1987 through interim 1990, the increase in the market share of the subject imports was nearly [*****] times as great as the decrease in the market share of all other imports, suggesting that the competition in the domestic industry is not just between imports from different countries, but also includes the shift from the domestic product to the dumped imports.

¹⁴ 19 U.S.C. § 1677(7)(B)(i). The Commission must explain its analysis of these three factors. Id., § 1677(7)(b)(ii). The Commission may also consider any other economic factor it deems relevant so long as it explains the relevance of such factors to its decision. Id.

¹⁵ 19 U.S.C. § 1677(7)(C).

¹⁶ Import penetration data are set forth in the Report at A-43. A graphic depiction of the import penetration data is presented on page A-47.

Another fact relevant to my analysis is the dumping margin calculated by the Department of Commerce. The dumping margin measures the difference between the "fair" price of the imports and their price in the United States during a representative period. The dumping margin is thus a key factor in determining the extent to which the dumped imports have affected the price of the like product in the domestic market. While one can reasonably argue that the dumping margin does not precisely correlate the current domestic price with the actual price absent dumping, the margin nonetheless provides two pieces of information that are helpful to our inquiry: first, it represents the maximum amount by which the price of the imports would have to rise in order to be deemed "fair"; second, other things remaining equal, the greater the dumping margin, the more the actual price of the imports is below "fair" levels.

In this case, the dumping margins for the imports from the seven countries range from a relatively minuscule 3.84 percent on imports from West Germany to a more impressive 78.40 percent on imports from the People's Republic of China. On balance, the weighted average margin is relatively low because the imports from countries with lower dumping margins (West Germany, Yugoslavia (9.42 percent)¹⁷, and the United Kingdom (11.13 percent)) have a significantly larger market share than the

¹⁷ The is a preliminary dumping margin.

imports from the PRC, Brazil (61.25 percent dumping margin), Japan (66.00 percent), and Korea (66.30 percent).¹⁸

That is not, however, the end of the inquiry. An exposition of these data does not in itself provide an assessment of the imports' impact on the performance of the domestic industry, and therefore does not satisfy the Commission's obligation under the statute. I have long employed a method of economic analysis that allows me to gauge with reasonable certainty, using the information gathered during the Commission's investigation, how producers and consumers have reacted to the changing conditions in the market place brought about by the dumped or subsidized imports. This type of analysis, now known as elasticity analysis, presents a framework within which one can assess the causal (as opposed to coincidental) relationship between the subject imports and the condition of the domestic industry and, more specifically, the volume, price, and performance factors set out in the statute. By using elasticity analysis, one can determine directly -- as our governing statute requires -- whether the imports in question affected the domestic industry; if so, how they affected the domestic industry; and whether that effect constitutes material injury.

The Court of International Trade in 1988 approved the outline of this approach, noting that it had the potential to improve the Commission's erstwhile practice of drawing inferences

¹⁸ Report at A-7 and Appendix A.

regarding causation based on circumstantial evidence.¹⁹ At that time, however, elasticities analysis had not yet developed into a formal part of the Commission's routine as it has today. The court properly objected to certain of the administrative shortcuts that were necessary to perform the analysis in that instance without initiating consideration of the economic aspects of the case from the date of institution of the investigation.

The court's objections were remedied in succeeding cases. As a result, the parties to Commission investigations are generally aware of the importance of economic analysis and often prepare their briefs so as to highlight certain economic principles. The Commission's economists conduct an economic analysis of the record and prepare estimates of key economic relationships based on the evidence and the parties' arguments. Preliminary estimates are provided to the parties for their comments or objections prior to the hearing in each case. A final set of estimates is prepared for the Commission's consideration after the hearing.

The procedures have now won the full approval of the Court of International Trade. In Trent Tube Division, Crucible

¹⁹ USX Corp. v. United States, 682 F. Supp 60, 69 (Ct. of Int'l Trade 1988) ("[T]his approach to causation has the potential for explaining, within the confines of the statutory framework and in an improved manner, how less than fair value imports affected the domestic industry . . .") See also Certain Electrical Conductor Aluminum Redraw Rod from Venezuela, Inv. Nos. 701-TA-287 and 731-TA-378 (Final), USITC Pub. 2103 (August 1988) at 43-46 (Dissenting Views of Acting Chairman Brunsdale) (discussing various approaches to causation analysis).

Materials Corp. v. United States,²⁰ the court concluded that my determination based on an elasticity methodology was supported by substantial evidence and complied with the applicable law.²¹ I will continue to employ this analysis and to refine it further because I view the Court of International Trade's 1988 opinion as entirely correct: properly used, the elasticity analysis provides an improved method for analyzing the causation issue in dumping and countervailing duty investigations.

Thus, in addition to the dumping margins and import penetration figures set forth above, I consider below how the quantities of the domestic product purchased by consumers and the quantities manufactured by domestic producers and by foreign producers not accused of dumping respond to changes in the price of the imported and domestically produced goods. These effects can be measured by a series of variables known as elasticities.²² I consider the relevant relationships, derived from the evidence on the record and the arguments of the parties, below.

Substitutability between Domestic and Imported Nitrocellulose. A key factor affecting the degree of injury from dumped imports is the extent to which a change in the price of the unfairly traded imported product would lead U.S. purchasers of domestic

²⁰ Slip Op. 90-58 (Ct. of Int'l Trade June 20, 1990).

²¹ Slip op. 90-58 at 23-24.

²² In general, an elasticity is a percentage change in a quantity -- e.g., aggregate demand, domestic supply -- resulting from a 1 percent change in some price.

nitrocellulose to shift to the foreign product. If the domestic and imported products are believed to be close substitutes, material injury as a result of the dumping is more likely. With a high level of substitutability, a small decrease in the price of the imported product may lead a large fraction of the purchasers to shift from the domestic product to the unfairly traded import. If, on the other hand, purchasers do not perceive the unfairly traded imports to be good substitutes for the domestic product, fewer purchasers will switch to the imports in response to the price decline occasioned by dumping; in such a situation, a finding of injury by reason of dumped imports would be less likely, other things being equal. The degree of substitutability between products of different producers can be quantified by using a concept that economists call the elasticity of substitution.²³

The evidence on the substitutability of the subject imports and domestic nitrocellulose reveals several important points. Functionally, nitrocellulose is produced according to certain grades -- RS, AS, and SS -- each specifying the range of nitrogen content in the product. The nitrogen content of the nitrocellulose determines its solubility in various substances and thus is a key factor that determines the usefulness of the nitrocellulose for a particular application.²⁴ Differences in

²³ The elasticity of substitution is defined as the percentage change in the relative quantities of two goods resulting from a 1 percent change in their relative price.

²⁴ Report at A-3.

quality may nonetheless affect the ease with which the product is used or the quality of the outcome. Factors like the viscosity of the product, the presence of impurities, and the quality of the cellulose base affect the overall merchantability of the product.²⁵

The subject imports fall into two categories, each of which has a separate level of substitutability. At the low end of the substitutability spectrum are the Brazilian, Chinese, and Korean products. The evidence regarding these products is mixed, with some purchasers finding imports from these countries entirely on a par with the domestic product and others reporting problems with quality.²⁶ Most of these purchasers also buy nitrocellulose from petitioner. One purchaser, who also purchased nitrocellulose from petitioner, was responsible for almost all of the imports from Yugoslavia. That purchaser reported problems with the quality of the Yugoslav product. The data regarding imports from the United Kingdom, Japan, and West Germany uniformly suggest that imports from these countries are at least comparable and perhaps superior to the domestic product in terms of quality.²⁷

Because of the conflicting reports, the Commission staff estimated that substitutability, in numeric terms, ranged from a

²⁵ Report at A-48.

²⁶ Office of Investigations Memorandum INV-N-058 (June 15, 1990) (the "Economics Memorandum") at 22-30.

²⁷ Id.

relatively low 1 to a relatively high 4. In the aggregate, it appears to me that the substitutability of all the subject imports with the domestic product must fall at the high end of the range. In 1989, imports from Japan, the United Kingdom, and West Germany accounted for approximately two-thirds of all imports. These are the countries whose imports are deemed most substitutable with the domestic product, thus weighting the aggregate substitutability to the high end of the range. With respect to the imports from Korea, the PRC, Brazil, and Yugoslavia, purchasers were divided on whether these imports were consistently of the same quality as the domestic product. However, these imports' persistent and, in some cases, growing market share suggests that, for the purposes for which they are purchased, they are in fact substitutable with the domestic product. Purchasers of these imports also purchase the domestic product and they would not be likely to purchase more of the imports if the price of imported product were higher, i.e., sold at a "fair" price. Indeed, given the problems associated with imports from these countries and the intermediate steps that often must be taken to use these imports,²⁸ even a small or moderate rise in their price might result in a significant shift in purchasing decisions.

With respect to the impact of the imports on the domestic industry, the order of the two groups remains largely intact.

²⁸ For example, problems with viscosity may require the purchaser to mix different batches of nitrocellulose and impurities in the product may require filtration.

The imports with a high degree of substitutability with the domestic product -- with the exception of those from Japan -- had the low dumping margins in the 3 to 11 percent range. The high degree of substitutability suggests, however, that even a small difference in price would result in a shift from the imports to the domestic product. With respect to the other imports for which substitutability is more debatable, the dumping margins were, with the exception of Yugoslavia, relatively high. Imports from Japan are highly substitutable and have a high dumping margin. Particularly in light of the fact that questions about the substitutability of many of these imports revolve around their inferiority rather than their superiority, the pricing practices revealed by the high dumping margins indicates a large impact on the domestic industry.

Responsiveness of Aggregate Demand to Changes in Price. Another factor that influences the amount of injury a domestic industry suffers as a result of dumped imports is the responsiveness of the aggregate demand for that product to a change in price. If demand is highly responsive, a lowering of price as a result of dumping will generate a large increase in total sales of the product. In such a case, a relatively large portion of the increased sales by the firms engaged in dumping will be sales that would not have occurred had the price been higher and a relatively small portion of the increase in sales of the unfair imports will be sales lost by domestic producers. By contrast,

if the total quantity demanded does not increase significantly with the decrease in price, most of the sales gained by importers engaging in dumping will come from the domestic producers or from other sources of imports. Thus, the greater the price responsiveness of demand, the less likely it is that the domestic industry is materially injured. The economic concept used to measure this responsiveness is the elasticity of aggregate demand.²⁹ The higher this elasticity, the more responsive demand is to a change in price.

The elasticity of demand for nitrocellulose depends primarily on two factors -- the elasticity of demand for products that contain nitrocellulose and the ready availability of close substitutes for nitrocellulose in its principal applications. Based on an analysis of these factors, the staff estimates an elasticity of demand in the low range of -0.2 to -0.5.

I concur in the staff's estimate. At the present time, which is the only relevant time given the present tense used in the statute, there are no ready substitutes for nitrocellulose in its principal applications. However, environmental concerns regarding nitrocellulose have generated considerable research in the development of substitutes.³⁰ For example, as a result of one successful search for a substitute, nitrocellulose is no

²⁹ The elasticity of demand is defined as the percentage change in the quantity of a product demanded resulting from a 1 percent change in the average price of the product. The elasticity of demand is expressed as a negative number reflecting the fact that demand tends to rise as price falls and vice versa.

³⁰ Report at A-8.

longer used in paint for auto bodies. That breakthrough occurred several years ago, however, and has no impact on the current demand for nitrocellulose. Nonetheless, rather than stabilizing, apparent U.S. consumption of nitrocellulose has declined [*] percent since 1987. In light of the fact that the search for substitutes and the decline in consumption are generated by environmental and not price concerns, a drop in the price of nitrocellulose is not likely to generate interest in new applications for nitrocellulose or a return to use of the product in applications for which it has been abandoned.

With respect to the demand for products containing nitrocellulose, substitutes for coatings that contain nitrocellulose are available. Furthermore, nitrocellulose accounts for a significant portion of the cost of these products. A change in the price of nitrocellulose would thus have a significant impact on the price of most products that contain nitrocellulose. Purchasers might then substitute other coatings, leading to the conclusion that the demand for nitrocellulose is somewhat elastic. On the other hand, moving down the production cycle, the coatings in which nitrocellulose are used constitute a small part of the cost of the final product (furniture or, previously, automobiles) sold to the consumer. Indeed, the evidence supports the conclusion that the furniture industry has substituted molded plastic components and roll-on imitation wood finishes for more expensive natural wood, thereby decreasing

demand for lacquers containing nitrocellulose.³¹ The demand of the furniture producer and consumer who want a particular finish will not be greatly affected by the price of nitrocellulose.³² It is thus reasonable to conclude on the basis of the evidence in this case that the demand for nitrocellulose is within the low range estimated by the staff.

Responsiveness of Domestic Supply to Changes in Price and the Issue of Market Power. Another variable that will influence the effect of dumping on the domestic industry is the responsiveness of domestic supply to a change in price. If domestic supply is highly responsive -- that is, if a slight increase in price will cause domestic firms to increase the quantities they produce by relatively large amounts -- the effect of dumping is likely to be found primarily in decreased quantities sold by domestic firms. In such a case, dumping is unlikely to cause much of a decline in the price at which the domestic like product is sold. On the other hand, if a price increase results in only a small increase in domestic production, dumping may result in a smaller effect on the quantity produced by the domestic industry and a bigger

³¹ Report at A-8.

³² As explained above with respect to automobiles, this conclusion is buttressed by the fact that research into substitutes for nitrocellulose appears to be proceeding at a rapid clip because of environmental and safety rather than price concerns. Apparently those doing the research suspect that they could easily displace nitrocellulose as a coating base with little regard for price, suggesting that the demand for nitrocellulose itself is not sensitive to price.

effect on the price of the domestic good. In other words, if supply easily expanded or contracted in response to a change in price, producers will vary supply and keep the price relatively constant. If supply is not easily expanded or contracted, producers will keep supply constant and vary prices in response to changes in the market. The price responsiveness of domestic supply is measured by the elasticity of domestic supply.³³

Domestic supply elasticity in this case is an extremely complicated concept. Because petitioner is the only domestic producer of nitrocellulose and commands a substantial share of the domestic market, the issue has been raised whether Hercules exercises market power in the domestic nitrocellulose market. If petitioner exercises market power -- a fact that it denies and respondents contend -- then the elasticity of domestic supply is meaningless. In simple terms, in a market dominated by one firm supply responds to the profit-maximization strategy of the monopolist and not the competitive dictates of the market. In a competitive market, the supply of a product will generally increase as the price rises, but in a market in which a monopolist exercises market power, supply may remain constant or even decrease as the monopolist seeks that price-supply level that maximizes its profits.

In order to address this point, I asked at the hearing in this investigation whether the petitioner could garner monopoly

³³ The elasticity of supply is defined as the percentage change in the quantity of domestic production resulting from a one percent change in the price of the domestic good.

rents in the absence of unfair imports. The most typical response by the parties was that the antitrust laws have no application in this case and that petitioner's present or potential market power should not be a barrier to relief. I concur in this view. The courts have made very clear the exact opposite nature of the antitrust and antidumping laws. Says the Supreme Court: "The antitrust laws were enacted for 'the protection of competition, not competitors'."³⁴ Says the Court of International Trade: It is error "to assume that the purpose of the antidumping statute is to prevent a particular type of 'injury to competition' rather than merely 'injury to industry'".³⁵

My question was more focused, however. It pertained specifically to whether a monopolist, deprived of the opportunity to exercise market power because of competition from unfair imports, suffers material injury by reason of those imports and whether that scenario has any relevance to this case. Counsel for Asahi recognized the import of the question, but ingeniously focused on whether petitioner exercises market power now, not whether petitioner might exercise market power with the advent of an antidumping order.³⁶ Counsel reached an affirmative

³⁴ Atlantic Richfield Co. v. USA Petroleum Co., No. 88-1688, 58 U.S.L.W. 4547, 4550 (U.S. May 15, 1990), quoting Brown Shoe Co. v. United States, 370 U.S. 294, 320 (1962) (emphasis in original).

³⁵ USX Corp. v. United States, supra, 682 F. Supp. 60, 65 (1988).

³⁶ Posthearing Brief of Asahi Chemical Industry Co. at 2.

conclusion, deriving therefrom the proposition that petitioner cannot have incurred the requisite injury since it sets domestic prices. While intriguing, this argument is not supported by substantial evidence on the record.

In fact, I must conclude on the basis of the evidence on the record that petitioner does not exercise market power now and would not to a significant degree even with a dumping order. Almost all purchasers of nitrocellulose purchase from more than one source. There does not seem to be a limit on the availability of nitrocellulose from foreign suppliers of the type and quality that a particular purchaser would need. Furthermore, the imports that have garnered the greatest market share -- i.e., those from Germany and the United Kingdom -- have very low dumping margins. An antidumping order might afford petitioner some ability to raise its price, but nothing suggests that it would be able to do so in such a way as to drive imports from the market altogether. Substantial evidence on the record supports the conclusion that the domestic industry is materially injured by reason of the subject imports -- particularly in terms of volume of product sold -- but not that the petitioner would acquire thereby significant market power.³⁷

³⁷ Other factors suggest that, had the dumping margins been greater, the petitioner might be able to garner monopoly status as a result of an antidumping order. Not only is the advent of increased domestic production from other chemical companies unlikely, but construction of a new nitrocellulose plant is quite expensive. While we have no evidence on the cost of converting another chemical plant to nitrocellulose production, we do know that DuPont in the late 1970s left the nitrocellulose business rather than invest the capital necessary to bring its plant up to

With regard to the legal question I raised at the hearing, I am reluctant to leave it without discussion even though it is not germane to my determination. Parties did brief the issue to a certain extent at my instigation. I therefore raise the following issues for the purposes of future discussion.

As the quotations from the Supreme Court and the Court of International Trade set forth above point out, our inquiry is not an antitrust inquiry. Our sole focus is injury to a domestic industry, and permits no room for distinguishing an industry comprised of one or one thousand producers. Indeed, although the Court of International Trade has rejected antitrust analysis as a component of injury analysis, it has said that it "does not condemn for all cases any inquiry into effects on competition; such inquiry can be a useful way of exploring the causation

environmental standards. Furthermore, any potential new competitor would have to take into account that demand for nitrocellulose is declining, and therefore the returns on investment -- especially if pricing is forced to competitive levels -- are likely to be limited.

We have less information on the nitrocellulose production capacity in countries not involved in this investigation. A French company has substantial production capacity that could be diverted to the United States if encouraged in that regard by monopoly rents. Imports from France, however, are covered by a previous antidumping order. Imports from other countries have never been a major factor in the United States. It seems unlikely, at least in the short run, that countries that have not in recent years participated in the U.S. market would be able quickly to fill the gap generated by the withdrawal of other imports. In sum, there is considerable reason to believe that an antidumping order in this case will provide petitioner with some flexibility to raise its prices above current levels without attracting significant domestic or foreign competition.

issue."³⁸ Unfortunately, the court did not explain this point further.

More to the point, market power manifests itself through price increases that generate monopoly rents (i.e., supercompetitive profits) to the dominant firm. The statute mandates that the Commission assess as an indicator of injury by reason of imports whether "the effect of imports . . . depresses prices to a significant degree or prevents price increases, which otherwise would have occurred to a significant degree."³⁹ The suppression or depression of prices from levels that would generate monopoly rents thus fits within the plain language of the statute and might have some support in the case law as a valid basis on which to find material injury by reason of the dumped imports.

However, an antidumping order that permits a monopolist in the domestic industry to garner monopoly rents does not have a uniform impact on all of the economic factors relevant to the Commission's determination. The exercise of market power and the associated increase in the dominant firm's revenues have a positive impact on certain attributes of the domestic industry mentioned in the statute, including profit, return on investments, cash flow, and the ability to raise capital.⁴⁰ On the other hand, the profit-maximizing behavior of a monopolist

³⁸ USX, supra, 682 F. Supp. at 67.

³⁹ 19 U.S.C. § 1677(7)(C)(ii)(II).

⁴⁰ Id., § 1677(7)(C)(iii).

with market power involves a decrease in domestic production and, consequently, a decrease in domestic employment. These are also areas of concern under the dumping laws.⁴¹ Thus, the application of the antidumping laws in a situation that would create a monopolist with market power at the same time enhances the return to domestic capital while reducing domestic production and employment. The statute provides no basis for deciding whether or not this state of affairs constitutes injury to a domestic industry. I am fortunate that the decision can await another day.

Conclusion

In sum, while the dumping margins in this case are not high, the large and increasing market share enjoyed by the dumped imports, plus their substantial substitutability with the domestic product, leads me to conclude that even a small decrease in prices resulting from the subject imports has a material impact on the petitioner's domestic shipments. The nature of the domestic nitrocellulose market, and particularly the low elasticity of demand for the product, also indicates that a rise in the price of the imports would have a substantial impact on the amount of product sold by petitioner. For these reasons, I conclude that the domestic industry is materially injured by reason of the dumped imports at issue in this case.

⁴¹ Id.

ADDITIONAL VIEWS OF COMMISSIONER ECKES

I wish to add several brief comments on a subject of continuing controversy within the Commission: the relationship between less-than-fair value imports and injury to the domestic industry.

It is my understanding that at least one Commissioner continues to rely extensively on elasticity numbers for the purpose of evaluating that relationship. Elasticities are regarded in some quarters as an improved method for analyzing the causation issue in dumping and countervailing duty investigations.

On other occasions I have noted some of my concerns about excessive reliance on elasticity numbers in certain types of investigations, and it is not necessary to dwell on this issue here. Assuming for a moment that elasticity analysis does offer an improved method for evaluating the impact of unfairly traded imports on the price and quantity of domestic production, it is still not possible to claim that elasticity analysis constitutes a legally sufficient substitute for traditional trend analysis.

Pursuant to 19 USC sec. 1677(7)(C) the Commission is required to consider "the impact of imports of such merchandise on the domestic producers of like products." And, the statute clarifies that the

Commission shall evaluate all relevant economic factors which have a bearing on the state of the industry, including, but not limited to--

(i) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,

(ii) factors affecting domestic prices, and

(iii) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments."

It is my impression that the exponents of elasticity analysis make no consistent and transparent effort to employ elasticities for the purpose of evaluating the following relationships addressed in the statute: the impact of imports on cash flow, the effect of imports on inventories, the effect of imports on employment, the effect of imports on wages, the effect of imports on growth, and the effect of imports on the ability of domestic producers to raise capital and investment. Certainly Commission economists do not circulate to Commissioners generally any economic analysis of these "key" economic relationships, required for statutory sufficiency.

I acknowledge that over the last few years improvements may have been made in the use of Commission economic analysis. Certainly, the methods of economic analysis are more transparent than previously. But, a huge problem remains. Those who rest injury determinations on the results of elasticity relationships do so without having analyzed in economic terms all the relationships required by the statute.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

Following preliminary determinations by the U.S. Department of Commerce that imports of industrial nitrocellulose¹ from Brazil, Japan, the People's Republic of China (PRC), the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia 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 March 1, 1990, instituted investigations Nos. 731-TA-439-444 (Final), and effective April 19, 1990, instituted investigation No. 731-TA-445 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 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 notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the Federal Register.² The hearing was held in Washington, DC, on May 29, 1990.³

Effective May 22, 1990, Commerce determined (in final LTFV determinations) that imports of industrial nitrocellulose from Japan, the PRC, the Republic of Korea, the United Kingdom, and West Germany are being, or are likely to be, sold in the United States at LTFV; and effective June 6, 1990, 1990, Commerce determined (in a final determination), that imports of industrial nitrocellulose from Brazil are being, or are likely to be, sold in the United States at LTFV. A final LTFV determination is due to be made on July 2, 1990, for Yugoslavia. The applicable statute directs that the Commission make its final injury determinations within 45 days after the final determinations by Commerce.

Background

These investigations result from a petition filed by Hercules, Inc., Wilmington, DE, on September 19, 1989, alleging that an industry in the United States is materially injured or threatened with material injury by reason of imports of industrial nitrocellulose from Brazil, Japan, the PRC, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia. In response to

¹ Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent, which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. The scope of these investigations does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent. Industrial nitrocellulose is provided for in subheading 3912.20.00 of the Harmonized Tariff Schedule of the United States (HTS).

² Copies of cited Federal Register notices are presented in app. A.

³ A list of witnesses appearing at the Commission's hearing is presented in app. B.

that petition the Commission instituted investigations Nos. 731-TA-439 through 445 (Preliminary) under section 733 of the Tariff Act of 1930 (19 U.S.C § 1673b(a)) and, on November 3, 1989, unanimously determined that there was such a reasonable indication of material injury.

Previous Commission Investigations Concerning Nitrocellulose

There have been two previous Commission investigations concerning nitrocellulose. During June 1983 the Commission determined, pursuant to section 705(b)(1) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)(1)), that an industry in the United States was materially injured by reason of imports of nitrocellulose from France that had been found by the Department of Commerce to be subsidized by the Government of France.⁴ During July 1983 the Commission determined, pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)(1)), that an industry in the United States was materially injured by reason of imports of nitrocellulose from France that were found by the Department of Commerce to be sold in the United States at LTFV.⁵

The Product

Product description

The imported product subject to these investigations is industrial nitrocellulose (also known as cellulose nitrate(s)). Industrial nitrocellulose is a white, amorphous, plastics material prepared commercially by reacting cellulose, from wood pulp or cotton linters, with an aqueous mixture of nitric acid and sulfuric acid. The following tabulation shows the quantities of industrial nitrocellulose that were derived from wood pulp and from cotton linters in 1989 shipped by the U.S. producer for domestic consumption and imported from the seven countries subject to these investigations (in thousands of wet pounds):

<u>Source</u>	<u>Produced from--</u>		<u>Total</u>
	<u>Wood pulp</u>	<u>Cotton linters</u>	
U.S. producer.....	***	***	***
Imports:			
Brazil.....	***	***	***
Japan.....	***	***	***
People's Republic of China.....	***	***	***

⁴ Nitrocellulose from France: Determination of the Commission in Investigation No. 701-TA-190 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation, USITC Publication 1390, June 1983.

⁵ Nitrocellulose from France: Determination of the Commission in Investigation No. 731-TA-96 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation, USITC Publication 1409, July 1983.

Republic of Korea..	***	***	***
United Kingdom.....	***	***	***
West Germany.....	***	***	***
Yugoslavia.....	***	***	***
Seven-country total.....	***	***	***
Total United States and seven countries.....	***	***	***

As shown in the tabulation, * * * percent of Hercules' 1989 domestic shipments of industrial nitrocellulose was derived from wood pulp, and * * * percent of 1989 imports of industrial nitrocellulose from the seven countries subject to these investigations was derived from wood pulp. However, most (all in several instances) of the nitrocellulose imported in 1989 from Brazil, Japan, the PRC, the Republic of Korea, and Yugoslavia was derived from cotton linters.

Both imported and domestic industrial nitrocellulose are available in the following commercial grades, or their equivalents:

<u>Product</u>	<u>Nitrogen content Percent</u>
SS-type.....	10.8-11.2
AS-type.....	11.3-11.7
RS-type.....	11.8-12.2

The RS-type nitrocellulose accounted for approximately * * * percent of domestic production of industrial nitrocellulose in 1989 and accounted for about * * * percent of imports in 1989 from the seven countries subject to these investigations. RS-type nitrocellulose is soluble in ketones, esters, and ether-alcohol mixtures and has a high tolerance for aromatic hydrocarbons. The compatibility of RS-type nitrocellulose with many synthetic resins accounts for its widespread use in the production of lacquer coatings. AS-type nitrocellulose is soluble in the same solvents as RS-type nitrocellulose but tolerates higher proportions of alcohols in the solvent blend. SS-type nitrocellulose is soluble in alcohols and is more thermoplastic than the other types. SS-type is preferred in rotogravure and flexographic inks due to its solubility in solvent systems with high alcohol contents. In addition, Hercules has marketed "off-specification" industrial nitrocellulose that it calls "Z-grade," which is a mixture of RS-, AS-, and SS-types.⁶ Z-grade nitrocellulose is recovered from a recycled water stream for environmental reasons and is reportedly not produced intentionally. No imports of industrial nitrocellulose equivalent to Hercules' Z-grade were reported, although there is information on the record that there have been quality problems with nitrocellulose from the PRC⁷ and some Z-grade production was reported in * * *.

⁶ Transcript of conference, pp. 23-25.

⁷ Ibid., p. 130.

Since it is hazardous to ship or store nitrocellulose in the dry form because of its flammable and even explosive nature, it is usually shipped or stored wet with 30 percent or more alcohol or with 18 percent or more of a plasticizer such as dibutyl phthalate, as required by the U.S. Department of Transportation.⁸ The specific alcohol used to wet the nitrocellulose may vary and, depending on customers' requirements, water, plastic, or other wetting agents may be used instead of alcohol. Further, the Brazilian respondent has stated that it uses ethyl alcohol as a wetting agent because that alcohol is plentiful in Brazil.⁹

At the Commission's conference, counsel for ICI Americas, Inc., and counsel for Wolff Walsrode argued that industrial nitrocellulose shipped with a plasticizer is a separate like product from nitrocellulose shipped with alcohol.¹⁰ Therefore, for these final investigations, the domestic producer and all importers were requested to report trade data by type of wetting agent. Responses to this request are presented in appendix C. As can be seen from the data in appendix C, most industrial nitrocellulose is marketed wet with isopropyl alcohol, and lesser quantities are marketed wet with ethyl alcohol or other wetting agents.¹¹

There is another type of nitrocellulose known as explosive nitrocellulose, or guncotton. Explosive nitrocellulose is used in smokeless gun powder and explosives (such as dynamite) and is generally more viscous and higher in nitrogen content (12.6 to 13.4 percent compared with 10.8 to 12.2 percent) than is industrial nitrocellulose. Further, explosive nitrocellulose is not soluble in the solvents used to dissolve industrial nitrocellulose and is, therefore, unsuitable for use as industrial nitrocellulose. Explosive nitrocellulose is usually shipped wet with water rather than with alcohol. Explosive nitrocellulose was specifically excluded by the petitioner from the scope of the LTFV complaints.

Manufacturing processes

In the Hercules process, the cellulose and mixed nitrating acids are fed continuously and simultaneously into a vessel, where nitration of the cellulose takes place. After nitration, the slurry of nitrocellulose and spent acid is passed into a centrifuge, which removes the spent acids and

⁸ See 49 CFR § 173.177.

⁹ Postconference brief of counsel on behalf of Companhia Nitro Quimica Brasileira, p. 16.

¹⁰ Transcript of conference, pp. 101 and 133.

¹¹ In 1989, * * * percent of Hercules' domestic shipments of industrial nitrocellulose was wet with isopropyl alcohol, * * * percent was wet with ethyl alcohol, * * * percent was wet with other alcohols, * * * percent was wet with toluene, and * * * percent was wet with other wetting agents, usually water.

Of the 1989 imports of industrial nitrocellulose from the seven countries subject to these investigations, * * * percent was wet with isopropyl alcohol, * * * percent was wet with ethyl alcohol, * * * percent was wet with plasticizers, and * * * percent was wet with other wetting agents, usually water.

water. After removal from the centrifuge, the product is boiled for stability and fed into a continuous digester for proper molecular weight control.

* * *. The alcohol-wet nitrocellulose is then packaged into steel drums for shipment. Both the industrial and explosive nitrocellulose are produced in similar equipment up through the nitration step. Beyond nitration, however, the facilities for industrial and explosive nitrocellulose are distinct.

A flow chart of the Hercules production process for industrial nitrocellulose is shown in figure 1. Hercules uses a continuous, or semi-continuous, process for the production of nitrocellulose, while some foreign producers use batch processes.¹² Further, counsel for Wolff argues that the manufacturing process for the production of plasticized nitrocellulose is different from that used to produce nitrocellulose wet with alcohol.¹³

Uses

Industrial nitrocellulose is used principally in the manufacture of fast-drying, durable, lacquer coatings. These nitrocellulose lacquers provide a high-luster shine to the coated articles. For over 60 years, nitrocellulose lacquers have been used by the furniture industry because of their ease of application, fast drying, and ease of repair. Other uses for industrial nitrocellulose include metal lacquers, printing inks, and stains and lacquers for leather. Reportedly, some end-use applications (i.e., certain lacquers and inks) cannot use alcohol-wet nitrocellulose;¹⁴ therefore, plasticized nitrocellulose or other alcohol-free nitrocellulose is used for those applications. Plasticized industrial nitrocellulose accounted for * * * percent of apparent U.S. consumption in 1989.

U.S. tariff treatment

Effective January 1, 1989, imports of industrial nitrocellulose are classified in subheading 3912.20.00, covering cellulose nitrates (including collodions), of the HTS.¹⁵ The current column 1-general rate of duty for industrial nitrocellulose, applicable to imports from Japan, the PRC, the Republic of Korea, the United Kingdom, and West Germany, is 5.2 percent ad valorem.¹⁶ Imports of industrial nitrocellulose from Brazil and Yugoslavia

¹² Postconference brief of counsel on behalf of Asahi, p. 25.

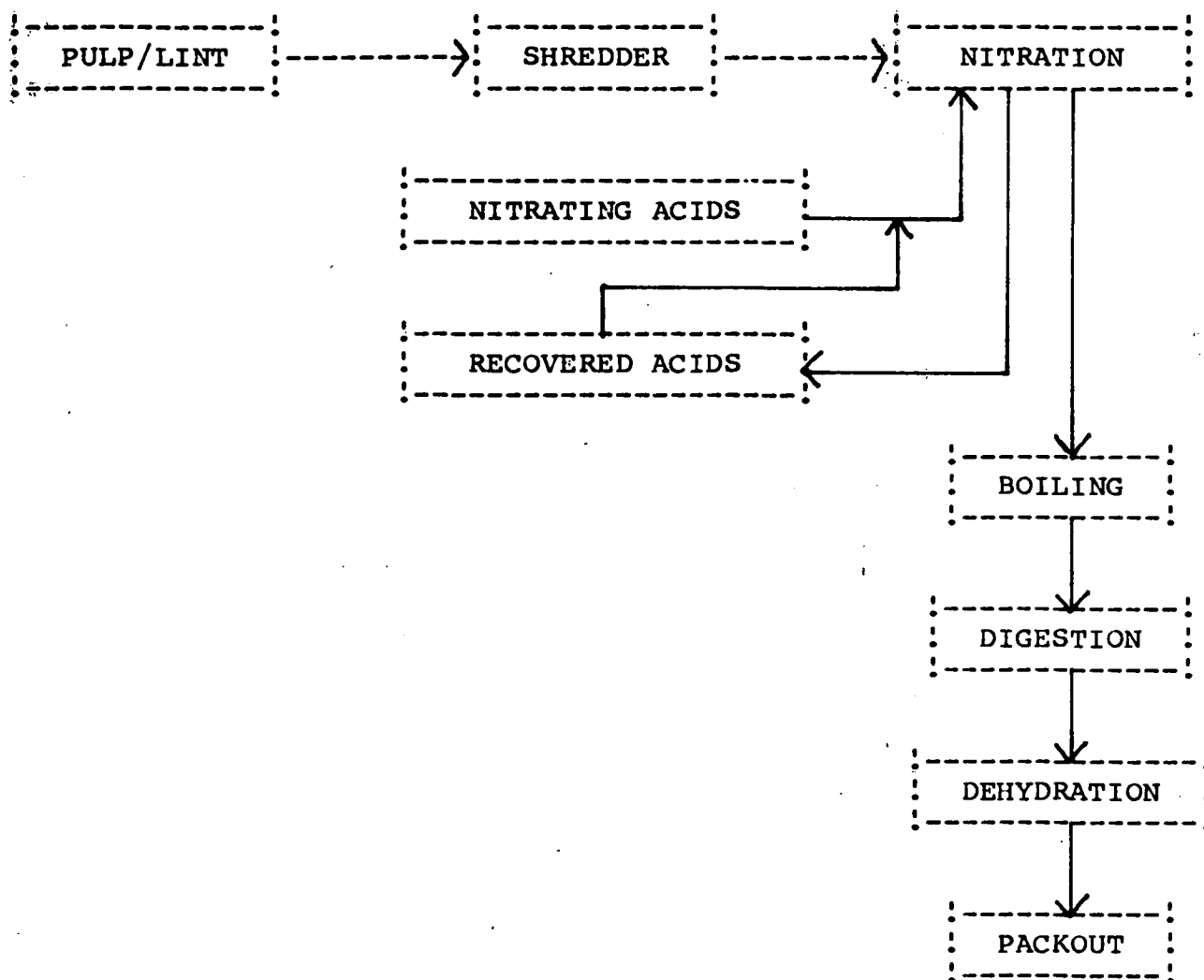
¹³ Postconference brief of counsel on behalf of Wolff Walsrode AG, p. 7.

¹⁴ Ibid., pp. 5-6.

¹⁵ Prior to 1989, imports of nitrocellulose were classified in item 445.25 of the former Tariff Schedules of the United States, which covered synthetic cellulosic plastics materials other than cellulose acetate.

¹⁶ The rates of duty in col. 1-general are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general note 3(b) of the HTS. However, MFN rates would not apply if preferential tariff treatment is sought and granted to products of developing countries under the GSP or the Caribbean Basin Economic Recovery Act (CBERA) or to products of Israel under the special rates of duty subcolumn. Eligible nitrocellulose imported from Canada has a reduced rate of duty of 3.1 percent ad valorem under the United States-Canada Free-Trade Agreement. The column 2 rate of duty, applicable to certain Communist countries, is 34.5 percent ad valorem.

Figure 1
SCHEMATIC OF HERCULES' NITROCELLULOSE PRODUCTION



Source: Hercules, Inc.

are eligible to receive duty-free entry because these countries have been designated as beneficiary developing countries under the Generalized System of Preferences (GSP). Hercules petitioned the United States Trade Representative (USTR) to remove GSP treatment for imports of nitrocellulose from Brazil and Yugoslavia. The USTR requested the Commission's advice on Hercules' request, and the Commission held a hearing on October 4, 1989, to allow parties to testify in support of and in opposition to Hercules' GSP request. On April 26, 1990, the President proclaimed that, effective July 1, 1990, cellulose nitrates (HTS 3912.20.00) will be removed from the list of GSP-eligible items.

The Nature and Extent of Sales at LTFV

Effective May 22, 1990, Commerce determined (in final LTFV determinations) that imports of industrial nitrocellulose from Japan, the PRC, the Republic of Korea, the United Kingdom, and West Germany are being, or are likely to be, sold in the United States at LTFV (55 FR 21051-21061). Effective June 6, 1990, Commerce determined (in a final LTFV determination) that imports of industrial nitrocellulose from Brazil are being, or are likely to be, sold in the United States at LTFV (55 FR 23120). Effective April 24, 1990, Commerce preliminarily determined that imports of industrial nitrocellulose from Yugoslavia are being, or are likely to be, sold in the United States at LTFV (55 FR 17290). Commerce's final margins, except for Yugoslavia, are presented in the following tabulation (in percent ad valorem):

<u>Country</u>	<u>LTFV margin</u> <u>(percent ad valorem)</u>
Brazil.....	61.25
Japan.....	66.00
PRC.....	78.40
Republic of Korea.....	66.30
United Kingdom.....	11.13
West Germany.....	3.84
Yugoslavia.....	9.42 ¹⁷

For reasons stated in its notices (app. A), Commerce used the information submitted by the petitioner as the "best available information" to determine the LTFV margins for Japan, the PRC, and Korea. Exhibit 4 of the petition contains a general explanation of the methodology used by petitioner for LTFV margin calculations. Exhibits 5 through 11 of the petition contain detailed margin calculations for manufacturers in each of the subject countries.

As discussed in the Commerce notices, the producers of nitrocellulose in Brazil, the United Kingdom, and West Germany cooperated with Commerce during its investigations. Commerce is currently attempting to verify all information for Yugoslavia prior to making its final LTFV determination.

¹⁷ Preliminary LTFV margin.

The Domestic Market and Channels of Distribution

The derived demand for nitrocellulose as a key input for lacquer coatings has its origin in a broad range of products that use such coatings. End uses and their approximate percentage contribution to 1989 demand for nitrocellulose lacquers are listed below.

<u>End use</u>	<u>Estimated percentage distribution of demand</u>
Furniture and wood products.....	40
Flexographic and rotogravure inks.....	28
Automotive refinishing.....	3
Cellophane coating.....	2
Fingernail polish.....	1
Leather coating.....	8
Miscellaneous applications.....	<u>18</u>
Total.....	100

Demand for nitrocellulose for manufacturing coatings for the furniture industry has decreased somewhat in recent years as molded plastic components and roll-on imitation wood grain finishes have replaced natural wood in furniture manufacturing. Finishes for automobile bodies have been developed that do not contain nitrocellulose and, therefore, have also lowered demand for nitrocellulose for that category of end use. Environmental controls imposed on manufacturing processes and uses that involve toxic and carcinogenic solvents have also cut into the market for nitrocellulose and its end products and is a consideration of increasing concern for end users.

Sales of nitrocellulose are made directly to end users by the domestic producer and by most importers. In 1989, for example, * * * percent of importers' shipments were to distributors, * * * percent were to related end users, and * * * percent were to unrelated end users.

Some major end users import for their own account. Other end users buy from importers who may arrange drop-shipment directly from the foreign supplier or may ship from port of entry or regional warehouse inventory in the United States. * * *.

The market for nitrocellulose in terms of customers and volume considerations is characterized by a so-called 80/20 pattern. Conference testimony revealed that 80 percent of the volume of shipments is accounted for by 20 percent of the total number of customer accounts. This means a relatively small number of purchasers order nitrocellulose in large quantities.

U.S. consumption

The data on apparent U.S. consumption of industrial nitrocellulose presented in table 1 are composed of Hercules' domestic shipments of industrial nitrocellulose, reported in response to the Commission's

Table 1

Industrial nitrocellulose: U.S. producer's shipments, U.S. imports, U.S. exports, and apparent U.S. consumption, 1986-89, January-March 1989, and January-March 1990

(In thousands of wet pounds)						
Item	1986	1987	1988	1989	January-March-- 1989	1990
U.S. producer's shipments:						
Domestic.....	***	***	***	***	***	***
Export 1/.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
U.S. imports from--2/						
Brazil.....	***	***	***	***	***	***
Japan.....	***	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***	***
Republic of Korea....	***	***	***	***	***	***
United Kingdom.....	***	***	***	***	***	***
West Germany.....	***	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
France.....	2,776	2,295	461	609	120	77
Subtotal.....	***	***	***	***	***	***
All other countries..	1,592	2,121	1,229	365	48	61
Total imports.....	***	***	***	***	***	***
Apparent U.S. consumption.....	***	***	***	***	***	***

1/ Principal export markets in 1989 were Canada and Mexico.

2/ Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission for Brazil, Japan, the PRC, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia; and compiled from official statistics of the U.S. Department of Commerce for other countries.

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, except as noted.

questionnaires; imports of nitrocellulose from the seven countries concerned in these investigations, reported in response to the Commission's questionnaires; and imports of cellulose plastics materials (other than cellulose acetate) for TSUS item 445.25 reported in official statistics of the U.S. Department of Commerce (Commerce) for 1986-88 and imports of nitrocellulose (cellulose nitrates) for HTS subheading 3912.20.00 reported in Commerce statistics for 1989-90 for all countries for which the Commission's questionnaire responses were not used.

On the basis of the data presented in table 1, apparent U.S. consumption of industrial nitrocellulose increased * * * percent from 1986 to 1987, decreased * * * percent from 1987 to 1988, and then dropped * * * percent from 1988 to 1989.

U.S. producer

Hercules, Inc., Wilmington, DE, is the only remaining U.S. producer of industrial nitrocellulose.¹⁸ Hercules produces both industrial and explosive nitrocellulose for commercial markets at Parlin, NJ. The nitrocellulose operations of Hercules were reorganized, effective January 1, 1990, into a subsidiary corporation, Aqualon; however, the name Hercules is used to refer to the firm in this report.

Hercules, as a corporation, has annual sales of approximately \$3 billion; employs about 24,000 people; and considers itself a world leader in such areas as paper chemicals, food ingredients, and water-soluble polymers. Hercules has a large ordnance operation which it operates, under contract, for the Federal Government.¹⁹

U.S. importers

Information provided by the petitioner and the U.S. Customs Service identified about 60 firms that were potential importers of nitrocellulose. Questionnaires were sent to the firms named in the petition and identified through Customs documents.

There is a complicated network of importers, agents for importers, customs brokers, foreign producers, agents for foreign producers, and end users involved with the importation of industrial nitrocellulose into the United States. Therefore, most of the questionnaires were returned with the cover page certifying that the respondent did not import industrial nitrocellulose during any of the period January 1986-March 1990. However, a

¹⁸ Prior to 1977, E.I. du Pont de Nemours & Co., Wilmington, DE, produced industrial nitrocellulose at a plant in Carney's Point, NJ. On July 19, 1977, the firm announced to its customers that it was phasing out the sale of industrial nitrocellulose by Dec. 30, 1977. The reason Du Pont gave for the plant closure was the company's view that capital expenditures to modernize its production plant to meet environmental regulations were not justified because the nitrocellulose market would continue to shrink in future years.

¹⁹ Transcript of conference, pp. 15-16.

few importers accounted for most of the imports and, in several instances, one importer accounted for most if not all imports from a particular country. Thus, questionnaire responses were received from the principal importers of industrial nitrocellulose.

Specifically, Warner Chemicals Inc., Richmond, VA, and its related companies, is the exclusive U.S. agent for Nitro Quimica, the only producer of nitrocellulose in Brazil.²⁰ Therefore, Warner's questionnaire response should account for all imports of industrial nitrocellulose from Brazil.

Questionnaire responses were received from * * * importers of industrial nitrocellulose from Japan. These firms are * * *. * * *. * * *. These questionnaire responses are believed to account for most, if not all, of the imports of industrial nitrocellulose from Japan.²¹

Questionnaire responses were received from * * * importers of industrial nitrocellulose from the PRC. These firms are * * *. * * *. * * *.

* * * imports of industrial nitrocellulose from Korea. * * * from Korea.

A questionnaire response was received from ICI Americas, Inc., Wilmington, DE. ICI Americas is the exclusive U.S. importer and distributor of industrial nitrocellulose manufactured by ICI PCL, the only producer in the United Kingdom.²² Therefore, this questionnaire response should account for all imports of industrial nitrocellulose from the United Kingdom.

Questionnaire responses were received from * * * importers of industrial nitrocellulose from West Germany, Wolff Products Co., Burr Ridge, IL, * * *. Wolff Products is an independently operated division of Mobay Corp. and an importer of industrial nitrocellulose from Wolff Walsrode AG, West Germany.²³ * * *. * * *. These * * * importers are believed to have accounted for most, if not all, imports of industrial nitrocellulose from West Germany during January 1986-March 1990.

Yugoslavian nitrocellulose is distributed in the United States primarily through sales to AKZO Coatings Inc. (formerly Reliance Universal), Louisville, KY, although the "Yugoslavs did make a sale to Hercules in 1987, a relatively large sale."²⁴ Questionnaire responses were received from both AKZO and Hercules.²⁵ * * *. * * *. * * *. * * *.

²⁰ Ibid., p. 120.

²¹ In a letter dated Apr. 24, 1990, counsel for petitioner submitted, for the record, a copy of a memorandum sent to certain purchasers of industrial nitrocellulose by Skadden, Arps, Slate, Meager & Flom, counsel for Asahi Chemical Industry Co., Ltd. Hercules' counsel suggested that the Commission should evaluate those questionnaire responses in view of the memorandum.
* * *.

²² Transcript of conference, p. 99.

²³ Ibid., p. 108.

²⁴ Ibid., p. 117.

²⁵ In addition, the Commission learned late in these investigations that * * *. * * *'s imports are included in this final report.

In addition to the above, * * *. * * *. * * *. The principal importer of industrial nitrocellulose from France did not respond to the Commission's questionnaire; its response * * *.²⁶

Consideration of Alleged Material Injury

In order to gather data on the question of material injury to the U.S. industry producing industrial nitrocellulose, a questionnaire was sent to the sole domestic producer, Hercules, Inc.

U.S. capacity, production, and capacity utilization

The Commission requested Hercules to provide data on its average-for-period practical capacity²⁷ for 1986-89, January-March 1989, and January-March 1990 for industrial nitrocellulose, by types, and for explosive nitrocellulose. * * *. Reported capacity to produce both industrial and explosive nitrocellulose was constant during January 1986-March 1990 (table 2). Although one respondent argued that Hercules' reported capacity to produce industrial nitrocellulose should have been reduced in 1986 because of two fires during that year,²⁸ the design capacity of the plant remained unchanged, as is usually the case for established chemical plants. However, Hercules' production may have been reduced below what it would have been but for the fires.²⁹

U.S. production of industrial nitrocellulose increased by * * * percent from 1986 to 1987, dropped * * * percent from 1987 to 1988, and plummeted * * * percent from 1988 to 1989 (table 2). As shown in table 2, most of the domestic production of industrial nitrocellulose is of the RS-type, which accounted for * * * percent of total production in 1986, * * * percent in 1987, * * * percent in 1988, and * * * percent in 1989. Production of Z-grade industrial nitrocellulose accounted for * * * percent of total production in 1986, * * * percent in 1987, * * * percent in 1988, and * * * percent in 1989. Production of all types of industrial nitrocellulose during January-March 1990 decreased by * * * percent compared with the level of production in the corresponding period of 1989.

²⁶ However, * * * stated in a sworn statement that the firm was unable, for various reasons, to complete the Commission's questionnaire. Therefore, the official Commerce data remain the best available information for imports from France.

²⁷ Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. The producer was asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in its industry and locality in setting capacity in terms of the number of shifts and hours of plant operations. Reported data are for * * *. * * *. * * *.

²⁸ Prehearing brief on behalf of Asahi Chemical Industry Co., Ltd., attachment A, p. 2.

²⁹ Thus, Hercules' rate of effective capacity utilization in 1986 may be somewhat understated.

Table 2
Nitrocellulose, by types: Practical capacity, ^{1/} U.S. production, and capacity utilization, 1986-89, January-March 1989, and January-March 1990

(In thousands of wet pounds, except as noted)						
Item	1986	1987	1988	1989	January-March-- 1989	1990
Industrial nitrocellulose:						
Practical capacity: ^{1/}						
Average-of-period:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
U.S. production:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Other types ^{2/}	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Capacity utilization:						
Average-of-period:						
RS-type (percent).....	***	***	***	***	***	***
AS-type (percent).....	***	***	***	***	***	***
SS-type (percent).....	***	***	***	***	***	***
Z-grade (percent).....	***	***	***	***	***	***
Other types (percent).....	***	***	***	***	***	***
Total (percent)...	***	***	***	***	***	***
Explosive nitrocellulose:						
Practical capacity: ^{1/}						
Average-of-period.....	***	***	***	***	***	***
U.S. production.....	***	***	***	***	***	***
Capacity utilization:						
Average of period (percent).....	***	***	***	***	***	***

^{1/} Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operations. * * *

^{2/} The following tables do not have separate lines for "other types" of domestic nitrocellulose because no other types or grades were reported.

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.

The capacity utilization rate for industrial nitrocellulose increased by * * * percent from 1986 to 1987, dropped by * * * percent from 1987 to 1988, and fell sharply (by * * * percent) from 1988 to 1989. Capacity utilization declined by * * * percent during January-March 1990 compared with January-March 1989. * * *. * * *. * * *.

U.S. producer's shipments

Total shipments of all types of industrial nitrocellulose by Hercules increased slightly (by * * * percent) on the basis of quantity from 1986 to 1987, decreased by * * * percent from 1987 to 1988, and fell * * * percent from 1988 to 1989 (table 3). Such shipments dropped by * * * percent during January-March 1990 compared with total shipments during the corresponding period of 1989.

Domestic market shipments dropped * * * percent from 1986 to 1987, declined * * * percent from 1987 to 1988, and continued to drop (by * * * percent) from 1988 to 1989. Domestic market shipments during January-March 1990 were * * * percent below such shipments during the corresponding period of 1989.

Most domestic shipments of industrial nitrocellulose were of the RS-type, and such shipments accounted for * * * percent of all domestic shipments in 1986, * * * percent in 1987, * * * percent in 1988, and * * * percent in 1989. Shipments of Z-grade industrial nitrocellulose accounted for * * * percent of total domestic shipments in 1986 (based on quantity), * * * percent in 1987, * * * percent in 1988, and * * * percent in 1989. The unit values of domestic shipments of Z-grade industrial nitrocellulose were significantly lower than the unit values of types RS, AS, and SS industrial nitrocellulose.

Exports of domestically produced industrial nitrocellulose jumped * * * percent from 1986 to 1987, declined by * * * percent from 1987 to 1988, and decreased slightly (* * * percent) from 1988 to 1989. Exports of industrial nitrocellulose fell sharply (by * * * percent) during January-March 1990 compared with exports during January-March 1989. Principal export markets were Canada and Mexico; however, * * *.

Shipment data for explosive nitrocellulose are presented in table 4.

U.S. producer's inventories

Hercules' end-of-period inventories of nitrocellulose are presented in table 5. Inventories of industrial nitrocellulose increased from * * * percent of domestic shipments in 1986 to * * * percent in 1987 and * * * percent in 1988, and then decreased to * * * percent in 1989. Inventories at the end of March 1990 were * * * percent of domestic shipments, compared with * * * percent at the end of March 1989. Inventories of Z-grade industrial nitrocellulose reached unusually high levels at the end of 1988 before being substantially reduced in 1989.

Table 3

Industrial nitrocellulose: Shipments of U.S. producer, by types, 1986-89,
January-March 1989, and January-March 1990

Item	1986	1987	1988	1989	January-March--	
					1989	1990
Quantity (1,000 wet pounds)						
Intracompany and inter-company transfers:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
Domestic market shipments:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
Export shipments:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***
Value (1,000 dollars)						
Intracompany and inter-company transfers:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
Domestic market shipments:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
Export shipments:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***

Table continued on next page.

Table 3--Continued

Industrial nitrocellulose: Shipments of U.S. producer, by types, 1986-89,
January-March 1989, and January-March 1990

Item	1986	1987	1988	1989	January-March--	
					1989	1990
	Unit value (per wet pound)					
Intracompany and inter- company transfers:						
RS-type.....	\$***	\$***	\$***	\$***	\$***	\$***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
All other types.....	***	***	***	***	***	***
Average.....	***	***	***	***	***	***
Domestic market shipments:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Average.....	***	***	***	***	***	***
Export shipments:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***
Average.....	***	***	***	***	***	***
Overall average.....	***	***	***	***	***	***

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.

Table 4

Explosive nitrocellulose: Shipments of U.S. producer, 1986-89, January-March 1989, and January-March 1990

Item	1986	1987	1988	1989	January-March-- 1989	1990
Quantity (1,000 wet pounds)						
Intracompany and inter- company transfers.....	***	***	***	***	***	***
Domestic market shipments.....	***	***	***	***	***	***
Export shipments.....	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***
Value (1,000 dollars)						
Intracompany and inter- company transfers 1/...	***	***	***	***	***	***
Domestic market shipments.....	***	***	***	***	***	***
Export shipments.....	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***
Unit value (per wet pound)						
Intracompany and inter- company transfers.....	\$***	\$***	\$***	\$***	\$***	\$***
Domestic market shipments.....	***	***	***	***	***	***
Export shipments.....	***	***	***	***	***	***
Average.....	***	***	***	***	***	***

1/ * * *.

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.

Table 5

Nitrocellulose: U.S. producer's inventories, by types, Dec. 31, 1985-89,
Mar. 31, 1989, and Mar. 31, 1990

Item	Dec. 31--					Mar. 31--	
	1985	1986	1987	1988	1989	1989	1990
(In thousands of wet pounds)							
Industrial							
nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive							
nitrocellulose....	***	***	***	***	***	***	***

Share of producer's domestic shipments during
the preceding period: 1/

(In percent)							
Industrial							
nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Average.....	***	***	***	***	***	***	***
Explosive							
nitro-							
cellulose.....	***	***	***	***	***	***	***

1/ Total domestic shipments (company transfers and merchant market shipments).

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.

Employment and wages

Employment and wage data are reported in table 6. The number of workers reported as producing industrial nitrocellulose increased from 1986 to 1987, decreased from 1987 to 1988, and decreased from 1988 to 1989. The number of such workers decreased during January-March 1990 compared with the number of such workers during January-March 1989. Hours worked producing industrial nitrocellulose increased from 1986 to 1987, decreased from 1987 to 1988, and decreased from 1988 to 1989. Hours worked producing industrial nitrocellulose decreased during January-March 1990 when compared with hours worked during January-March 1989. Wages paid to workers producing industrial nitrocellulose increased from 1986 to 1987, decreased from 1987 to 1988, and decreased from 1988 to 1989. Wages paid to such workers increased slightly during January-March 1990 when compared with wages paid during January-March 1989.

Financial experience of Hercules, Inc.

Hercules, Inc., the only U.S. producer of industrial nitrocellulose, provided the Commission with financial information. No material errors or disproportionate allocations were detected when the data were verified to official accounting records at the Parlin, NJ, facility. These data are presented in this section.

Industrial nitrocellulose.--Income-and-loss data on Hercules' U.S. industrial nitrocellulose operations are presented in table 7. In the year of Hercules' * * * average selling price per wet pound, \$* * * in 1987, it had its * * * volume, and, conversely, in the year of its * * * average selling price, \$* * * in 1989, it had its * * * volume in the period 1986-89. Average selling prices per wet pound, quantities sold, and net sales are presented in the tabulation below:

<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Average selling price per wet pound.....	\$***	\$***	\$***	\$***
Quantity sold (1,000 wet pounds)....	***	***	***	***
Net sales (1,000 dollars) ¹	***	***	***	***

¹ Because of rounding, multiplication of average selling price per wet pound and quantities sold will not equal the net sales shown.

A gross profit variance analysis can be computed to determine the relative impact of price, volume, and cost changes on gross profit levels from 1986 to 1989. Variance analysis is applicable in this particular instance for Hercules since the product is similar over the time period and is produced only at one plant.

Table 6

Average number of employees in U.S. nitrocellulose plant; total and production and related workers producing all products, those producing industrial nitrocellulose, and those producing explosive nitrocellulose; hours worked by and wages, total compensation, average hourly wages paid to such workers, and productivity, 1986-89, January-March 1989, and January-March 1990

Item	1986	1987	1988	1989	January-March--	
					1989	1990
Average number of employees.....	***	***	***	***	***	***
Production and related workers producing--						
All products.....	***	***	***	***	***	***
Industrial nitrocellulose.....	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***
Hours worked by production and related workers producing--						
All products (1,000 hours)....	***	***	***	***	***	***
Industrial nitrocellulose (1,000 hours).....	***	***	***	***	***	***
Explosive nitrocellulose (1,000 hours).....	***	***	***	***	***	***
Wages paid to production and related workers producing--						
All products (1,000 dollars)..	***	***	***	***	***	***
Industrial nitrocellulose (1,000 dollars).....	***	***	***	***	***	***
Explosive nitrocellulose (1,000 dollars).....	***	***	***	***	***	***
Total compensation paid to production and related workers producing:						
All products (1,000 dollars)..	***	***	***	***	***	***
Industrial nitrocellulose (1,000 dollars).....	***	***	***	***	***	***
Explosive nitrocellulose (1,000 dollars).....	***	***	***	***	***	***
Average hourly wages paid to production and related workers producing:						
All products.....	\$***	\$***	\$***	\$***	\$***	\$***
Industrial nitrocellulose.....	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***
Productivity:						
Industrial nitrocellulose (wet pounds per hour).....	***	***	***	***	***	***
Explosive nitrocellulose (wet pounds per hour).....	***	***	***	***	***	***

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

Table 7

Income-and-loss experience of Hercules, Inc., on its industrial nitrocellulose operations 1986-89, January-March 1989, and January-March 1990

Item	1986	1987	1988	1989	January-March--	
					1989	1990
	Value (1,000 dollars)					
Net sales.....	***	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***	***
Gross profit.....	***	***	***	***	***	***
Selling, general, and administrative expenses...	***	***	***	***	***	***
Operating income (loss).....	***	***	***	***	***	***
Interest expense.....	***	***	***	***	***	***
Net income (loss) before income taxes.....	***	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	***	***	***
Cash flow ¹	***	***	***	***	***	***
	Per wet pound ²					
Net sales.....	\$***	\$***	\$***	\$***	\$***	\$***
Cost of goods sold.....	***	***	***	***	***	***
Gross profit.....	***	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***	***
Operating income or (loss)..	***	***	***	***	***	***
Interest expense.....	***	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***	***
	Share of net sales (percent)					
Cost of goods sold.....	***	***	***	***	***	***
Gross profit.....	***	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***	***
Operating income (loss).....	***	***	***	***	***	***
Net income (loss) before income taxes.....	***	***	***	***	***	***

¹ Cash flow is defined as net income or loss plus depreciation and amortization.

² Because of rounding, numbers may not add to values shown.

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

The variances selected compute the favorable and unfavorable variances in price, volume, and cost relationships from 1986 (gross profit of \$* * *) to 1989 (gross profit of \$* * *), to derive a net favorable variance of approximately \$* * *. Based on the computation, the favorable variance in gross profit is attributable mainly to the increase in average price (increase from \$* * * per wet pound to \$* * *), which offset the * * * per-unit cost of sales and * * * volume. The specific variance changes in price/volume and cost/volume are presented for the periods 1986-89, 1986-87, 1987-88, 1988-89, and January-March 1989-January-March 1990 in appendix D.

For the period 1986-87, gross profit variance analysis shows that the * * * in volume, * * * million wet pounds, was * * * to offset the * * * variance created by the average price * * * from \$* * * per wet pound, thus giving a gross * * * in 1987 that is \$* * * than that in 1986, with corresponding operating * * * of \$* * * in 1987 and \$* * * in 1986.

The variance analysis shows that the * * * to * * * in 1988 from 1987 is primarily the result of the * * * variance created by the substantial * * * in average price from \$* * * that offset the * * * variances for * * * volume and * * * unit costs. The gross profit in 1988 was \$* * * greater than that in 1987, and operating income was \$* * * compared with * * * of \$* * *) in 1987.

There was another * * * in gross profit in 1989 from 1988, primarily the result of the same circumstances that were experienced from 1987 to 1988, with * * * variances created by substantial average price * * * that offset smaller unfavorable variances for * * * volume and * * * unit costs. However, the * * * variance created by an * * * in average selling price in January-March 1990 from January-March 1989 was not * * * to offset the * * * variances for the * * * and * * * unit costs in the latter period.

In addition to the requested first quarter income-and-loss data for 1989 and 1990, Hercules provided data separately for each of the four quarters in 1989. Attached to these data was the following note:

"* * *."

The cost component with the * * * increase from 1986 to 1989 was * * *, which increased by * * * percent. However, a corresponding net * * * in absolute dollars of * * * during the period offset the * * * costs. Cost of goods sold and selling, general, and administrative (SG&A) expenses as a percent of net sales are shown in the tabulation below:

<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Cost of goods sold:				
Raw materials.....	***	***	***	***
Direct labor.....	***	***	***	***
Factory overhead.....	***	***	***	***
Total ¹	***	***	***	***
SG&A.....	***	***	***	***
Total operating costs ¹	***	***	***	***

¹ Because of rounding, figures may not add to totals shown.

The same items expressed as cost per wet pound are presented in the tabulation below:

<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Cost of goods sold:				
Raw materials.....	\$***	\$***	\$***	\$***
Direct labor.....	***	***	***	***
Factory overhead.....	***	***	***	***
Total ¹	***	***	***	***
SG&A.....	***	***	***	***
Total operating costs ¹	***	***	***	***

¹ Because of rounding, figures may not add to totals shown.

The cost of Hercules' major raw material, wood pulp, increased significantly during the period of investigation. Data on the cost of wood pulp purchased by Hercules are presented in the following tabulation:

<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Average cost per pound.....	\$***	\$***	\$***	\$***
Average percent of manufacturing costs.....	***	***	***	***

The average consumption of wood pulp during 1986-89 was * * * pound per wet pound of industrial nitrocellulose produced.

Explosive nitrocellulose.--Income-and-loss data on Hercules' operations on explosive nitrocellulose are presented in table 8. * * *.

Net sales declined by * * * percent in 1987 from 1986, rose by * * * percent in 1988, and decreased by * * * percent in 1989 from 1988. January-March 1990 data show a decline of * * * percent from the comparable period in 1989. As a share of 1989 overall establishment net sales, explosive nitrocellulose net sales were * * * percent.

Operating income margins declined from * * * percent in 1986 to * * * percent in 1987 and then increased to * * * percent in 1988 but declined slightly, to * * * percent, in 1989. Such margins were * * * percent in January-March 1989, compared with operating income margins of * * * percent in January-March 1990.

Overall establishment operations.--Income-and-loss data on Hercules' overall establishment operations are presented in table 9. Net sales increased by * * * percent during 1986-89 and decreased by * * * percent in January-March 1990 from the same period in 1989. Operating income margins

Table 8

Income-and-loss experience of Hercules, Inc., on its explosive nitrocellulose operations, 1986-89, January-March 1989, and January-March 1990

Item	1986	1987	1988	1989	January-March--	
					1989	1990
Value (1,000 dollars)						
Net sales.....	***	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***	***
Gross profit.....	***	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***	***
Operating income.....	***	***	***	***	***	***
Interest expense.....	***	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	***	***	***
Cash flow ¹	***	***	***	***	***	***
Per wet pound ²						
Net sales.....	\$***	\$***	\$***	\$***	\$***	\$***
Cost of goods sold.....	***	***	***	***	***	***
Gross profit.....	***	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***	***
Operating income.....	***	***	***	***	***	***
Interest expense.....	***	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***	***
Share of net sales (percent)						
Cost of goods sold.....	***	***	***	***	***	***
Gross profit.....	***	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***	***
Operating income.....	***	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***	***

¹ Cash flow is defined as net income or loss plus depreciation and amortization.

² Because of rounding, numbers may not add to values shown.

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

Table 9

Income-and-loss experience of Hercules, Inc., on the overall operations of its establishment within which nitrocellulose is produced, 1986-89, January-March 1989, and January-March 1990

Item	1986	1987	1988	1989	January-March-- 1989	1990
Value (1,000 dollars)						
Net sales.....	***	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***	***
Gross profit.....	***	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***	***
Operating income.....	***	***	***	***	***	***
Interest expense.....	***	***	***	***	***	***
Other income, net.....	***	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	***	***	***
Cash flow ¹	***	***	***	***	***	***
Share of net sales (percent)						
Cost of goods sold.....	***	***	***	***	***	***
Gross profit.....	***	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***	***
Operating income.....	***	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***	***

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.

declined from * * * percent in 1986 to * * * percent in 1987, then rose to * * * percent in 1988, and declined to * * * percent in 1989. Such margins fell to * * * percent in January-March 1990, compared with * * * percent in the corresponding period of 1989. Products produced in the overall establishment in addition to industrial and explosive nitrocellulose are * * *.

Investment in productive facilities.--The value of property, plant, and equipment and total assets for Hercules' Parlin, NJ, facility are shown in table 10. The return on total assets is also presented in table 10. The return on assets followed the same trend as did the ratio of operating income to net sales.

Capital expenditures.--The capital expenditures reported by Hercules are presented in table 11. All of Hercules' capital expenditures were for machinery, equipment, and fixtures.

Research and development expenses.--Hercules' research and development expenses are presented in the following tabulation (in thousands of dollars):

Item	1986	1987	1988	1989	<u>Jan.-Mar.--</u>	
					<u>1989</u>	<u>1990</u>
All products of establish-						
ment.....	***	***	***	***	***	***
Industrial nitrocellulose...	***	***	***	***	***	***
Explosive nitrocellulose....	***	***	***	***	***	***

Capital and investment.--The Commission requested Hercules to describe any actual or potential negative effects of imports of nitrocellulose from the subject countries on its existing development and production efforts, growth, investment, and ability to raise capital. Hercules' response is shown in appendix E.

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 factors³⁰--

³⁰ 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."

Table 10

Value of property, plant, and equipment of Hercules' Parlin, NJ, facility, 1986-89, January-March 1989, and January-March 1990

(In thousands of dollars)						
Item	As of end of accounting year--				As of March 31--	
	1986	1987	1988	1989	1989	1990
Value (1,000 dollars)						
All products of establishments:						
Fixed assets:						
Original cost.....	***	***	***	***	***	***
Book value.....	***	***	***	***	***	***
Total assets ¹	***	***	***	***	***	***
Industrial nitrocellulose:						
Fixed assets:						
Original cost.....	***	***	***	***	***	***
Book value.....	***	***	***	***	***	***
Total assets ²	***	***	***	***	***	***
Explosive nitrocellulose:						
Fixed assets:						
Original cost.....	***	***	***	***	***	***
Book value.....	***	***	***	***	***	***
Total assets ²	***	***	***	***	***	***
Return on total assets (percent)						
All products of establishments:						
Operating return ³	***	***	***	***	(4)	(4)
Net return ⁵	***	***	***	***	(4)	(4)
Industrial nitrocellulose:						
Operating return ³	***	***	***	***	(4)	(4)
Net return ⁵	***	***	***	***	(4)	(4)
Explosive nitrocellulose:						
Operating return ³	***	***	***	***	(4)	(4)
Net return ⁵	***	***	***	***	(4)	(4)

¹ Includes book value of fixed assets plus finished goods inventory and accounts receivable.

² Apportioned total establishment assets on the basis of the ratio of respective book value of fixed assets.

³ Defined as operating income divided by segment total assets.

⁴ Not applicable.

⁵ Defined as net income before taxes divided by segment total assets.

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

Table 11

Nitrocellulose: Capital expenditures by Hercules, Inc.,¹ 1986-89, January-March 1989, and January-March 1990

(In thousands of dollars)						
Item	1986	1987	1988	1989	January-March- 1989	January-March- 1990
All products of establishments...	***	***	***	***	***	***
Industrial nitrocellulose...	***	***	***	***	***	***
Explosive nitrocellulose...	***	***	***	***	***	***

¹ All reported expenditures were for machinery, equipment, and fixtures.

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

(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,

(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.³¹

No subsidies were alleged in these cases; 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 the U.S. producer's existing development and production efforts (item (X)) is presented in the section entitled "Consideration of alleged material injury." Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), (VIII) and (IX) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows.

U.S. importers' inventories

U.S. importers' inventories are not very meaningful in these investigations because many shipments are made directly from the foreign producers' plants to U.S. customers. Further, some of the U.S. importers that do maintain inventories combined records of inventories of foreign industrial nitrocellulose from several sources along with domestic industrial nitrocellulose. Such importers were unable to determine inventories by country of origin and therefore did not report inventories. The data collected on U.S. importers' end-of-period inventories of industrial nitrocellulose from the U.S. importers that reported inventory data are

³¹ 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."

presented in table 12 for all types of industrial nitrocellulose combined. As shown in table 12, inventories of imported industrial nitrocellulose almost doubled from the end of 1986 to the end of 1987, decreased from the end of 1987 to the end of 1988, decreased further from the end of 1988 to the end of 1989, and were substantially lower at the end of March 1990 than at the end of March 1989.

End-of-period inventories of industrial nitrocellulose imported from Brazil, Japan, the PRC, Korea, the United Kingdom, West Germany, and Yugoslavia amounted to * * * percent of total imports of industrial nitrocellulose from those countries in 1986, * * * percent in 1987, * * * percent in 1988, * * * percent in 1989, and * * * percent for January-March 1990.

Capacity of foreign producers to increase exports

The Commission requested counsel for the respondents in the investigations to provide information on the foreign producers of nitrocellulose. The information requested consisted of the number and names of producing firms; production, capacity, capacity utilization, home-market shipments, exports to the United States, and total exports, for each of the periods covered by the investigations; projected changes in production, capacity, or capacity utilization in 1990; and intentions or projections as to the quantity of exports of the subject industrial nitrocellulose to the United States in 1990 and 1991. Updated data were received for Brazil, Japan, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia. These data are presented in the following sections, by country.

New data were not received for the PRC; therefore, information and data from the Commission's preliminary investigations are presented in this section for the PRC.

Brazil.--There is one nitrocellulose producer in Brazil, Companhia Nitro Quimica Brasileira, Sao Paulo, Brazil, whose data are presented in table 13. As can be seen in table 13, the Brazilian producer of industrial nitrocellulose * * *. Brazil is in the process of substantially expanding its existing capacity, and large quantities of industrial nitrocellulose will be available for export. Total exports are projected to increase by * * * percent from 1989 to 1990. Home-market shipments are also projected to increase significantly by 1991. Brazil's principal export markets were * * *.

Japan.--There are, according to information obtained from the State Department, three producers of industrial nitrocellulose in Japan: Asahi Chemical Co. Ltd., whose data are presented in table 14; Daicel Chemical Industries Ltd., whose data are presented in table 15; and Taihei Chemical Products Ltd., for which no data were received.

Table 12.

Industrial nitrocellulose: U.S. importers' end-of-period inventories, by principal countries, Dec. 31, 1986-89, Mar. 31, 1989, and Mar. 31, 1990

Country of origin	(In thousands of wet pounds)					
	Dec. 31--				Mar. 31--	
	1986	1987	1988	1989	1989	1990
Brazil.....	***	***	***	***	***	***
Japan.....	***	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***	***
United Kingdom.....	***	***	***	***	***	***
West Germany.....	***	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***

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.

As can be seen from these tables, * * *. According to public information on the record, Asahi experienced a disruption of its production in 1988 because of a fire; * * *.³² * * *. Asahi's principal export markets were * * *, whereas Daicel's principal export markets were * * *.

People's Republic of China.--A limited amount of information was received in the preliminary investigation from counsel on behalf of China North Industries, a firm that handles exports for some of the five Chinese producers of industrial nitrocellulose (table 16). * * *. Chinese interests did not retain counsel for the final investigation and are not actively participating in the Commission's proceedings.

Republic of Korea.--The petition alleges that there are two producers of industrial nitrocellulose in Korea, Poongsan Metal and Miwon Commercial Co. Ltd.;³³ however, the firms did not retain counsel to represent their interests before the Commission. Information about the Korean nitrocellulose industry was requested through diplomatic channels, and some information has been received.

According to information received through the U.S. Embassy, * * *. Korean Government regulations prohibit * * * from releasing information on production and capacity. * * *. Available data for Miwon are presented in table 17. In 1989, Korea reportedly imported 11.3 million pounds of nitrocellulose, which was much more than it exported.

³² The State Department report states that " * * * ." " * * * ."

³³ Petition, p. 12.

Table 13

Industrial nitrocellulose: Companhia Nitro Quimica Brasileira's capacity, production by type, capacity utilization, shipments, and inventories; actual 1986-89, January-March 1989, January-March 1990, and projections for 1990 and 1991

Quantity (in thousands of wet pounds, except as noted)								
Item	Actual experience				January-March--		Projections	
	1986	1987	1988	1989	1989	1990	1990	1991
Production capacity.....	***	***	***	***	***	***	***	***
Production:								
RS-type.....	***	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***	***
Shipments:								
Home market.....	***	***	***	***	***	***	***	***
Exports to--								
United States.....	***	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***	***

Note.--Because of rounding, figures may not add to totals shown.

Source: Submitted by respondent's counsel in response to a Commission request.

Table 14

Industrial nitrocellulose: Asahi Chemical Co. Ltd.'s capacity, production by type, capacity utilization, shipments, and inventories; actual 1986-89, January-March 1989, January-March 1990, and projections for 1990 and 1991

Quantity (in thousands of wet pounds, except as noted)								
Item	Actual experience				January-March--		Projections	
	1986	1987	1988	1989	1989	1990	1990	1991
Production capacity.....	***	***	***	***	***	***	***	***
Production:								
RS-type.....	***	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***	***
Shipments:								
Home market.....	***	***	***	***	***	***	***	***
Exports to--								
United States.....	***	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***	***
Beginning inventories....	***	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***	***

Note.--Because of rounding, figures may not add to totals shown.

Source: Submitted by respondent's counsel in response to a Commission request.

Table 15

Industrial nitrocellulose: Daicel Chemical Industries Ltd.'s capacity, production by type, capacity utilization, shipments, and inventories, actual 1986-89, January-March 1989, January-March 1990, and projections for 1990 and 1991

Quantity (in thousands of wet pounds, except as noted)								
Item	Actual experience				January-March--		Projections	
	1986	1987	1988	1989	1989	1990	1990	1991
Production capacity.....	***	***	***	***	***	***	***	***
Production:								
RS-type.....	***	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***	***
Shipments:								
Home market.....	***	***	***	***	***	***	***	***
Exports to--								
United States.....	***	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***	***
Beginning inventories....	***	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***	***

Note.--Because of rounding, figures may not add to totals shown.

Source: Submitted by respondent's counsel in response to a Commission request.

Table 16

Industrial nitrocellulose: People's Republic of China's capacity, production, capacity utilization, and shipments, actual 1986-88, January-June 1988, January-June 1989, and projections for 1989 and 1990

Quantity (in thousands of wet pounds, except as noted)							
Item	Actual experience			January-June--		Projections	
	1986	1987	1988	1988	1989	1989	1990
Production capacity.....	***	***	***	***	***	***	***
Production.....	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
Shipments:							
Home market.....	***	***	***	***	***	***	***
Exports to--							
United States.....	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***
Total exports.....	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***

Note.--Because of rounding, figures may not add to totals shown.

Source: Submitted by respondent's counsel in response to a Commission request.

Table 17

Industrial nitrocellulose: Mivon Commercial Co., Ltd.'s capacity, production, capacity utilization, shipments, and inventories, actual 1986-89, January-March 1989, January-March 1990; and projections for 1990 and 1991

Quantity (in thousands of wet pounds, except as noted)								
Item	Actual experience				January-March--		Projections	
	1986	1987	1988	1989	1989	1990	1990	1991
Production capacity.....	***	***	***	***	***	***	***	***
Production.....	***	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***	***
Shipments:								
Home market.....	***	***	***	***	***	***	***	***
Exports to--								
United States.....	***	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***	***
Total exports.....	***	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***	***

Source: U.S. Department of State.

United Kingdom.--Imperial Chemical Industries PLC's (ICI) plant for the production of industrial nitrocellulose is located in Ardeer, Scotland. Data received from counsel for ICI are presented in table 18. As shown in table 18, ICI's capacity to produce industrial nitrocellulose increased * * * percent from 1986 to 1989, and capacity is scheduled to increase another * * * percent in 1990. * * * of ICI's production is exported, with the United States accounting for * * * percent of total exports in 1989. Other export markets for ICI were * * *. Exports to the United States are projected to increase * * * percent from 1989 to 1990 and then remain at roughly that level in 1991.

ICI's home-market shipments declined * * * percent from 1986 to 1987, decreased * * * percent from 1987 to 1988, and dropped * * * percent from 1988 to 1989.

West Germany.--There are two West German producers of industrial nitrocellulose, Wolff Walsrode AG and Hagedorn. Counsel for Wolff Walsrode provided a very thorough and comprehensive response to the Commission's request for information and the data are presented in table 19. As shown in table 19, * * *. It is also clear that Wolff is a very large exporter of nitrocellulose, with exports accounting for * * * percent of 1989 production. Wolff also provided detailed information on the types of industrial nitrocellulose produced. Wolff was the only foreign producer that reported production of * * * industrial nitrocellulose. It is notable, however, that * * * accounted for * * * percent of Wolff's production in 1989, whereas * * *.

Table 18

Industrial nitrocellulose: Imperial Chemical Industries PLC's capacity, production by type, capacity utilization, shipments, and inventories, actual 1986-89, January-March 1989, January-March 1990, and projections for 1990 and 1991

Quantity (in thousands of wet pounds, except as noted)								
Item	Actual experience				January-March--		Projections	
	1986	1987	1988	1989	1989	1990	1990	1991
Production capacity.....	***	***	***	***	***	***	***	***
Production:								
RS-type.....	***	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***	***
Shipments:								
Home market.....	***	***	***	***	***	***	***	***
Exports to--								
United States.....	***	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***	***
Beginning inventories....	***	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***	***

Note.--Reported inventories do not reconcile and, because of rounding, figures may not add to totals shown.

Source: Submitted by respondent's counsel in response to a Commission request.

Table 19

Industrial nitrocellulose: Wolff Walserode AG's capacity, production by type, capacity utilization, shipments, and inventories, actual 1986-89, January-March 1989, January-March 1990, and projections for 1990 and 1991

Quantity (in thousands of wet pounds, except as noted)								
Item	Actual experience				January-March--		Projections	
	1986	1987	1988	1989	1989	1990	1990	1991
Production capacity.....	***	***	***	***	***	***	***	***
Production:								
RS-type.....	***	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***	***
***.....	***	***	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***	***
Shipments:								
Home market.....	***	***	***	***	***	***	***	***
Captive use.....	***	***	***	***	***	***	***	***
Exports to--								
United States.....	***	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***	***
Beginning inventories....	***	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***	***

Note.--Inventories do not reconcile because of * * *. Because of rounding, figures may not add to totals shown.

Source: Submitted by respondent's counsel in response to a Commission request.

Home market shipments accounted for * * * percent of Wolff's production in 1989. Wolff's projected exports to the United States for 1990 and 1991 are roughly at the 1989 level.

Hagedorn has not retained counsel; however, a letter was received in the preliminary investigation from the firm indicating that Hagedorn * * *.
* * *.

Yugoslavia.--Milan Blagojevic is the only producer of nitrocellulose in Yugoslavia. Counsel for the firm provided a limited response to the Commission's request for data on that producer's operations. The data provided by counsel are presented in table 20. Principal export markets,
* * *.

Table 20

Industrial nitrocellulose: Milan Blagojevic's production and shipments, actual 1986-89, January-March 1989, January-March 1990, and projections for 1990 and 1991

Quantity (in thousands of wet pounds, except as noted)								
Item	Actual experience				January-March--		Projections	
	1986	1987	1988	1989	1989	1990	1990	1991
Production capacity.....	***	***	***	***	***	***	***	***
Production:								
RS-type.....	***	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***	***
Shipments:								
Home market.....	***	***	***	***	***	***	***	***
Exports to--								
United States.....	***	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***	***

Note.--Because of rounding, figures may not add to totals shown.

Source: Submitted by respondent's counsel in response to a Commission request.

Consideration of the Causal Relationship Between Imports of the
Subject Merchandise and the Alleged Material Injury

U.S. imports

Official statistics³⁴ of the U.S. Department of Commerce are presented in table 21. Official U.S. import statistics include, as noted in the petition, imports of explosive nitrocellulose and, for TSUS item 445.25, may include imports of synthetic cellulose plastic materials other than cellulose acetate. However, the petitioner claims that, rather than overstating imports of nitrocellulose, official import statistics understate imports, especially for 1988 and 1989. This claim is supported by the responses to the Commission's importers' questionnaire. The reason for the differences in the data sets is not known. However, it is interesting to note that the quantity of imports reported in official Commerce statistics for January-March 1990 agrees closely with that compiled from the Commission's questionnaires.

Imports of industrial nitrocellulose from the seven countries subject to these investigations, as reported in response to the Commission's questionnaires, are presented in table 22. As can be seen from the data in table 22, most imports of industrial nitrocellulose are of the RS-type. Imports of RS-type industrial nitrocellulose accounted for * * * percent, based on quantity, in 1986 of all imports of industrial nitrocellulose from Brazil, Japan, the PRC, Korea, the United Kingdom, West Germany, and Yugoslavia, and accounted for * * * percent of such imports in 1987, * * * percent in 1988, * * * percent in 1989, and * * * percent during January-March 1990.

The data for industrial nitrocellulose in table 22 for the seven countries subject to these investigations are combined with data for other countries from table 21 into table 23. The data in table 23 are believed to be the best available information, at this time, for U.S. imports of industrial nitrocellulose.

As shown in table 23, imports of industrial nitrocellulose from the seven countries subject to these investigations increased sharply, by * * * percent based on quantity, from 1986 to 1987, then jumped by * * * percent from 1987 to 1988, and increased * * * percent from 1988 to 1989. Imports from the seven countries decreased by * * * percent during January-March 1990 when compared with imports from those countries during January-March 1989. In 1989, imports from the countries subject to these investigations accounted for * * * percent of total imports, based on quantity.

³⁴ Official statistics of the U.S. Department of Commerce presented here are for TSUS item 445.25 for 1986-88 and for HTS subheading 3912.20.00 for 1989 and the interim periods.

Table 21

Nitrocellulose: 1/ U.S. imports for consumption, by principal countries, 1986-89, January-March 1989, and January-March 1990

Source	1986	1987	1988	1989	January-March--	
					1989	1990
Quantity (1,000 pounds)						
Brazil.....	289	331	1,215	1,619	366	457
Japan.....	2,220	2,580	808	1,074	91	291
People's Republic of China.....	918	1,523	529	1,121	159	522
Republic of Korea....	0	107	71	324	0	127
United Kingdom.....	3,025	4,594	5,243	5,357	722	2,032
West Germany.....	2,621	2,445	2,307	5,140	1,455	1,328
Yugoslavia.....	1,496	1,665	2,341	1,648	376	953
Subtotal.....	10,569	13,244	12,514	16,283	3,169	5,710
France.....	2,776	2,295	461	609	120	77
Subtotal.....	13,345	15,539	12,975	16,892	3,289	5,787
All others.....	1,592	2,121	1,229	365	48	61
Total.....	14,937	17,660	14,204	17,257	3,337	5,848
Landed duty-paid value (1,000 dollars)						
Brazil.....	183	229	936	1,416	304	427
Japan.....	2,380	2,568	1,023	1,233	100	330
People's Republic of China.....	636	1,091	394	1,038	136	447
Republic of Korea....	0	148	90	336	0	111
United Kingdom.....	2,701	3,647	4,726	4,773	552	1,667
West Germany.....	3,616	3,055	2,988	5,784	1,614	1,596
Yugoslavia.....	1,643	1,820	2,522	1,864	462	1,081
Subtotal.....	11,158	12,556	12,679	16,444	3,168	5,659
France.....	3,613	3,089	625	862	156	106
Subtotal.....	14,770	15,645	13,305	17,306	3,324	5,765
All others.....	1,041	1,538	1,063	439	101	59
Total.....	15,811	17,184	14,367	17,745	3,425	5,824
Unit value (per wet pound)						
Brazil.....	\$0.63	\$0.69	\$0.77	\$0.88	\$0.83	\$0.93
Japan.....	1.07	1.00	1.27	1.15	1.10	1.13
People's Republic of China.....	.69	.72	.75	.93	.86	.86
Republic of Korea....	2/	1.38	1.28	1.04	2/	.87
United Kingdom.....	.89	.79	.90	.89	.77	.82
West Germany.....	1.38	1.25	1.30	1.13	1.11	1.20
Yugoslavia.....	1.10	1.09	1.08	1.13	1.23	1.13
Subtotal.....	1.06	.95	1.01	1.01	1.00	.99
France.....	1.30	1.35	1.36	1.42	1.30	1.37
Subtotal.....	1.11	1.01	1.03	1.02	1.01	1.00
All others.....	.65	.73	.86	1.20	2.10	.97
Total.....	1.06	.97	1.01	1.03	1.03	1.00

1/ Imports reported by Commerce could be overstated because of the inclusion of merchandise other than industrial nitrocellulose.

2/ Not applicable.

Note.--Because of rounding, figures may not add to the totals shown.

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

Table 22

Nitrocellulose: U.S. imports for consumption, by types and by countries subject to these investigations, 1986-89, January-March 1989, and January-March 1990

Source	1986	1987	1988	1989	January-March--	
					1989	1990
Quantity (1,000 wet pounds)						
Brazil:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***
Japan:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***
People's Republic of China:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***
Republic of Korea:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***

Table continued on next page.

Table 22--Continued

Nitrocellulose: U.S. imports for consumption, by types and by countries subject to these investigations, 1986-89, January-March 1989, and January-March 1990

Source	1986	1987	1988	1989	January-March--	
					1989	1990
	Quantity (1,000 wet pounds)					
United Kingdom:						
Industrial nitro-						
cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total 1/.....	***	***	***	***	***	***
Explosive nitro-						
cellulose.....	***	***	***	***	***	***
West Germany:						
Industrial nitro-						
cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total 2/.....	***	***	***	***	***	***
Explosive nitro-						
cellulose.....	***	***	***	***	***	***
Yugoslavia						
Industrial nitro-						
cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-						
cellulose.....	***	***	***	***	***	***
Seven-country total:						
Industrial nitro-						
cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-						
cellulose.....	***	***	***	***	***	***

See footnotes at end of table.

Table 22--Continued

Nitrocellulose: U.S. imports for consumption, by types and by countries subject to these investigations, 1986-89, January-March 1989, and January-March 1990

Source	1986	1987	1988	1989	January-March--	
					1989	1990
Value (1,000 dollars)						
Brazil:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***
Japan:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***
People's Republic of China:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***
Republic of Korea:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***

See footnotes at end of table.

Table 22--Continued

Nitrocellulose: U.S. imports for consumption, by types and by countries subject to these investigations, 1986-89, January-March 1989, and January-March 1990

Source	1986	1987	1988	1989	January-March-- 1989	January-March-- 1990
Value (1.000 dollars)						
United Kingdom:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***
West Germany:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***
Yugoslavia:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***
Seven-country total:						
Industrial nitro-cellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***

See footnotes on next page.

Footnotes for table 22

1/ Of the total reported quantity of industrial nitrocellulose imports from the United Kingdom, * * * percent was plasticized in 1986, * * * percent in 1987, * * * percent in 1988, and * * * percent in 1989.

2/ Of the total reported quantity of industrial nitrocellulose imports from West Germany, * * * percent was plasticized in 1986, * * * percent in 1987, * * * percent in 1988, and * * * percent in 1989.

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

Market penetration of imports

U.S. imports of industrial nitrocellulose as a share of apparent U.S. consumption are presented in table 24. Based on the data of table 24, imports from the seven countries subject to these investigations captured an increasing share of the U.S. market for industrial nitrocellulose during 1986-89, displacing Hercules' domestic shipments as well as fairly traded imports from France. The ratio of imports to consumption (on the basis of quantity) for the seven countries subject to these investigations increased from * * * percent in 1986 to * * * percent in 1987, * * * percent in 1988, and * * * percent in 1989. Import-penetration ratios (on the basis of value) of imports from the seven subject countries exhibited similar trends to the ratios based on quantity.

U.S. apparent consumption of industrial nitrocellulose, in millions of wet pounds, is shown in figure 2, by source of supply (i.e., the U.S. producer's domestic shipments, plus imports from the seven countries subject to these investigations, plus imports from all other countries equal total U.S. apparent consumption).

Table 23

Industrial nitrocellulose: U.S. imports for consumption, by principal countries, 1986-89, January-March 1989, and January-March 1990

Source	1986	1987	1988	1989	January-March--	
					1989	1990
Quantity (1,000 wet pounds)						
Brazil.....	***	***	***	***	***	***
Japan.....	***	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***	***
Republic of Korea...	***	***	***	***	***	***
United Kingdom.....	***	***	***	***	***	***
West Germany.....	***	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
France.....	2,776	2,295	461	609	120	77
Subtotal.....	***	***	***	***	***	***
All others.....	1,592	2,121	1,229	365	48	61
Total.....	***	***	***	***	***	***
Landed duty-paid value (1,000 dollars)						
Brazil.....	***	***	***	***	***	***
Japan.....	***	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***	***
Republic of Korea...	***	***	***	***	***	***
United Kingdom.....	***	***	***	***	***	***
West Germany.....	***	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
France.....	3,613	3,089	625	862	156	106
Subtotal.....	***	***	***	***	***	***
All others.....	1,041	1,538	1,063	439	101	59
Total.....	***	***	***	***	***	***
Unit value (per wet pound)						
Brazil.....	\$***	\$***	\$***	\$***	\$***	\$***
Japan.....	***	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***	***
Republic of Korea...	***	***	***	***	***	***
United Kingdom.....	***	***	***	***	***	***
West Germany.....	***	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***	***
Average.....	***	***	***	***	***	***
France.....	1.30	1.35	1.36	1.42	1.30	1.37
Average.....	***	***	***	***	***	***
All others.....	.65	.73	.86	1.20	2.10	.97
Average.....	***	***	***	***	***	***

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 for Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia, and compiled from official statistics of the U.S. Department of Commerce for France and all other countries.

Table 24

Industrial nitrocellulose: Apparent U.S. consumption, U.S. imports, and ratios of imports to consumption, 1986-89, January-March 1989, and January-March 1990

Item	1986	1987	1988	1989	January-March-- 1989	1990
Quantity (1,000 wet pounds)						
Apparent U.S. consumption.....	***	***	***	***	***	***
U.S. imports from--						
Brazil.....	***	***	***	***	***	***
Japan.....	***	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***	***
United Kingdom.....	***	***	***	***	***	***
West Germany.....	***	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
France.....	2,776	2,295	461	609	120	77
Subtotal.....	***	***	***	***	***	***
All other countries...	1,592	2,121	1,229	365	48	61
Total.....	***	***	***	***	***	***
Ratios (percent of quantity)						
To apparent U.S. consumption, of imports from--						
Brazil.....	***	***	***	***	***	***
Japan.....	***	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***	***
United Kingdom.....	***	***	***	***	***	***
West Germany.....	***	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
France.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
All other countries...	***	***	***	***	***	***
Total.....	***	***	***	***	***	***

Table continued on next page.

Table 24--Continued

Industrial nitrocellulose: Apparent U.S. consumption, U.S. imports, and ratios of imports to consumption, 1986-89, January-March 1989, and January-March 1990

Item	1986	1987	1988	1989	January-March-- 1989	1990
Value (1,000 dollars)						
Apparent U.S. consumption.....	***	***	***	***	***	***
U.S. imports from--						
Brazil.....	***	***	***	***	***	***
Japan.....	***	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***	***
United Kingdom.....	***	***	***	***	***	***
West Germany.....	***	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
France.....	3.613	3.089	625	862	156	106
Subtotal.....	***	***	***	***	***	***
All other countries...	1.041	1.538	1.063	439	101	59
Total.....	***	***	***	***	***	***
Ratios (percent of value)						
To apparent U.S. consumption, of imports from--						
Brazil.....	***	***	***	***	***	***
Japan.....	***	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***	***
United Kingdom.....	***	***	***	***	***	***
West Germany.....	***	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
France.....	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***
All other countries...	***	***	***	***	***	***
Total.....	***	***	***	***	***	***

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 for Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia, and from official statistics of the U.S. Department of Commerce for France and all other countries.

Figure 2
Industrial Nitrocellulose, apparent U.S. consumption, by source

* * * * *

Source: Table 24.

Prices

Market characteristics.--Prices of domestic and imported industrial nitrocellulose vary by nitrogen content, type of wetting agent, viscosity, cellulose base, and the amount of undissolved solids (impurities). Higher nitrogen contents and a plasticized wetting agent, rather than alcohol-based wetting agents, lead to higher prices for industrial nitrocellulose. Higher quality industrial nitrocellulose is characterized by less variation in the nitrogen content and viscosity levels and a low level of impurities. Depending on end-use products and production processes, end users prefer different specifications of industrial nitrocellulose, with some demanding higher quality than others. Although industrial nitrocellulose with the same nitrogen content but with different viscosity levels can be substituted or combined to achieve a specific viscosity requirement, industrial nitrocellulose with different nitrogen contents generally cannot be readily substituted.³⁵

Container costs.--Importers of industrial nitrocellulose obtain the container as part of the price of the imported nitrocellulose, and the cost of the shipping containers can be a factor in the final net cost to the customer and his choice among alternate sources. Importers of industrial nitrocellulose from Japan, the PRC, the Republic of Korea, and the United Kingdom reported using a steel 55-gallon, epoxy-lined drum approved by the U.S. Department of Transportation (DOT 17H drum) to ship the foreign product. Industrial nitrocellulose imported from Brazil and West Germany was shipped in fiber containers, while the nitrocellulose imported from Yugoslavia was shipped in steel 55-gallon drums (DOT 37A drums). The Brazilian products were shipped in 55-gallon fiber drums, and the West German products were shipped in four different size fiber drums, ranging in size from 80 liters (about 21 gallons) to 200 liters (about 53 gallons).³⁶ The 37A drums used to ship Yugoslavian products are approved for one-time use by the U.S. DOT.³⁷

Hercules reported selling about * * * percent of its domestically produced industrial nitrocellulose in the U.S. market in its returnable 55-gallon proprietary galvanized drums (DOT 6J drums) and selling the remainder in steel 55-gallon DOT 17H drums. U.S.-producer prices for

³⁵ Differences in the type of cellulose base (cotton linters or wood pulp) used in producing industrial nitrocellulose are reflected in price differences between otherwise similar products of the same producer. Such price differences, which also may be related to the volume of the sales transaction, make product comparisons difficult. Accordingly, price comparisons have been developed to recognize this diversity; details of these comparisons are discussed in subsequent sections of the report.

³⁶ Fiber containers are generally not reusable but weigh much less than the steel drums and cost less to ship. The empty 200-liter fiber container weighs about 18 pounds, compared with about 53-55 pounds for an empty steel 17H drum and 40 pounds for an empty 37A drum.

³⁷ The dominant importer/end user of the Yugoslav industrial nitrocellulose, * * *, reported that it * * *.

industrial nitrocellulose often include a return-freight charge for the 6J drum;³⁸ purchasers pay a separate charge to keep the 17H drum.

The effects on pricing of buying nitrocellulose in different types of drums cannot be generalized. Effects differ depending on how purchasers handle individual shipments and could not be traced back to transaction prices. For example, some purchasers reuse the 17H drum, some sell it for salvage, others either give it away or pay to dispose of the drum, and some do all three. Purchasers of the fiber containers and 37A drums reported that they must dispose of them at a cost. Reported costs to recondition and recertify the 17H drums for reuse averaged about \$* * * per drum. Importers reported that these reconditioned/recertified 17H drums could be purchased for an average of about \$* * *--equal to a saving of about \$* * * per wet pound of nitrocellulose shipped if they had a need. Reported salvage values for the 17H drum averaged about \$* * * per drum, or almost \$* * * per wet pound of nitrocellulose shipped. Reported costs to dispose of the fiber containers/steel drums ranged from \$* * * to \$* * * per wet pound of nitrocellulose.³⁹ In summary, end users that reuse or obtain salvage value for the imported 17H drum receive a benefit that is not explicitly reflected in their purchase price of the imported industrial nitrocellulose. On the other hand, end users that pay to dispose of fiber/steel containers incur a cost that is not explicitly reflected in their purchase price of the imported industrial nitrocellulose.

Industrial nitrocellulose prices from questionnaire responses are presented as reported by the U.S. producer, importers, and purchasers without any adjustments for the type of container, because end users dispose or use their nitrocellulose containers differently. End users that reuse or sell the 17H drums receive container-related net benefits from industrial nitrocellulose imported from Japan, the PRC, the Republic of Korea, and the United Kingdom. On the other hand, end users that pay to dispose of the 17H drums or the fiber containers incur container-related costs from industrial nitrocellulose imported from these countries and from Brazil and West Germany. No container-related advantage or disadvantage is derived from imports of industrial nitrocellulose from Yugoslavia.⁴⁰

Questionnaire price data.--The products for which pricing data were requested are described below.

³⁸ Hercules requires its customers to ship the 6J drums back to its New Jersey plant at an average cost of about \$* * * per wet pound of nitrocellulose shipped. * * *. * * *. * * *.

³⁹ These cost estimates are for the current period and may be different for earlier periods.

⁴⁰ Adjustments had been made to the data presented in the prehearing report based on the belief that end users incurred benefits due to the container value associated with the 17H drums. Hearing testimony and subsequent submissions suggest that not all customers derive value from this drum and that others may incur net costs of disposing of their nitrocellulose containers, but the customers and the transactions with such benefits and costs are not known. Accordingly, no adjustments are made in the pricing data.

Products using wood-pulp-based cellulose:

Product 1.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 1/4 second (corresponding to Hercules RS-type, 1/4 second), wood-pulp-based cellulose, alcohol-based wetting agent.

Product 2.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 1/2 second (corresponding to Hercules RS-type, 1/2 second), wood-pulp-based cellulose, alcohol-based wetting agent.

Product 3.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 18-25 centipoise (corresponding to Hercules RS-type, 18-25 centipoise), wood-pulp-based cellulose, alcohol-based wetting agent.

Product 4.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 30-35 centipoise (corresponding to Hercules RS-type, 30-35 centipoise), wood-pulp-based cellulose, alcohol-based wetting agent.

Product 5.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 1/4 second (corresponding to Hercules RS-type, 1/4 second), wood-pulp-based cellulose, toluene wetting agent.

Products using cotton-linter-based cellulose:

Product 6.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 1/4 second (corresponding to Hercules RS-type, 1/4 second) cotton-linter-based cellulose, alcohol-based wetting agent.

Product 7.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 1/2 second (corresponding to Hercules RS-type, 1/2 second) cotton-linter-based cellulose, alcohol-based wetting agent.

Product 8.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 18-25 centipoise (corresponding to Hercules RS-type, 18-25 centipoise), cotton-linter-based cellulose, alcohol-based wetting agent.

Product 9.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 30-35 centipoise (corresponding to Hercules RS-type, 30-35 centipoise), cotton-linter-based cellulose, alcohol-based wetting agent.

Product 10.--Industrial nitrocellulose, on-specification, 11.8 to 12.2 percent nitrogen content by weight, 1/4 second (corresponding to Hercules RS-type, 1/4 second), cotton-linter-based cellulose, toluene wetting agent.

Producer and importers.--The Commission requested net U.S. f.o.b. and delivered selling prices and quantities for sales to end users for the 10 specified products from the U.S. producer and from U.S. importers of the

subject nitrocellulose.⁴¹ The price data were requested for the largest sale and for total sales of the products specified, by quarters, during January 1986-March 1990. In addition, net pricing data were requested for sales at the lowest and highest prices for each quarter during 1989.

Hercules and 11 importers of the subject foreign industrial nitrocellulose reported the requested price data, but not necessarily for every product or period.⁴² Hercules reported selling prices of wood-pulp-based products * * *, Z-type products * * *, and cotton-linter-based products * * *; Hercules sells exclusively to end users. Based on sales to (or imports by) end users, prices of the imported products were reported for the following subject countries and products: Brazilian, Korean, and Japanese cotton-linter-based products * * *,⁴³ Chinese cotton-linter-based products * * *,⁴⁴ British wood-pulp-based products * * *, West German wood-pulp-based products * * * and plasticized type products * * *, and Yugoslav wood-pulp-based products * * * and cotton-linter-based products * * *.⁴⁵ Some of the reported West German prices and all of the Yugoslav prices were reported by end users who were the importers of the subject products.

Hercules reported in its questionnaire response that its Z-grade industrial nitrocellulose is a byproduct of its production of on-specification industrial nitrocellulose, and that the Z-grade products are inferior in quality to on-specification products. Hercules reported that wide variations in viscosity and nitrogen content and a generally higher proportion of impurities than its on-specification products sometimes lead to higher end-

⁴¹ Pricing data were also requested for sales of domestic Z-grade industrial nitrocellulose and imported plasticized industrial nitrocellulose that otherwise corresponded to the 10 specified products. If the U.S. producer and importers did not sell any of the 10 specified products, the Z-grade product, or the plasticized product, but sold industrial nitrocellulose that competed with the specified products, they were requested to identify and report pricing data for these latter products.

⁴² Hercules, the lone U.S. producer of industrial nitrocellulose, accounted for all domestic shipments of the U.S.-produced products during January 1986-March 1990. During the same period, the responding importers accounted for 100 percent of the total reported quantity of U.S. imports of industrial nitrocellulose from 6 of the 7 subject countries; * * *, the only importer reporting price data for the imported Yugoslav nitrocellulose, accounted for * * * percent of reported imports of this foreign material. Single importers also accounted for all the reported pricing data for imports from Brazil, the Republic of Korea, and the United Kingdom.

⁴³ Selling prices to distributors of Japanese wood-pulp-based products * * * were also reported.

⁴⁴ Selling prices to distributors of Chinese cotton-linter-based products * * * were also reported.

⁴⁵ The quantity of total reported sales of the industrial nitrocellulose products for which pricing data were reported accounted for about * * * percent of total reported domestic shipments of all U.S.-produced industrial nitrocellulose during January 1986-March 1990, * * * percent of reported imports from Brazil, * * * percent from Japan, * * * percent from the PRC, * * * percent from the Republic of Korea, * * * percent from the United Kingdom, * * * percent from West Germany, and * * * percent from Yugoslavia.

user processing costs of the Z-grade products vis-a-vis on-specification products. On the other hand, some importers that resell industrial nitrocellulose indicated that Hercules' Z-grade industrial nitrocellulose is comparable in quality to its similarly specified products. Hercules' reported net U.S. f.o.b. selling prices of its Z-grade products * * * to end users were consistently lower than prices of their RS-type counterparts (on-specification products * * *) during January 1986-March 1990, by an overall average difference of about * * * percent. Prices of Hercules' Z-grade and the counterpart on-specification imported products are discussed in the section on price comparisons between the domestic and imported nitrocellulose products.

In terms of the cellulose base, the U.S. producer and the importer of the Yugoslav products reported some prices for both wood-pulp-based products * * * and their counterpart (the same nitrogen content, viscosity, and similar wetting agent) cotton-linter-based products * * *. For both firms, their wood-pulp-based products were generally priced lower than their counterpart cotton-linter-based products, although the U.S.-produced products showed the greatest price differences between the two types of cellulose-based products.⁴⁶

In terms of wetting agents, U.S.-produced * * * product * * * was generally priced substantially lower than its counterpart (the same nitrogen content, viscosity, and cellulose base (wood pulp)) * * * product * * *. In addition, West German * * * products * * * were generally priced lower than the counterpart (the same nitrogen content, viscosity, and cellulose base (wood pulp) West German * * * products * * *).⁴⁷ Toluene and plasticizers are different nonalcohol wetting agents.

Purchasers.--The Commission also requested purchase prices and quantities for the same products identified earlier from 55 purchasers, encompassing both distributors and end users. These 55 companies account for a substantial share of U.S. purchases of industrial nitrocellulose produced domestically or imported from the subject foreign countries. Net delivered

⁴⁶ Hercules' quarterly net f.o.b. selling prices for wood-pulp-based product * * * averaged almost * * * percent lower than selling prices of its counterpart cotton-linter-based product * * * during January 1986-March 1990. Based on net f.o.b. selling prices of Hercules' wood pulp product * * * for the quarters reported, prices of this product were less than prices of its counterpart cotton linter product * * * by almost * * * percent during July-September 1987, but were about * * * percent higher than product * * * prices during January-June 1988.

Net U.S. delivered quarterly prices of Yugoslav wood-pulp-based products * * * ranged from an average of * * * to * * * percent lower than the net delivered prices of Yugoslav counterpart cotton linter products * * *, respectively, during January 1986-March 1990.

⁴⁷ Net f.o.b. selling prices of U.S.-produced products * * * during July 1986-March 1990 showed that prices of * * * product * * * averaged about * * * percent below prices of * * * product * * *. Comparisons of quarterly net delivered prices of West German alcohol-wetted products * * * and the counterpart plasticized products * * * during January 1986-March 1990 showed that prices of the alcohol-wetted products ranged from an average of * * * to * * * percent below prices of the plasticized products.

purchase price data were requested for the largest purchase and total purchases for each product reported, by quarters, during January 1986-March 1990. Delivered pricing data and purchasers' comments on the substitution of the various industrial nitrocellulose products are discussed later in this section of the report.

Thirty-four end-user purchasers reported usable delivered price data, but not necessarily for every product and period requested. Delivered-price comparisons based on these responses are shown in appendix tables I-1 through I-6.⁴⁸ * * *.⁴⁹

Price trends.--Price trends of domestically produced industrial nitrocellulose sold to end users were developed from the U.S. producer's questionnaire response and are based on its reported net U.S. f.o.b. selling prices. Hercules' net f.o.b. selling prices did not include any sales of drums but reflected any return-drum freight costs absorbed by Hercules, the latter mostly prior to * * *.⁵⁰ Price trends of the subject imported industrial nitrocellulose were developed from importers' questionnaire responses and are based generally on net U.S. f.o.b. selling prices to end users, or net U.S. delivered prices of responding importer/end users.⁵¹

Price trends on sales to end users for the on-specification alcohol-wetted and toluene-wetted industrial nitrocellulose products are shown in table 25 for the U.S.-produced products and tables 26-32 for the imported products.⁵² Price trends for Z-grade (off-specification) industrial nitrocellulose produced in the United States and plasticized industrial nitrocellulose imported from West Germany are shown in appendix tables F-1 and G-1, respectively.

Quarterly prices of the U.S.-produced and subject imported industrial nitrocellulose products generally fell during 1986, recovered somewhat during

⁴⁸ The quantity of total purchases of the products for which delivered pricing data were reported accounted for about * * * percent of total domestic shipments of U.S.-produced industrial nitrocellulose during January 1986-March 1990, * * * percent of reported imports from Brazil, * * * percent from Japan, * * * percent from the PRC, * * * percent from the Republic of Korea, * * * percent from the United Kingdom, and * * * percent from West Germany. * * *.

⁴⁹ * * *.

⁵⁰ Adjusting Hercules' reported net f.o.b. selling prices to include the cost of the DOT 17H steel 55-gallon container, at selling prices reported by Hercules, did not significantly affect selling price trends. This type of container was most typically reported and included in the selling prices reported by the responding importers.

⁵¹ Some U.S. importers sold foreign industrial nitrocellulose to end users on a direct basis from the foreign manufacturer/trading company, which arranged freight all the way from the foreign shipping point to the U.S. purchasers' locations. In these instances, the importer did not know the U.S. inland portion of the freight and was able to report only delivered prices.

⁵² Price trends on limited reported sales to distributors of certain specified industrial nitrocellulose products imported from the PRC and Japan are discussed in the text but are not shown in the tables.

1987, and fluctuated but increased thereafter to end in March 1990 higher than initial-period prices.

Hercules.--The great bulk of the selling-price data for sales to end users reported by Hercules was accounted for by products * * *, the on-specification wood-pulp-based industrial nitrocellulose products. Quarterly selling prices of these U.S.-produced products generally fell during 1986, then fluctuated but increased thereafter to end the period in March 1990 at levels ranging from about * * * to * * * percent higher than prices during January-March 1986 (table 25). Quarterly selling prices of Hercules' product * * *, the on-specification * * * industrial nitrocellulose product, rose during the period reported from \$* * * per wet pound in July-September 1986 to \$* * * per wet pound in January-March 1990, or by about * * * percent. Quarterly selling prices of product * * *, the on-specification cotton-linter-based industrial cellulose product, increased by about * * * percent during January 1986-March 1990. Hercules reported only limited pricing data for product * * *, insufficient to develop price trends.

Quarterly selling prices of Hercules' Z-grade off-specification industrial nitrocellulose products * * * were stable or rose during 1986, then fluctuated but rose thereafter to end the period in January-March 1990 at levels ranging from * * * to * * * percent higher than at the beginning of the period (table F-1).

Brazil.--Reported net U.S. f.o.b quarterly prices of Brazilian cotton-linter-based products * * * sold to U.S. end users fell during 1986, then fluctuated but rose to end the period in January-March 1990 at levels ranging from * * * to * * * percent above initial-period prices (table 26). Reported quarterly selling prices to end users of Brazilian cotton-linter-based product * * * generally rose during the period reported, July 1987-March 1990, to end the period about * * * percent higher than the price during the initial quarter.

Japan.--Reported net U.S. f.o.b. quarterly prices of Japanese cotton-linter-based products * * * sold to U.S. end users fell during 1986, generally recovered only partially during 1987, and then continued to increase thereafter (table 27). Quarterly selling prices of products * * * increased by * * * and * * * percent, respectively, during January 1986-March 1990. Selling prices of product * * * rose by about * * * percent during January 1986-December 1989, and then rose another * * * percent in January-March 1990 to end the period about * * * percent higher than the initial-period price level.⁵³ Quarterly selling prices of product * * * increased by about * * * percent during January 1986-December 1989, the final period reported.

⁵³ The reporting importer, * * *, indicated that the jump in the selling price of product * * * during January-March 1990 resulted from the additional antidumping duty of \$* * * per pound, which its customer, * * *, agreed to pay.

Table 25

Price indexes and net U.S. f.o.b. selling prices to end users of U.S.-produced industrial nitrocellulose, by specified products and by quarters, January 1986-March 1990 ^{1/}

* * * * *

^{1/} The prices shown are the net U.S. f.o.b. selling prices of Hercules' largest sale of the specified U.S.-produced products in each quarter. The quantities shown represent Hercules' total sales of the products to all U.S. end users during the quarter.

Note.--January-March 1986=100, unless otherwise indicated.

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

Table 26

Price indexes and net f.o.b. U.S. selling prices to end users of imported industrial nitrocellulose from Brazil, by specified products and by quarters, January 1986-March 1990 ^{1/}

* * * * *

^{1/} The prices shown are the net U.S. f.o.b. selling prices of the single reporting importer's largest sale of the specified imported industrial nitrocellulose products in each quarter. The quantities shown represent reported total sales of the products to all U.S. end users during each quarter.

Note.--January-March 1986=100, unless otherwise indicated.

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

Table 27

Price indexes and net U.S. f.o.b. selling prices to end users of imported industrial nitrocellulose from Japan, by specified products and by quarters, January 1986-March 1990 1/

* * * * * *

1/ The prices shown are averages of the net U.S. f.o.b. selling prices of each responding U.S. importer's largest quarterly sale weighted by each importer's total sales quantity in that quarter. The quantities shown represent reported total sales of the two responding importers of the products to all U.S. end users during each of the quarters.

Note.--January-March 1986=100.

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

Table 28

Price indexes and net U.S. f.o.b. selling prices to end users of imported industrial nitrocellulose from the People's Republic of China, by specified products and by quarters, January 1986-March 1990 1/

* * * * * *

1/ The prices shown are averages of the net U.S. f.o.b. selling prices of each responding U.S. importer's largest quarterly sale weighted by each importer's total sales quantity in that quarter. The quantities shown represent reported total sales of the two responding importers of the products to all U.S. end users during each of the quarters.

Note.--January-March 1986=100.

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

Table 29

Price indexes and net U.S. f.o.b. selling prices to end users of imported industrial nitrocellulose from the Republic of Korea, by specified products and by quarters, April 1988-March 1990 ^{1/}

* * * * *

^{1/} The prices shown are averages of the net U.S. f.o.b. selling prices of the single reporting importer's largest sale of the specified imported industrial nitrocellulose products in each quarter. The quantities shown represent the importer's reported total sales of the products to all U.S. end users during each of the quarters.

Note.--April-June 1988=100, unless otherwise indicated.

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

Table 30

Price indexes and net U.S. delivered selling prices to end users of imported industrial nitrocellulose from the United Kingdom, by specified products and by quarters, January 1986-March 1990 ^{1/}

* * * * *

^{1/} The prices shown are the net U.S. delivered selling prices of the single responding U.S. importer's largest quarterly sale. The quantities shown represent reported total sales of the importer of the products to all U.S. end users during each of the quarters.

Note.--January-March 1986=100, unless otherwise indicated.

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

Table 31

Price indexes and net U.S. delivered prices to end users of imported industrial nitrocellulose from West Germany, by specified products and by quarters, January 1986-March 1990 1/

* * * * *

1/ The prices shown are averages of the net delivered quarterly prices of two importers--one importer's selling prices to end users and one importer/end user's direct imports, both on a delivered price basis--weighted by each importer's total sales/purchase quantity in that quarter. The quantities shown represent reported total sales/purchases of the two responding importers of the products during each of the quarters.

Note.--January-March 1986=100, unless otherwise indicated.

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

Table 32

Price indexes and net U.S. delivered prices of an importer/end user of imported industrial nitrocellulose from Yugoslavia, by specified products and by quarters, January 1986-March 1990 1/

* * * * *

1/ The prices shown are the net U.S. delivered purchase prices of the single reporting importer/end user for the largest purchase of the specified imported products in each quarter. The quantities shown represent the importer's total purchases of the products during the quarters requested.

Note.--January-March 1986=100.

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

In addition to the above-reported price data on sales to end users, another importer reported quarterly selling price data for sales of imported Japanese wood-pulp-based industrial nitrocellulose products * * * to distributors. These latter prices are based on limited sales volume and are not shown in a table. Quarterly selling prices of products * * * fell during 1986 and 1987 but increased thereafter. Prices of the latter two products each ended the period in January-March 1990 almost * * * percent higher than comparable prices during January-March 1986. Insufficient price data were reported for Japanese product * * * to develop any price trends.

The People's Republic of China.--Reported net U.S. f.o.b. quarterly prices of Chinese cotton-linter-based products * * * sold to U.S. end users were unchanged during 1986 and 1987, then increased and peaked during January-March 1989 before falling somewhat thereafter (table 28). Quarterly selling prices of both imported products peaked at \$* * * per wet pound during January-March 1989, or * * * percent higher than their initial-period level during January-March 1986. Selling prices of both products then fell by almost * * * percent by January-March 1990, but ended the period almost * * * percent higher than prices during January-March 1986. Insufficient price data were reported for Chinese cotton-linter-based product * * * to develop meaningful price trends.

In addition to the above-reported price data on sales to end users, two other importers reported limited quarterly net f.o.b. selling price data for sales of Chinese industrial nitrocellulose products * * * to distributors. These data are discussed here although not shown in the table. During January 1986-March 1990, quarterly selling prices of product * * * fluctuated but fell, by about * * * percent, while prices of product * * * generally increased, by almost * * * percent. Based on limited data, net selling prices of products * * * generally increased during the periods reported. Quarterly prices of product * * * rose by * * * percent during October 1986-June 1988, and prices of product * * * rose by almost * * * percent during July 1986-October 1987.

The Republic of Korea.--Based on limited data, net U.S. f.o.b. quarterly prices of Korean cotton-linter-based industrial nitrocellulose products * * * sold to end users generally increased during the periods reported (table 29). Between April-June 1988 and January-March 1990, quarterly selling prices of products * * * each rose by about * * * percent, while prices of product * * * rose by almost * * * percent. Insufficient price data were reported for Korean product * * * to develop meaningful price trends.

The United Kingdom.--Reported net U.S. delivered quarterly prices of imported British wood-pulp-based products * * * sold to U.S. end users generally rose during the period of investigation, ranging from about * * * to almost * * * percent (table 30). Quarterly selling prices of products * * * remained steady during 1986, fluctuated and fell somewhat during 1987, then generally increased thereafter. Each ended the period in January-March 1990 almost * * * percent higher than their initial-period prices in January-March 1986. Quarterly selling prices of product * * * fell from April 1986 (the initial period reported) through June 1987 by about * * * percent, but rose to end the period in January-March 1990 at almost * * * percent above the initial-period price. Quarterly selling prices of product

* * * dipped by about * * * percent from January-March 1987 (the initial period reported) through October-December 1987, then generally increased to end the period in January-March 1990 about * * * percent above the initial-period price level.

West Germany.--Reported net U.S. delivered quarterly prices of West German wood-pulp-based products * * * (alcohol wetted) sold to U.S. end users fluctuated but generally rose during the period of investigation, with increases for the period ranging from almost * * * percent to about * * * percent (table 31). Quarterly selling prices of product * * * generally rose throughout the period, rising by about * * * percent by January-March 1990, while selling prices of product * * * remained steady during 1986 and 1987 before rising to end the period during January-March 1990 about * * * percent higher than during January-March 1986. On the other hand, quarterly selling prices of product * * * fell and remained below the January-March 1986 value through 1988. Selling prices of product * * * then rose to end the period almost * * * percent above the initial-period price level. Quarterly selling prices of product * * * fluctuated during the period reported, October 1986-March 1990, but generally rose to end the period almost * * * percent higher than the price level at the beginning of the period.

Net U.S. delivered quarterly prices of West German plasticized products * * * sold to end users also fluctuated but increased during the period reported (table G-1). Quarterly prices of plasticized products * * * generally increased during the periods reported. Quarterly prices of plasticized products * * * and * * * rose by * * * and * * * percent, respectively, during January 1986-March 1990, and prices of plasticized product * * * rose by almost * * * percent during April 1986-March 1990. Quarterly prices of plasticized product * * * fell during 1986, recovered somewhat during 1987-88, and then fluctuated but increased to end the period in January-March 1990 about * * * percent higher than the price level during the initial period of January-March 1986.

Yugoslavia.--Reported net U.S. delivered quarterly prices of Yugoslav wood-pulp-based products * * * and cotton-linter-based products * * * imported by a U.S. end user, the single reporting importer of Yugoslav industrial nitrocellulose, fluctuated but generally rose during the period of investigation. Price increases for the period ranged from about * * * to * * * percent (table 32). Quarterly delivered prices of products * * * generally increased during January 1986-March 1990, with prices of products * * * each rising by about * * * percent and prices of product * * * rising by about * * * percent. Quarterly delivered prices of imported products * * * fell during 1986, recovered somewhat during 1987, and then generally rose thereafter to each end the period about * * * percent higher than prices during January-March 1986.

Price comparisons.--Price comparisons between U.S.-produced and imported industrial nitrocellulose products sold to end users were developed from U.S. producer and importer questionnaire responses, based mostly on net delivered selling prices,⁵⁴ and the purchaser questionnaire responses, when delivered prices were reported. Price comparisons based on the producer and importer questionnaires and those based on the purchaser questionnaires generally were similar in the price relationships they showed between domestic and imported industrial nitrocellulose. The producer and importer data showed that imports from Brazil, the PRC, the United Kingdom, West Germany, and Yugoslavia were generally priced lower than the domestic products, whereas imports from Japan and the Republic of Korea were generally priced higher than the domestic products. Two exceptions involved price comparisons for Korean and British industrial nitrocellulose. Price comparisons based on f.o.b. prices reported by the U.S. producer and the importer showed more limited underselling of the domestic products by the Korean products than did comparisons from purchaser questionnaires. On the other hand, comparisons based on delivered prices reported by the U.S. producer and the importer showed more underselling of the domestic products by the British products than comparisons from purchaser questionnaires.

Price comparisons are between Hercules' wood-pulp-based cellulose products * * * and both imported wood-pulp-based products * * * and imported cotton-linter-based products * * *. Several end users indicated in their questionnaire response that the cellulose base is not a major consideration in their product formulation and that either cotton linters or wood pulp could be used.⁵⁵ On the other hand, some end users reported in questionnaire responses that they preferred cotton linters as the cellulose base.⁵⁶ In addition, Hercules and an importer/end user reported selling/purchase prices that were generally higher for the cotton-linter-based products than for the wood-pulp-based products. Price comparisons between domestic and imported industrial nitrocellulose with cotton linters as the cellulose base, from the producer and importer questionnaires, are discussed and shown in appendix H.

Price comparisons were made between * * *. Both are wood-pulp-based products similar in nitrogen content and viscosity, and Hercules claims that its toluene product is substitutable for the plasticized product. However,

⁵⁴ In some instances price comparisons were based on the reported net f.o.b. prices because some importers sold foreign industrial nitrocellulose ex-dock, duty-paid, U.S. port of entry, and the customer arranged the U.S. inland freight to its location. In these instances, the importer did not know the delivery costs and could not report delivered selling prices.

⁵⁵ * * *, a reporting end user of industrial nitrocellulose, indicated that either cotton linters or wood pulp as the cellulose base could be used for wood coatings.

⁵⁶ For instance, * * * indicated that cotton linters are preferred for ink solutions. The firm indicated that cotton-linter-based nitrocellulose is priced about \$* * * per pound more than wood-pulp-based nitrocellulose, but that a cleaner, sharper film could be expected with cotton-linter-based nitrocellulose. * * * and * * *, two reporting end-user firms, both indicated that industrial nitrocellulose with cotton linters goes into solution more quickly (about * * * percent less time) than with wood pulp as the cellulose base, thus leading to lower costs in producing lacquers.

the 15 end users responding to the question regarding interchangeability between toluene and plasticized industrial nitrocellulose indicated that the two products are not readily substitutable. Toluene nitrocellulose reportedly is considered more volatile, has a shorter shelf-life, results in poorer quality nitrocellulose-based solutions, and is much higher in price than the plasticized product.⁵⁷

Price comparisons between Hercules Z-grade industrial nitrocellulose products and imported nitrocellulose are also discussed below. Based on purchaser questionnaire responses, Z-grade industrial nitrocellulose is substituted for regular-specification domestic and imported industrial nitrocellulose in a number of applications, including sanding sealers, primer coatings, and pigmented coatings. However, where high-quality solutions such as for inks, paper products, and lacquer top-coats or paints are called for, the responding end users indicated that Z-grade industrial nitrocellulose is not used. They cited inconsistent quality of this product and indicated that the costs to remove the trash and deal with dispersion difficulties outweighed its lower price for use in these latter products.

The price data have not been adjusted for the different types of containers and the different treatment of drum costs between domestic and imported industrial nitrocellulose, because it is not known how many purchasers receive a net benefit or bear a net cost in dealing with the imported containers. The net value or cost of drums associated with the imported and domestic products appears to generally be no more than \$* * * per wet pound (about * * * percent of the delivered prices). Any net benefits would be limited to industrial nitrocellulose imported from countries that ship their products in the reusable 17H drums to customers that then reuse them or sell them to reconditioners.⁵⁸ Any net costs would result from disposal charges for 17H drums and from industrial nitrocellulose imported from Brazil and West Germany in nonreusable fiber drums. No net benefits or costs appear to accrue from disposing of the light-steel 37A drum (approved for one-time use by DOT) in which the Yugoslav industrial nitrocellulose is shipped. The primary importer/end user reported that it breaks even on disposing of this latter drum through a combination of selling, giving away, and paying to dump them. The possible implications of this range of plus-or-minus \$* * * per wet pound in changing margins of underselling to overselling or vice versa are discussed in the individual country sections.

Brazil.--Price comparisons between U.S.-produced and imported Brazilian industrial nitrocellulose are based on net U.S. delivered selling prices of the largest quarterly sale of domestic wood-pulp-based products * * * and imported cotton-linter-based counterpart products * * * (comparable in nitrogen content, viscosity, and wetting agents) to end users during January 1986-March 1990.⁵⁹

⁵⁷ Several firms also indicated that the toluene-wetted nitrocellulose was generally not available and because of its poor product characteristics their customers had eliminated or were reducing their use of the product.

⁵⁸ Japan, the PRC, the Republic of Korea, and the United Kingdom.

⁵⁹ Price comparisons between domestic and Brazilian industrial nitrocellulose are unchanged from the prehearing report, because Hercules' prices had not been adjusted and remain unadjusted.

Responding end users rated the quality of Brazilian industrial nitrocellulose generally comparable to that of the domestic product. Of the 10 purchasers that commented on quality, 5 rated the imported material comparable, 3 rated it superior, and 2 rated it inferior. * * *, one of the firms that felt the Brazilian nitrocellulose was superior, noted that it resulted in cleaner films and was less acidic⁶⁰ than the domestic product. * * *, one of the firms rating the imported and domestic products comparable in quality, noted that the Brazilian product had some viscosity problems earlier, but the importer had since corrected these problems. * * *, one of the firms rating the imported product inferior to the domestic product, believed the imported product to be comparable in quality to Hercules Z-grade industrial nitrocellulose. * * * also indicated that the imported material was inferior, citing dust in the product. Most responding firms reported purchasing domestic industrial nitrocellulose in addition to the imported product, even though it was priced higher than the Brazilian product during 1989, because of more reliable supply, shorter delivery time, and the need to maintain more than one source of supply.

The reported producer and importer price data resulted in a total of 49 quarterly price comparisons: 13 involved comparisons between domestic product * * * and imported product * * *, 13 between domestic product * * * and imported product * * *, 13 between domestic product * * * and imported product * * *, and 10 between domestic product * * * and imported product * * * (table 33). Of the 49 quarterly price comparisons, 48 showed that the imported product was priced less than the domestic product, averaging about * * * percent below prices of the domestic product.⁶¹ Underselling ranged from an average of almost * * * percent for comparisons between domestic product * * * and imported product * * * to an average of almost * * * percent for comparisons between domestic product * * * and imported product * * *.

No adjustments to the imported prices are necessary if end users of Brazilian industrial nitrocellulose do not incur costs in disposing of the fiber containers. If end users pay to dispose of these containers, then increasing importer prices by \$* * * per wet pound to reflect this cost would switch two instances of underselling to overselling involving quarterly price comparisons between U.S. product * * * and Brazilian product * * * during July-December 1987.

The reported purchaser data resulted in a total of 35 quarterly delivered price comparisons between the domestic and Brazilian products (table I-1). The results were similar to price comparisons based on the

⁶⁰ Lower acidity leads to less processing in obtaining a desired neutral pH solution.

⁶¹ Although not shown in a table, quarterly net delivered selling prices of U.S.-produced Z-grade industrial nitrocellulose wood-pulp-based products * * * and imported Brazilian on-specification cotton-linter-based products * * * resulted in a total of 49 quarterly price comparisons between the domestic and counterpart imported products during January 1986-March 1990. Of the 49 price comparisons, 48 showed the U.S.-produced Z-grade products to be priced less than the imported products, with margins averaging about * * * percent.

Table 33

Net U.S. delivered selling prices of industrial nitrocellulose produced in the United States and imported from Brazil, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ The prices shown are the net delivered selling prices of the U.S. producer and the single reporting U.S. importer, based on their largest quarterly sales of the specified products to end users in each quarter.

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

producer and importer questionnaire data. Of the 35 quarterly price comparisons, 33 showed that the imported products were priced less than the domestic products, by an average of about * * * percent. One comparison showed the Brazilian product to be priced higher than the domestic product, by about * * * percent, and one other comparison showed the domestic and imported products to be purchased at the same price.

Japan.--Quarterly price comparisons between U.S.-produced and imported Japanese industrial nitrocellulose are based on net U.S. delivered selling prices of domestic wood-pulp-based products * * * and imported cotton-linter-based counterpart products * * * sold to end users during January 1986-March 1990.

Responding end users rated the quality of the Japanese industrial nitrocellulose generally comparable to that of the domestic product. Of the 15 purchasers that commented on quality, 9 rated the imported material comparable and 6 rated it superior.⁶² The firms rating the imported material superior cited most frequently its more uniform product quality in terms of greater consistency of viscosity and solids that resulted in quicker processing. Most responding firms reported that the imported Japanese industrial nitrocellulose was not priced below the domestic product during 1989. These firms reported that they also purchased domestic industrial nitrocellulose because of availability, reliability of supply, and a desire to maintain more than one source of supply.

⁶² * * * . * * * .

Based on producer and importer selling prices for the largest quarterly sale, a total of 30 price comparisons are possible: 5 involve comparisons between domestic product * * * and imported product * * *, 17 between domestic product * * * and imported product * * *, 3 between domestic product * * * and imported product * * *, and 5 between domestic product * * * and imported product * * * (table 34). Of the 30 quarterly price comparisons, 28 showed that the imported product was priced higher than the domestic product, averaging about * * * percent above prices of the domestic product.⁶³ Two quarterly price comparisons showed that the domestic and counterpart imported products were equal in price.

No adjustments to the imported prices are necessary if end users of Japanese industrial nitrocellulose do not incur benefits from selling or reusing the 17H drums. If end users incurred benefits from the reuse or sale of these drums, then decreasing importer prices by \$* * * per wet pound to reflect these benefits would switch five quarterly price comparisons. In three instances currently showing overselling, the domestic and imported products would be priced the same, and in the two instances when the domestic and imported products are currently priced the same, underselling would occur.⁶⁴ On the other hand, if end users paid to dispose of the 17H drums, then increasing importer prices by \$* * * per wet pound to reflect such costs would switch two quarterly price comparisons--those where the domestic and imported products are currently priced the same would change to overselling.

The reported purchaser data resulted in a total of 62 quarterly delivered price comparisons between the domestic and Japanese products (table I-2). The results were similar to price comparisons based on the producer and importer questionnaire data. Of the 62 quarterly price comparisons, 58 showed that the imported products were priced higher than the domestic products, averaging about * * * percent above prices of the domestic products. Three comparisons showed the Japanese products to be priced less than the domestic products, averaging almost * * * percent below prices of the domestic products, and one comparison showed the domestic and imported products to be purchased at the same price.

⁶³ Although not shown in a table, quarterly net delivered selling prices of U.S.-produced Z-grade industrial nitrocellulose wood-pulp-based products * * * and Japanese on-specification cotton-linter-based products * * * resulted in a total of 30 quarterly comparisons between the domestic and counterpart imported products during January 1986-March 1990. All 30 comparisons showed the U.S.-produced Z-grade products were priced less than the imported products, with margins averaging about * * * percent.

⁶⁴ Overselling would be eliminated in the quarterly price comparison between domestic product * * * and Japanese product * * * during July-September 1987 and quarterly price comparisons between U.S. product * * * and Japanese product * * * during January-June 1986. Price equality would revert to underselling in the quarterly price comparison between U.S. product * * * and Japanese product * * * during January-March 1986 and the quarterly price comparison between U.S. product * * * and Japanese product * * * during January-March 1988.

Table 34

Net U.S. delivered selling prices of industrial nitrocellulose produced in the United States and imported from Japan, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ Price comparisons are based on net U.S. delivered selling prices. U.S. producer prices shown are based on Hercules' reported largest quarterly sales of the specified products to end users during the quarters requested. The importer prices shown are based on the largest quarterly sale of the specified products to end users during the quarters requested by the single importer reporting delivered prices.

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

The People's Republic of China.--Price comparisons between U.S.-produced and imported Chinese industrial nitrocellulose are based on net U.S. f.o.b. selling prices of the largest quarterly sale of domestic wood-pulp-based products * * * and imported cotton-linter-based counterpart products * * * sold to end users during January 1986-March 1990.

A limited number of responding end users rated the quality of the Chinese industrial nitrocellulose vis-a-vis the domestic product. Of the five purchasers who commented on quality, three rated the imported material comparable and two rated it inferior.⁶⁵ The firms rating the imported material inferior cited greater inconsistency in quality, with more impurities than the domestic product. All responding firms reported that the imported PRC industrial nitrocellulose was priced less than the domestic product during 1989, yet two indicated that they also purchased the domestic product due to its more reliable supply, greater variety of grades, and their need to maintain more than one supply source.

The reported producer and importer price data resulted in a total of 32 quarterly price comparisons: 15 involved comparisons between domestic product * * * and imported product * * *, 16 between domestic product * * * and imported product * * *, and 1 between domestic product * * * and imported product * * * (table 35). All 32 comparisons showed that the imported product

⁶⁵ * * *. * * * rated the Chinese industrial nitrocellulose inferior to the domestic product.

Table 35

Net U.S. f.o.b. selling prices of industrial nitrocellulose produced in the United States and imported from the People's Republic of China, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ Price comparisons are based on net U.S. f.o.b. selling prices, because most prices of the Chinese products were reported on this basis. U.S. producer prices shown are based on the largest quarterly sales of the specified products to end users reported by Hercules during the quarters requested. The importer prices shown are averages of the net U.S. f.o.b. selling prices to end users of each importer's largest quarterly sale of the specified products weighted by each importer's total sales quantity of product * * * in that quarter.

Note: Although not shown, a single net delivered price comparison was possible involving U.S. wood-pulp-based product * * * and Chinese cotton-linter-based product * * * during April-June 1988. The imported product was priced about * * * percent below the domestic product.

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

was priced less than the domestic product, averaging * * * percent below prices of the domestic product.⁶⁶

No adjustments to the imported prices are necessary when end users of the Chinese industrial nitrocellulose do not incur benefits from selling or reusing the 17H drums. If end users incurred benefits from the reuse or sale of these drums, then decreasing importer prices by \$* * * per wet pound to reflect these benefits would not switch any of the price comparisons shown because all of them already reflect underselling. On the other hand, if end users paid to dispose of the 17H drums, then increasing importer prices by

⁶⁶ Although not shown in a table, quarterly net f.o.b. selling prices of U.S.-produced Z-grade industrial nitrocellulose wood-pulp-based products * * * and imported PRC on-specification cotton-linter-based products * * * resulted in a total of 32 quarterly price comparisons between the domestic and counterpart imported products during January 1986-March 1990. All 32 price comparisons showed the U.S.-produced Z-grade products priced less than the imported products, with margins averaging about * * * percent.

\$* * * per wet pound to reflect such costs would switch two quarterly price comparisons from underselling to overselling.⁶⁷

The reported purchaser data resulted in a total of 53 quarterly delivered-price comparisons between the domestic and Chinese products (table I-3). The results were similar to price comparisons based on the producer and importer questionnaire data. All 53 quarterly price comparisons showed that the imported products were priced less than the domestic products, averaging about * * * percent below prices of the domestic products.

The Republic of Korea.--Price comparisons between U.S.-produced and Korean industrial nitrocellulose are based on net U.S. f.o.b. selling prices of the largest quarterly sale of domestic wood-pulp-based products * * * and imported cotton-linter-based counterpart products * * * sold to end users.

A limited number of responding end users rated the quality of the Korean industrial nitrocellulose vis-a-vis the domestic product. The three responding purchasers that commented on quality rated the imported material comparable to the domestic product.⁶⁸ Two of the three firms reported that the imported Korean industrial nitrocellulose was priced less than the domestic product during 1989, yet one firm indicated that it also purchased the domestic product because of its more reliable supply and the need to maintain more than one supply source.

The producer and importer price data resulted in a total of 21 quarterly price comparisons during April 1988-March 1990: 7 involved comparisons between domestic product * * * and imported product * * *, 6 between domestic product * * * and imported product * * *, 2 between domestic product * * * and imported product * * *, and 6 between domestic product * * * and imported product * * * (table 36).

Of the 21 quarterly price comparisons, 10 showed that the imported products were priced less than the domestic products, averaging about * * * percent below prices of the domestic products.⁶⁹ Nine quarterly price comparisons showed the imported products to be priced higher than the domestic products, by margins averaging * * * percent. Two price comparisons showed the domestic and imported products to be priced equally.

⁶⁷ Underselling would be reversed in the quarterly price comparisons between domestic product * * * and PRC product * * * during January-June 1989.
⁶⁸ * * *.

⁶⁹ Although not shown in a table, quarterly net f.o.b. selling prices of U.S.-produced Z-grade industrial nitrocellulose wood-pulp-based products * * * and imported Korean on-specification cotton-linter-based products * * * resulted in a total of 21 quarterly price comparisons between the domestic and counterpart imported products during January 1986-March 1990. All 21 price comparisons showed the U.S.-produced Z-grade products priced less than the imported products, with margins averaging about * * * percent.

Table 36

Net U.S. f.o.b. selling prices of industrial nitrocellulose produced in the United States and imported from the Republic of Korea, and margins of under/(over) selling, 1/ by specified products and by quarters, April 1988-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ Price comparisons are based on net U.S. f.o.b. selling prices, because all prices of the Korean products were reported on this basis. U.S. producer prices shown are based on the largest quarterly sales of the specified products to end users reported by Hercules during the quarters requested. The importer prices shown are based on the largest quarterly sale of the specified products to end users during the quarters requested by the single importer reporting price data.

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

No adjustments to the imported prices are necessary if end users of Korean industrial nitrocellulose do not incur benefits from selling or reusing the 17H drums. If end users incurred benefits from the reuse or sale of these drums, then decreasing importer prices by \$* * * per wet pound to reflect these benefits would switch five quarterly price comparisons. In three instances currently showing overselling, one would switch to underselling and two would show the domestic and imported products to be priced the same; in two instances currently showing the domestic and imported products priced the same, underselling would occur.⁷⁰ On the other hand, if end users paid to dispose of the 17H drums, then increasing importer prices by \$* * * per wet pound to reflect such costs would switch three price comparisons to overselling: the two quarterly price comparisons currently showing the

⁷⁰ Overselling would switch to underselling in the quarterly price comparison between domestic product * * * and Korean product * * * during October-December 1988, but would result in equality of prices in quarterly price comparisons between U.S. product * * * and Korean product * * * during January-March 1989 and U.S. product * * * and Korean product * * * during April-June 1988. Price equality would revert to underselling in the two quarterly price comparisons between U.S. product * * * and Korean product * * * during April-June 1988 and April-June 1989.

domestic and imported products to be priced the same and one price comparison currently showing underselling.⁷¹

The reported purchaser data resulted in a total of 21 quarterly delivered-price comparisons between the domestic and Korean products (table I-4). The results show a somewhat greater frequency of underselling than the price comparisons based on the producer and importer questionnaires. Of the 21 quarterly price comparisons, 14 showed that the imported products were priced less than the domestic products, averaging about * * * percent below prices of the domestic products. Six price comparisons showed the Korean products to be priced higher than the domestic products, averaging * * * percent above prices of the domestic products. One price comparison showed the domestic and imported products to be purchased at the same price.

The United Kingdom.--Quarterly price comparisons between U.S.-produced and imported British industrial nitrocellulose are based on net U.S. delivered selling prices of wood-pulp-based products * * * sold to end users during January 1986-March 1990; these comparisons resulted in a total of 59 quarterly price comparisons (table 37).

Responding end users rated the quality of British industrial nitrocellulose generally superior to that of the domestic product. Of the 16 purchasers that commented on quality, 10 rated the imported material superior and 6 rated it comparable.⁷² The firms rating the imported material superior cited most frequently its greater consistency of viscosity, faster emptying of drums into processing tanks,⁷³ and better clarity. Nine firms indicated that the imported British industrial nitrocellulose was priced below the domestic product during 1989, and six reported that it was not priced less than the domestic product. Most of the responding firms reported purchasing domestic industrial nitrocellulose in addition to the British product because of the U.S. product's greater availability, reliability of supply, and shorter delivery time and the need to maintain more than one source of supply.

Of the 59 price comparisons, 34 showed the imported products to be priced less than the domestic products, by an average margin of almost * * * percent.⁷⁴ Twenty-two price comparisons showed that the imported products

⁷¹ Current underselling would switch to overselling involving the price comparison between U.S. product * * * and Korean product * * * during January-March 1990.

⁷² * * * . * * * .

⁷³ The greater ease of emptying the British industrial nitrocellulose from the drums results from its granular consistency compared with the fibrous nature of the domestic product.

⁷⁴ Although not shown in a table, quarterly net delivered selling prices of U.S.-produced Z-grade and imported British on-specification wood pulp-based industrial nitrocellulose products * * * resulted in a total of 59 quarterly price comparisons between the domestic and imported products during January 1986-March 1990. All 59 price comparisons showed the U.S.-produced Z-grade products to be priced less than the imported products, with margins averaging about * * * percent.

Table 37

Net U.S. delivered selling prices of industrial nitrocellulose produced in the United States and imported from the United Kingdom, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ U.S. producer prices shown are based on Hercules' reported largest quarterly sale of the specified product to end users during the quarters requested. The importer prices shown are based on the largest quarterly sale of the specified products sold to end users during each quarter by the single importer reporting the requested price data.

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

were priced higher than the domestic products, by margins averaging almost * * * percent. In three other price comparisons, involving products * * *, the domestic and imported products were sold at the same price.

No adjustments to the imported prices are necessary if end users of British industrial nitrocellulose do not incur benefits from selling or reusing the 17H drums. If end users incurred benefits from the reuse or sale of these drums, decreasing importer prices by \$* * * per wet pound to reflect these benefits would switch 13 quarterly price comparisons. Ten instances currently showing overselling would change to show the domestic and imported products priced the same,⁷⁵ and three instances currently showing the domestic and imported products priced the same would change to underselling.⁷⁶ On the other hand, if end users paid to dispose of the 17H drums, then increasing importer prices by \$* * * per wet pound to reflect such costs would switch 12 price comparisons: overselling would result in the 3 quarterly price comparisons currently showing the domestic and imported products to be priced

⁷⁵ Overselling would result in equality of prices in quarterly price comparisons for product * * * during April-December 1987; product * * * during January-June 1986, April-June 1987, and January-March 1990; product * * * during July-September 1987; and product * * * during July-September 1987 and January-March 1988.

⁷⁶ Underselling would result in the price comparisons for product * * * during July-September 1989, product * * * during April-June 1989, and product * * * during July-September 1986.

the same and in 2 price comparison currently showing underselling,⁷⁷ and 7 quarterly price comparisons currently showing underselling would then show the domestic and imported products to be priced the same.⁷⁸

The reported purchaser data resulted in a total of 68 quarterly delivered price comparisons between the domestic and British products (table I-5). The results contrasted with the majority of underselling shown by the producer and importer questionnaire price data. Of the 68 quarterly price comparisons, 46 showed that the imported products were priced higher than the domestic products, averaging about * * * percent above prices of the domestic products. Nineteen price comparisons showed the British products to be priced less than the domestic products, averaging * * * percent below prices of the domestic products. Three price comparisons showed the domestic and imported products to be purchased at the same price.

West Germany.--Quarterly price comparisons between U.S.-produced and imported West German industrial nitrocellulose are based on net U.S. delivered prices of wood-pulp-based, alcohol-wetted products * * * sold to end users during January 1986-March 1990 (table 38).⁷⁹ * * * (table 39).^{80,81}

Responding end users rated the quality of West German industrial nitrocellulose as generally comparable to that of the domestic product. Of the 10 purchasers that commented on quality, 7 rated the imported material comparable, 2 rated it superior, and 1 rated it inferior.⁸² The firms rating the imported material superior cited its greater consistency of viscosity, quicker dissolving time, and better clarity.⁸³ Six firms indicated that the imported West German industrial nitrocellulose was priced below the domestic

⁷⁷ The two price comparisons switching from underselling to overselling involve quarterly price comparisons for product * * * during January-March 1990 and product * * * during October-December 1989.

⁷⁸ Current underselling would change to show prices of the domestic and imported British products to be equal in quarterly price comparisons involving product * * * during July-December 1988; product * * * during July-September 1988; product * * * during October-December 1986 and January-June 1989; and product * * * during October-December 1987.

⁷⁹ Price comparisons between domestic and West German industrial nitrocellulose are unchanged from the prehearing report, because Hercules' prices had not been adjusted and remain unadjusted.

⁸⁰ * * *.

⁸¹ Quarterly net delivered prices of all the reported West German products were averages of one importer's delivered selling prices to U.S. end users and an end user/importer's purchase prices based on their largest quarterly sale/purchase and weighted by each importer's total sales/purchases of the specified product in each quarter.

⁸² Another end user, * * *, did not rate West German industrial nitrocellulose although it purchased the foreign product--a plasticized grade. The firm stated that it requires plasticized industrial nitrocellulose and the product was not available from Hercules.

⁸³ The one firm rating West German industrial nitrocellulose inferior to the domestic product did not comment further.

Table 38

Net U.S. delivered selling prices of industrial nitrocellulose produced in the United States and imported from West Germany, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ U.S. producer prices shown are based on Hercules' reported largest quarterly sale of the specified product to end users during the quarters requested. The importer prices shown are averages of the net U.S. delivered selling prices to end users of the single importer reporting such data and net delivered purchase prices of the single end user/importer reporting these latter price data. The import prices are based on the largest quarterly sale/purchase quantities of the specified product in that quarter.

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

Table 39

Net U.S. delivered prices of industrial nitrocellulose * * * produced in the United States and * * * imported from West Germany, 1/ and margins of under/(over) selling, 2/ by quarters, July 1986-March 1990 3/

* * * * *

1/ * * *.

2/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

3/ U.S. producer net delivered prices shown are based on Hercules' reported largest quarterly sale of the specified product sold to end users during the quarters requested. The importer prices shown are averages of the net U.S. delivered selling prices to end users of the single importer reporting these data and net delivered purchase prices of the single end user/importer reporting these latter price data. The import prices are based on the largest quarterly sale/purchase quantities of the specified product in that quarter.

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

product. Most of the responding firms reported purchasing the domestic industrial nitrocellulose in addition to the West German product because of the domestic product's greater availability and reliability of supply, shorter delivery time, and their need to maintain more than one source of supply.

Based on net delivered prices of the largest quarterly sale/purchase,⁸⁴ the reported price data resulted in a total of 64 quarterly price comparisons involving alcohol-wetted products * * * (table 38). Of the 64 price comparisons, 49 showed the imported products to be priced less than the domestic products, with margins averaging about * * * percent.⁸⁵ Of the 64 price comparisons, 13 showed the imported products to be priced higher than the domestic products, by margins averaging about * * * percent; 10 of these 13 price comparisons involved product * * *. Of the 64 price comparisons, 2 showed the domestic and imported products * * * to be equal in price. By product, 17 price comparisons involved each of products * * *, and 13 price comparisons involved product * * *. When prices of the imported products were less than domestic prices, margins ranged from an average of about * * * percent for products * * * to almost * * * percent for product * * *.

No adjustments to the imported prices for products * * * are necessary if end users of West German industrial nitrocellulose do not incur costs in disposing of the fiber containers. If end users pay to dispose of these containers, then increasing importer prices by \$* * * per wet pound to reflect this cost would switch eight price comparisons: overselling would result from two quarterly price comparisons currently showing the domestic and imported products to be priced the same and from two price comparisons currently showing underselling,⁸⁶ and four quarterly price comparisons currently showing underselling would then show the domestic and imported products to be priced the same.⁸⁷

The reported purchaser data resulted in a total of 50 quarterly delivered-price comparisons between the domestic and West German products (table I-6). The results were similar to price comparisons based on the producer and importer questionnaire data. Twenty-five of the 50 quarterly price comparisons showed that the imported products were priced less than the

⁸⁴ The largest quarterly purchase applies only to the one responding end user/importer as described above.

⁸⁵ Although not shown in a table, quarterly net delivered selling prices of U.S.-produced Z-grade and imported West German on-specification wood pulp-based, alcohol-wetted industrial nitrocellulose products * * * resulted in a total of 64 quarterly price comparisons between the domestic and imported products during January 1986-March 1990. All 64 price comparisons showed the U.S.-produced Z-grade products to be priced less than the imported products, with margins averaging about * * * percent.

⁸⁶ The four price comparisons that would change to show overselling involve quarterly price comparisons for product * * * during July-September 1986 and October 1988-March 1989 and product * * * during October-December 1989.

⁸⁷ Current underselling would change to show prices of the domestic and imported West German products to be equal in quarterly price comparisons involving product * * * during January-March 1989 and product * * * during April-June 1987 and January-June 1988.

domestic products, averaging almost * * * percent below prices of the domestic product. Twenty-one price comparisons showed the West German products to be priced higher than the domestic products, averaging about * * * percent above prices of the domestic products. Four price comparisons showed that the domestic and imported products were purchased at the same price.

The reported U.S. producers and importers' price data also resulted in a total of 14 quarterly price comparisons involving U.S.-produced * * * and West German * * * (table 39). Twelve of the 14 price comparisons showed the imported product to be priced less than the domestic product, with margins averaging about * * * percent. Of the 14 quarterly price comparisons, 2 showed the imported product to be priced higher than the domestic product, averaging almost * * * percent greater than the domestic product during July-December 1986.

No adjustments to the imported prices for * * * are necessary if end users of the West German industrial nitrocellulose do not incur costs in disposing of the fiber containers. If end users pay to dispose of these containers, then increasing importer prices by \$* * * per wet pound to reflect this cost would not switch any of the price comparisons shown.

Yugoslavia.--Quarterly price comparisons between U.S.-produced and imported Yugoslav industrial nitrocellulose are based on net U.S. delivered prices of domestic and imported wood-pulp-based products * * * sold to end users or imported by end users during January 1986-March 1990 and are shown in table 40.⁸⁸ In addition, table 41 shows quarterly price comparisons between U.S.-produced and imported Yugoslav industrial nitrocellulose based on net U.S. delivered prices of domestic wood-pulp-based products * * * and imported cotton-linter-based counterpart products * * * (comparable in nitrogen content, viscosity, and wetting agents) during January 1986-March 1990.

* * *, which accounted for * * * of the purchases of Yugoslav industrial nitrocellulose, rated the quality of the imported product inferior to that of the domestic product. * * * indicated that the foreign product was less consistent in quality and more difficult to dissolve than the domestic product. The firm reported that the imported product was priced less than the domestic product during 1989, but it also purchased U.S.-produced industrial nitrocellulose to obtain better quality and to maintain an alternate source of supply.

Based on the net delivered prices of the largest quarterly sale/purchase, the reported price data resulted in a total of 51 comparisons involving wood-pulp-based products * * * (table 40). Of the 51 price

⁸⁸ Prices of the U.S.-produced products were based on Hercules' reported quarterly net delivered selling prices to end users for its largest sale in each quarter of the specified products. Quarterly net delivered prices of all the reported imported Yugoslav products were based on * * * purchase prices of its largest quarterly purchase of the specified products in each quarter.

Table 40

Net U.S. delivered selling prices of industrial nitrocellulose produced in the United States and imported from Yugoslavia, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ U.S. producer prices shown are based on Hercules' reported largest quarterly sale of the specified products to end users during the quarters requested. The importer prices shown are based on the largest quarterly purchase of the specified products reported by the responding end user/importer during the quarters requested; this was the only importer reporting the requested price data.

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

comparisons, 50 showed that the imported products were priced less than the U.S.-produced products, by margins averaging almost * * * percent.⁸⁹ By product, 17 price comparisons involved each of the products * * *, with average margins of underselling for each set of product comparisons similar to the overall average. One price comparison involving product * * * showed that the domestic and imported products were priced equally.

The reported price data also resulted in a total of 67 other quarterly price comparisons: 17 involved comparisons between domestic product * * * and imported product * * *, 16 between domestic product * * * and imported product * * *, 17 between domestic product * * * and imported product * * *, and 17 between domestic product * * * and imported product * * * (table 41). Of the 67 quarterly price comparisons, 65 showed that the imported products were priced less than the domestic products, averaging about * * * percent below prices of the domestic products.⁹⁰ The average level of underselling in each

⁸⁹ Although not shown in a table, the quarterly net delivered prices of U.S.-produced Z-grade and imported Yugoslav on-specification wood-pulp-based industrial nitrocellulose products * * * resulted in a total of 51 quarterly price comparisons between the domestic and imported products during January 1986-March 1990. Of the 51 price comparisons, 50 showed the U.S.-produced Z-grade products to be priced less than the imported products, with margins averaging about * * * percent. One price comparison, involving product * * *, showed that the domestic and imported products were equal in price.

⁹⁰ Although not shown in a table, quarterly net f.o.b. selling prices of U.S.-produced Z-grade industrial nitrocellulose wood-pulp-based products * * * and imported Yugoslav on-specification cotton-linter-based products * * * resulted in a total of 67 quarterly price comparisons between the domestic and (continued...)

Table 41

Net U.S. delivered selling prices of industrial nitrocellulose produced in the United States and imported from Yugoslavia, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ U.S. producer prices shown are based on Hercules' reported largest quarterly sale of the specified products to end users during the quarters requested. The importer prices shown are based on the largest quarterly purchase of the specified products reported by the responding end user/importer during the quarters requested; * * *.

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

set of product comparisons approximated the overall average. Two quarterly price comparisons involving domestic product * * * and imported product * * * showed the domestic and imported products to be priced equally. * * *, no adjustment to the imported product prices appears warranted.

Transportation factors

The single producer and nine importers responded to questions on transportation factors in the questionnaires. Hercules sells industrial nitrocellulose in the U.S. market from its plant in New Jersey and a warehouse in California. Importers sell industrial nitrocellulose directly from U.S. ports and from warehouses throughout the country. Importers' warehouses cited were in Arkansas, California, Georgia, Illinois, New Jersey, New York, Oklahoma, South Carolina, and Washington. Most domestically produced and imported industrial nitrocellulose is shipped by truck to U.S. customers.

In comparison with Hercules, importers reported selling a higher proportion of imported industrial nitrocellulose to customers located less than 500 miles from their U.S. selling locations. Hercules typically arranges freight to its customers' locations, as well as the return freight for the drums. Some importers sell only ex-dock, duty-paid, U.S. port of entry, while others sell directly from the port and from U.S. warehouses. Importers selling from warehouses will typically arrange freight to their customers'

⁹⁰ (...continued)

counterpart imported products during January 1986-March 1990. All 67 price comparisons showed the U.S.-produced Z-grade products priced less than the imported products, with margins averaging about * * * percent.

locations, whereas those selling from U.S. ports of entry indicated that the customer generally arranges the U.S. inland freight to its location.

Hercules and the importers reported that U.S. inland freight costs ranged from about * * * to * * * cents per wet pound.⁹¹ Hercules indicated that U.S. inland freight costs were an important factor in customers' sourcing decisions, whereas most of the importers reported that U.S. inland freight costs were not an important factor in such decisions. Based on responses of 32 end users that responded in the purchaser questionnaire concerning the importance of freight costs in their sourcing of industrial nitrocellulose, U.S.-inland freight costs averaged * * * percent. The purchasers were split, however, on the importance of these costs, with 17 indicating that such costs were significant in their sourcing decisions and 15 indicating that such costs were not significant. No clear geographical pattern of response was associated with how these purchasers judged the importance of transportation costs.

Exchange rates

Quarterly data reported by the International Monetary Fund for six of the seven foreign countries subject to these investigations⁹² indicate that values of the reported currencies appreciated in real terms relative to the U.S. dollar during January 1986-March 1990.⁹³ Exchange-rate changes for these six countries are shown in table 42 and discussed below.

Brazil.--The nominal value of the Brazilian new cruzado depreciated relative to the U.S. dollar by almost 100 percent during January 1986-March 1990, but extremely high inflation in Brazil during this period, about 295,000 percent, compared with about 13 percent inflation in the United States, resulted in a 32-percent real appreciation of the new cruzado against the U.S. dollar.

Japan.--The nominal value of the Japanese yen appreciated relative to the U.S. dollar by 27 percent during January 1986-March 1990. Approximately 5 percent deflation in Japan, compared with 13 percent inflation in the United States during this period resulted in less appreciation of the Japanese yen in real terms than in nominal terms. In real terms, the Japanese yen appreciated against the U.S. dollar during the period by 7 percent, or 20 percentage points less than the appreciation in nominal terms.

⁹¹ Brazilian and West German industrial nitrocellulose was shipped in nonreusable fiber drums, which weigh about one-third as much as the steel drums used by the other foreign suppliers and by Hercules. Lower shipping weight for the Brazilian and West German products could be expected to lead to lower shipping costs for these products vis-a-vis industrial nitrocellulose shipped in steel drums.

⁹² Usable market exchange-rate data for the Chinese yuan are not available. The Chinese Government pegs the yuan to the value of the U.S. dollar and limits convertibility of the yuan with other currencies.

⁹³ International Monetary Fund, International Financial Statistics, May 1990.

Table 42

Exchange rates: 1/ Indexes of the nominal and real exchange rates between the U.S. dollar and currencies of six specified countries, and indexes of producer prices in the foreign countries and the United States, 2/ by quarters, January 1986-March 1990

Period	Brazil			Japan			U.S. producer price index
	Nominal exchange- rate index	Producer price index	Real exchange- rate index 3/	Nominal exchange- rate index	Producer price index	Real exchange- rate index 3/	
1986:							
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	92.0	103.9	97.4	110.4	96.3	108.3	98.2
July-Sept..	92.0	105.7	99.5	120.6	93.8	115.8	97.7
Oct.-Dec...	89.5	111.8	102.1	117.2	92.8	111.0	98.1
1987:							
Jan.-Mar...	69.8	145.2	102.2	122.7	92.2	114.0	99.2
Apr.-June..	40.6	259.6	104.7	131.7	91.5	119.5	100.8
July-Sept..	26.9	375.0	99.0	127.9	92.6	116.2	101.9
Oct.-Dec...	21.2	514.0	106.4	138.4	92.3	124.8	102.3
1988:							
Jan.-Mar...	13.9	830.7	111.8	146.8	91.3	130.1	102.9
Apr.-June..	8.4	1,433.3	114.9	149.6	90.9	129.8	104.8
July-Sept..	4.7	2,642.1	117.4	140.5	91.8	121.5	106.2
Oct.-Dec...	2.4	5,408.8	120.3	150.0	91.0	128.0	106.7
1989:							
Jan.-Mar...	1.3	10,117.1	122.0	146.3	91.5	122.7	109.0
Apr.-June..	1.1	13,061.4	130.4	136.1	93.9	115.3	110.9
July-Sept..	0.5	30,719.3	138.7	132.0	94.6	113.1	110.4
Oct.-Dec...	0.2	88,876.8	153.1	131.3	94.4	111.9	110.9
1990:							
Jan.-Mar...	0.1	4/ 295,279.8	4/132.3	127.0	94.8	107.0	112.6
	The Republic of Korea			The United Kingdom			U.S. producer price index
	Nominal exchange- rate index	Producer price index	Real exchange- rate index	Nominal exchange- rate index	Producer price index	Real exchange- rate index	
1986:							
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	100.0	97.8	99.6	104.7	101.4	108.1	98.2
July-Sept..	100.6	98.8	101.7	103.4	101.8	107.7	97.7
Oct.-Dec...	102.0	98.1	102.0	99.2	102.6	103.8	98.1
1987:							
Jan.-Mar...	103.7	98.4	102.8	107.0	104.0	112.2	99.2
Apr.-June..	107.2	99.5	105.8	114.0	105.1	118.8	100.8
July-Sept..	109.8	99.6	107.3	112.2	105.6	116.3	101.9
Oct.-Dec...	111.0	100.0	108.5	121.8	106.8	127.1	102.3
1988:							
Jan.-Mar...	115.0	101.6	113.5	124.7	108.0	130.8	102.9
Apr.-June..	120.6	101.7	117.1	127.9	109.5	133.8	104.8
July-Sept..	122.7	102.5	118.5	117.7	110.8	122.8	106.2
Oct.-Dec...	127.5	102.5	122.5	124.3	112.1	130.6	106.7
1989:							
Jan.-Mar...	130.9	102.9	123.6	121.4	113.6	126.5	109.0
Apr.-June..	133.0	103.7	124.5	113.0	115.0	117.2	110.9
July-Sept..	132.7	103.6	124.5	110.9	116.2	116.7	110.4
Oct.-Dec...	131.8	104.1	123.8	110.1	117.6	116.8	110.9
1990:							
Jan.-Mar...	128.5	104.7	119.5	115.1	121.7	124.4	112.6

See footnotes at end of table.

Table 42--Continued

Exchange rates: 1/ Indexes of the nominal and real exchange rates between the U.S. dollar and currencies of six specified countries, and indexes of producer prices in the foreign countries and the United States, 2/ by quarters, January 1986-March 1990

Period	West Germany			Yugoslavia			U.S. producer price index
	Nominal exchange- rate index	Producer price index	Real exchange- rate index 3/	Nominal exchange- rate index	Producer price index	Real exchange- rate index 3/	
1986:							
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	104.4	98.7	105.0	87.7	116.1	103.7	98.2
July-Sept..	112.5	97.9	112.8	78.7	128.5	103.5	97.7
Oct.-Dec...	116.9	96.2	114.6	73.9	146.7	110.5	98.1
1987:							
Jan.-Mar...	127.6	95.7	123.0	65.8	172.3	114.3	99.2
Apr.-June..	130.0	95.4	123.0	52.8	204.4	107.0	100.8
July-Sept..	127.6	95.8	119.9	41.8	258.4	105.9	101.9
Oct.-Dec...	137.6	96.1	129.2	29.0	350.4	99.1	102.3
1988:							
Jan.-Mar...	140.0	96.1	130.7	23.8	405.1	93.8	102.9
Apr.-June..	137.4	96.7	126.8	18.4	492.0	86.5	104.8
July-Sept..	125.7	97.2	115.1	11.1	774.5	81.1	106.2
Oct.-Dec...	132.1	97.7	121.0	7.6	1,222.6	87.6	106.7
1989:							
Jan.-Mar...	126.9	99.1	115.3	4.8	2,078.8	91.7	109.0
Apr.-June..	121.3	99.9	109.3	2.5	4,075.9	93.1	110.9
July-Sept..	121.9	100.1	110.5	1.2	8,913.1	99.4	110.4
Oct.-Dec...	129.4	100.8	117.7	0.5	25,631.4	105.1	110.9
1990:							
Jan.-Mar...	138.8	100.8	124.3	0.3 5/	47,642.3	5/113.7	112.6

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. As a result, these indexes only approximate actual price changes of industrial nitrocellulose in the United States and the subject foreign countries. Quarterly producer prices in the United States fluctuated but rose, by 12.6 percent, during January 1986-March 1990. Producer prices in West Germany and South Korea increased more slowly during this period, by 0.8 and 4.7 percent, respectively, while producer prices in Japan declined by 5.2 percent. Producer prices in the United Kingdom rose by 21.7 percent during this period. On the other hand, producer prices in Brazil and Yugoslavia increased rapidly, by 295,179.8 and 47,542.3 percent, respectively.

3/ The real values of the foreign currencies are the nominal values adjusted for the difference between inflation rates as measured by the producer price indexes in the individual foreign countries and the United States.

4/ Based on data for January-February.

5/ Based on data for January.

Note.--January-March 1986=100.0

Source: International Monetary Fund, International Financial Statistics, May 1990.

The Republic of Korea.--The nominal value of the Korean won appreciated relative to the U.S. dollar by about 29 percent during January 1986-March 1990. Inflation of almost 5 percent in South Korea, compared with 13 percent in the United States during this period, resulted in somewhat less appreciation of the won in real terms than in nominal terms. In real terms, the South Korean won appreciated against the U.S. dollar by almost 20 percent, or 9 percentage points less than the appreciation in nominal terms.

The United Kingdom.--The nominal value of the British pound appreciated relative to the U.S. dollar by approximately 15 percent during January 1986-March 1990. Almost 22 percent inflation in the United Kingdom, compared with 13 percent inflation in the United States during this period resulted in somewhat more appreciation of the British pound in real terms than in nominal terms. In real terms, the British pound appreciated against the U.S. dollar by 24 percent, or 9 percentage points more than the appreciation in nominal terms.

West Germany.--The nominal value of the West German mark appreciated relative to the U.S. dollar by about 39 percent during January 1986-March 1990. Approximately 1 percent inflation in West Germany, compared with 13 percent inflation in the United States during this period resulted in less appreciation of the West German mark in real terms than in nominal terms. In real terms, the West German mark appreciated against the U.S. dollar during January 1986-March 1990 by 24 percent, or 15 percentage points less than the appreciation in nominal terms.

Yugoslavia.--The nominal value of the Yugoslav dinar depreciated relative to the U.S. dollar by almost 100 percent during January 1986-March 1990. Significant inflation in Yugoslavia during this period of about 47,500 percent, compared with 13 percent inflation in the United States, resulted in about 14 percent real appreciation of the Yugoslav dinar against the U.S. dollar.

Lost revenues

In the final investigations, Hercules identified 14 purchasers in lost revenue allegations involving competition from the countries subject to these investigations. Some of these allegations involve additional transactions with the same customers investigated in the preliminary investigations. Conversations with purchasers identified in the final investigations are presented first and are followed by lost revenue allegations from the preliminary investigations.

Final investigations.--* * *, a manufacturer of wood coatings located in * * * was named in one allegation of lost revenues of \$* * * in * * * on * * * pounds of RS-type because of competition with imports from * * *. Hercules stated that it offered a \$* * * rebate if * * * bought * * * pounds of nitrocellulose and that its delivered price to * * * was \$* * * compared with \$* * * offered by the competition plus a free drum. * * * of * * * stated that Hercules offered * * * a \$* * * per pound rebate on * * * pounds of * * *-grade nitrocellulose if * * * purchased more than * * * pounds of * * *-grade nitrocellulose in * * *. According to * * *, this rebate is based on both quantity and competitive considerations. He stated that * * * has not

purchased imported nitrocellulose in * * * because it assumes that a duty will be imposed on imported nitrocellulose and will raise the price.⁹⁴ He also stated that this * * * pound purchase was for * * *-grade nitrocellulose, which is not available from foreign producers. He quoted the current domestic price as being \$* * * per pound for * * * grade and \$* * * for * * * second grades. Hercules sold this product at \$* * *. * * * stated that his company would purchase more domestic * * *-grade nitrocellulose if the * * *-grade were not offered.

* * *, a purchaser located in * * *, was named in three allegations of lost revenues because of competition with * * *. One allegation was for \$* * * on * * * pounds of RS-grade nitrocellulose sold in * * *, * * * for \$* * * on * * * pounds of RS-grade nitrocellulose sold in * * *, and * * * for \$* * * on * * * pounds of RS-type nitrocellulose sold in * * *. * * * of * * * confirmed that * * * is to receive a \$* * * rebate in * * * if the company purchases more than * * * pounds of nitrocellulose from Hercules. In his opinion this rebate is based purely on quantity and is not the result of competition with the * * * or * * * products. He could not recall whether either of the earlier lost revenue allegations was correct. * * * commented that his company was unaware that Hercules had lowered prices as a result of competition with the * * * product. He said that prices are always determined through a series of negotiations with suppliers which begin in the fall for the following year. He noted that his company had been buying from * * * since * * * and that it had always been a reliable source. He stated that the quality of the * * * nitrocellulose was inferior to that of Hercules. Most of the * * * nitrocellulose does not meet * * * 's requirements; the bulk of * * * 's purchases from * * * are of * * * nitrocellulose, although the company still has problems with this material. He stated that * * * 's purchases of the * * * product had increased in * * * because Hercules had announced a potential * * *-percent price increase. He commented that the furniture industry would not accept this level of price increase.

* * *, a purchaser located in * * *, was cited in two lost revenue allegations as a result of competition with * * * nitrocellulose marketed by * * * and * * * nitrocellulose produced by * * *. Hercules alleged that in * * * it offered a rebate of \$* * * to * * * purchased more than * * * pounds of nitrocellulose. This rebate was confirmed by * * *. He stated that this rebate was based on quantity considerations and was not given because of competition from the foreign nitrocellulose. Hercules also alleged that in * * * it lost revenues of \$* * * on a sale of * * * pounds of nitrocellulose. * * * was unable to recall this incident.

* * * was named in one allegation of lost revenues of \$* * * on * * * pounds of RS-grades in * * * because of competition with imports from * * * and the * * *. Hercules claims to have lost these revenues by offering a rebate to * * * if its purchases exceed * * * pounds in * * *. * * * confirmed that the company had been offered a rebate of about \$* * * if it reached the * * *-pound target. According to * * * the rebate program is Hercules' way of trying to make itself more competitive.

⁹⁴ Conversation on June 5, 1990.

, a paint producer located in ***, was named in one allegation of lost revenues of \$ on a sale of *** pounds of *** grade nitrocellulose in ***, reducing their price from \$*** per pound to \$*** per pound, as a result of competition with imports from *** and ***. *** did not believe this allegation was correct. He noted that most of ***'s purchases of grade *** nitrocellulose were made by its *** facility and that to his knowledge this facility had never purchased either the *** or the *** product. *** did not believe that Hercules had lowered its price to *** for the RS *** nitrocellulose as a result of competition from ***.

Preliminary investigations.--Hercules listed 10 examples of alleged lost revenue, naming 10 different firms. These instances occurred during the period 1988-89. The quantities of RS-grades of nitrocellulose involved sales volumes that ranged from *** pounds to *** pounds. Brazil was named as the competing import source country in four instances, Korea in three, Japan and the United Kingdom in two each, and the PRC, West Germany, and Yugoslavia in one each. Hercules stated that lost revenue resulted from reducing prices as well as from the rollback of announced price increases. Other revenue-reducing actions by Hercules in meeting import competition that were independently identified by the Commission included freight equalization to retain customer volume, staged delay of announced price increases, and elimination of warehouse up-charges included in the price for spot purchases not shipped direct from Hercules' plant.

Hercules named ***, an *** firm that manufactures lacquers, in an alleged instance of lost revenue that occurred in ***. Faced with import competition from *** nitrocellulose for this customer's anticipated volume requirement, a quantity of RS-grades that totaled *** pounds, Hercules alleged that it opted ***, "to be more competitive." Hercules reported the value of this aggregate sales volume as amounting to \$***. Instead, the revenue totaled \$*** based on the *** reduction that put the price at \$*** per pound. ***, director of purchasing for *** company, responded to the Commission's inquiry. *** confirmed the facts as alleged by Hercules. *** did negotiate the ***. He stated that he had used lower prices from alternative sources as leverage to obtain this concession from Hercules. This option to turn to imports from *** and *** was not an idle threat, he noted. *** had tested sample drums of the imported products from the named countries, had approved the quality, and had implemented the decision to split its volume between imports and domestic product.

, a large purchaser of nitrocellulose in ***, was cited by Hercules in another instance of alleged lost revenue in ***. Hercules reported a rejected price of \$ per pound for an anticipated volume of *** pounds of RS-grade product compared with an alleged price of \$*** per pound for competing product imported from ***. Hercules stated in its questionnaire response that it reduced its price *** cents per pound "to be more competitive" in the face of the low import price, but reported its adjusted price as \$*** per pound. *** provided the details concerning this volume of aggregate purchases from Hercules. *** estimates its corporate volume based on *** and negotiates annually for prices and volumes from alternate sources, including Hercules and various foreign suppliers. *** then gives blanket orders to its suppliers in proportion to allocated shares of the firm's anticipated annual requirement. These are not firm

contracts and there is no penalty for falling short of the target volume. * * * confirmed the volume figure as alleged, * * *. The prices for RS-grade 1/4- and 1/2-second were \$* * * and for * * * and * * * centipoises, \$* * * and \$* * *, respectively. The competing price in 1989 for the * * * product on average was \$* * * on * * *. The * * * product had been heavily used * * *, which paid * * * more per pound. * * * also noted that Hercules "came up with a volume incentive rebate system" in 1989 to improve its competitive position. * * *.⁹⁵ Based on the rejected price of \$* * * per pound, the net loss per pound on base volume amounted to about * * * to * * * cents per pound and on rebate volume would amount to roughly * * * to * * * cents per pound depending on the mix of RS-grades.

* * *, a firm located in * * *, was identified as the purchaser of * * * pounds of nitrocellulose in * * *, a sale that Hercules alleged involved lost revenue of * * * cents per pound. Hercules reported that it reduced its initial rejected price of \$* * * per pound to \$* * * per pound on a portion of the purchaser's volume that involved * * *. The alleged lost revenue amounted to \$* * * on the volume noted above. * * *, vice president of operations, provided the details regarding this allegation. * * * confirmed that Hercules had given the * * * plant a special allowance of * * * cents per pound for * * * to supply nitrocellulose for manufacturing lacquers * * *. Beginning in * * *, Hercules guaranteed to hold the price at \$* * * per pound for * * *. In * * *, * * * purchased the last of the \$* * *-per-pound volume destined for * * * and the Hercules price moved up to \$* * * per pound.

Another allegation of lost revenue involved * * *, a firm located in * * *. Hercules reported that an initial rejected price of \$* * * per pound for * * * pounds of RS-grade product would have meant a sale totaling \$* * *. Faced with an alleged price of \$* * * for imported * * * nitrocellulose, Hercules " * * *." This price indicates lost revenue of \$* * * on the total volume reported. * * *, an executive of * * *, after checking the firm's records confirmed the reported volume, the price of \$* * * per pound, and the fact that * * *. He noted, however, that the * * *. He also stated that the price of \$* * * did not include a * * *-cents-per-pound charge for freight on the returnable drums. As for the * * * presence, * * * said that he had bought some sample drums of RS-grade * * * nitrocellulose, but found that it would not work for their use. He had also tested product imported from * * *. The " * * * price was attractive," * * * said, but the quality and the narrow grade availability, only 1/4- and 1/2-second RS-grades, posed serious problems. The presence of these imported products, however, did create price pressure on Hercules, according to * * *.

Hercules named * * * in another instance of alleged lost revenue in * * *. This blanket order involved an aggregate volume of * * * pounds of RS-grade nitrocellulose and an initial offer price of \$* * * per pound. Faced with * * * nitrocellulose offered at \$* * * per pound, Hercules reported that the price was reduced * * * cents per pound "to be more competitive." * * * responded to the Commission's inquiry. He confirmed the facts largely as reported by Hercules. Hercules did reduce its initial offer price by * * * cents per pound in an effort to increase its share of * * *'s volume. The import competition was * * * product, but the * * * price was \$* * * to \$* * *

⁹⁵ * * *.

per pound depending on the grade. Moreover, the Hercules price is quoted f.o.b. point of shipment; the price for imported * * * nitrocellulose is quoted f.o.b. customer's dock.

The price reduction by Hercules did not increase its share of the total volume that * * * purchases. Hercules has about * * * percent of this volume and * * * the balance. * * * rates the * * * product as better than the Hercules product. The production people at * * * prefer the * * * nitrocellulose because it goes into solution better. * * * also has purchased imported nitrocellulose from * * *. Although it is a quality product, it is "not as useable" as the Hercules or * * * product because "the * * * process does not accept it as well."

A * * * firm, * * *, was named by Hercules in another alleged lost revenue example. This transaction involved an anticipated * * * volume of * * * pounds of RS-grades of nitrocellulose. Hercules' initial rejected price was reported as \$* * * per pound and Hercules' questionnaire response states that it "lowered the price \$* * * per pound to be more competitive" in the face of competing imported nitrocellulose from * * * offered at \$* * * per pound. * * *, an executive of the firm, was contacted but did not respond. Hercules cited * * * in another alleged sale that involved lost revenue in meeting competition from imported nitrocellulose from * * *. This sale in aggregate was for an anticipated * * * volume of * * * pounds of RS-grades of nitrocellulose. Hercules' initial rejected offer price was reported as \$* * * per pound. Hercules stated that it reduced the net price by * * * cents per pound "in order to be more competitive" in competing with an import price of \$* * * per pound. The alleged price reduction to \$* * * per pound indicates lost revenue in the amount of \$* * * on the subject volume.

* * *, an executive of * * *, confirmed the facts as alleged. He did not buy the competing product from any of the named * * *, although he has purchased * * * nitrocellulose in the past. * * * does receive quotes from these sources but has given most of its volume requirement to Hercules. * * * is buying some imported nitrocellulose from * * *, but is on allocation for this * * * product. The * * * prices are about the same as Hercules' prices, * * * said. In the past, the prices of the * * * product were higher than those of Hercules.

Lost sales

In the final investigations, Hercules identified 24 purchasers in lost sales allegations involving competition from the countries subject to these investigations. Some of these allegations involve additional transactions with the same customers investigated in the preliminary investigations. The staff's discussions with purchasers identified in the final investigations are shown first, followed by lost sales allegations investigated in the preliminary investigations.

Final investigations.--Hercules identified * * *, a producer of wood finishes in * * *, in lost sales allegations occurring during * * * and amounting to * * * wet pounds of various RS-types of industrial nitrocellulose imported from * * *. Hercules alleged that it quoted an average delivered price of almost \$* * * per wet pound compared to \$* * * for the * * *

material. * * * stated that his firm purchased the * * * industrial nitrocellulose instead of the domestic product based strictly on price, and that the alleged price figures were correct but the volume was about * * * wet pounds.⁹⁶ * * * finds the * * * nitrocellulose comparable in quality to Hercules' regular-specification products and uses industrial nitrocellulose primarily in the production of lacquers. He indicated that he bought the * * * material to stay competitive with * * *. * * * indicated that he buys * * * industrial nitrocellulose when he can, but also buys domestic products because the * * * material is not as readily available.

Hercules identified * * *, a producer of coatings * * *, in lost sales allegations occurring during * * *, * * *, and * * * involving industrial nitrocellulose from * * * and * * *. Hercules alleged that it lost sales volumes of * * * wet pounds of RS-grade industrial nitrocellulose in * * * and in * * * and * * * wet pounds in * * *. Hercules indicated that in * * * it offered a delivered price of about \$* * * per wet pound compared to \$* * * per wet pound for the imported industrial nitrocellulose; in * * * it offered \$* * * per wet pound compared to an import price of \$* * * per wet pound; and in * * * it offered about \$* * * per wet pound compared to an import price of \$* * * per wet pound. * * * indicated that the figures were generally correct and noted that most of the foreign material he purchased was from the * * *. * * * said he purchases only * * * RS-type industrial nitrocellulose and gave the following breakout of industrial nitrocellulose purchases in wet pounds for * * * and * * *:

	<u>Hercules</u>	<u>***</u>	<u>***</u>
***.....	***	***	***
***.....	***	***	***

Although price was a factor, * * * stressed that the need for alternate sources of supply was the major factor he purchased the imported industrial nitrocellulose. Prior to * * *, he had purchased all of his industrial nitrocellulose requirements from Hercules. But beginning in * * *, a combination of work stoppages and plant fires at the Hercules plant led to supply interruptions of industrial nitrocellulose to the * * * firm. In addition, * * * indicated that Hercules' subsequent complaints about low profits made him wonder whether Hercules would remain as a producer of industrial nitrocellulose. As a result, according to * * *, he began purchasing from alternative sources by * * * to assure a steady supply of the product, but has kept Hercules as his principal supplier. In terms of quality of the end products, * * * indicated that industrial nitrocellulose from the United States, * * *, and the * * * gave the same results. But * * * noted that the * * * nitrocellulose was easier to empty from the drum than either Hercules' products or the * * * products. * * * further indicated that his firm does not reuse the containers in which the nitrocellulose is shipped and

⁹⁶ * * * indicated that this was the first time he purchased * * * industrial nitrocellulose, and that up to * * * nitrocellulose was the only foreign material marketed in the southeast. He noted that * * * nitrocellulose has generally been priced about the same as Hercules' products.

pays to dispose of the * * * and the * * *, but pays to return the domestic drums to Hercules.

Hercules identified * * *, a producer of wood coatings in * * *, in lost sales allegations occurring during * * *, * * *, and * * * involving industrial nitrocellulose from * * *. Hercules alleged that it lost sales volumes of * * * wet pounds of RS- and SS-grade industrial nitrocellulose in * * * and in * * * and * * * wet pounds in * * *. Hercules indicated that in * * * it offered a delivered price of about \$* * * per wet pound compared to \$* * * per wet pound for the imported industrial nitrocellulose; in * * * it offered \$* * * per wet pound compared to an import price of \$* * * per wet pound; and in * * * it offered about \$* * * per wet pound compared to an import price of \$* * * per wet pound. * * * of * * * indicated that the cited volumes and domestic price quotes were generally correct, but the prices of the * * * material were understated. Referring to his invoices, * * * noted that delivered prices of the * * * material were \$* * * per wet pound in * * *, \$* * * per wet pound in * * *, and in * * * were higher than Hercules price at \$* * * per wet pound. * * * took exception to the term lost sales in characterizing his purchases of * * * industrial nitrocellulose, explaining that his firm has traditionally purchased * * * percent of its industrial nitrocellulose requirements from Hercules and * * * percent from an alternative source. * * * noted that his firm used to buy from DuPont as the alternative source, switched to * * * nitrocellulose when DuPont left the industry, and then switched to the * * * material when the * * * of industrial nitrocellulose in the U.S. market. * * * noted that domestic and * * * industrial nitrocellulose result in the same quality of finished product, but the * * * material is easier to remove from the drum because it is * * * the domestic material.⁹⁷ * * * also commented that his firm reuses the 17H drum in which the * * * nitrocellulose is shipped, giving his firm, after reconditioning costs, a net value of about \$* * * per wet pound of nitrocellulose shipped. His firm returns the domestic drum to Hercules at a cost of about \$* * * per wet pound.

* * *, a purchaser in * * *, was named in two allegations of lost sales because of competition with * * *, one in * * * for \$* * * on * * * million pounds of RS-types of nitrocellulose and one in * * * for \$* * * on * * * pounds of RS-types of nitrocellulose. * * * could not confirm the * * * lost sale allegation and stated that nitrocellulose had never been priced as low as the \$* * * price implicit in this allegation. He also stated that he did not understand how Hercules could have experienced lost sales of * * * pounds of nitrocellulose in the first quarter of * * *. He noted that * * * was projecting that it would purchase * * * pounds of nitrocellulose from Hercules in * * * compared to purchases of * * * pounds in * * *, an increase of * * * pounds.

* * *, a purchaser located in * * *, was cited in two lost sales allegations as a result of competition with * * * nitrocellulose marketed by * * * and * * * nitrocellulose produced by * * *. Hercules alleged that in

⁹⁷ He felt this was an important advantage of the * * * material as his employees often use pitchforks to remove domestic nitrocellulose from the drums, which he described as potentially dangerous given the volatility of the product.

* * * it lost a sale of * * * pounds of nitrocellulose valued at \$* * * and that in the first quarter of * * * it lost a sale of * * * pounds of nitrocellulose valued at \$* * *. * * * stated that both of the alleged lost sales must be part of annual contracts and that he didn't know how Hercules had derived the values provided.

* * *, a producer of wood finishes and industrial acrylics, was named in three lost sales allegations because of competition with the * * * product marketed by * * *. Hercules alleged that in * * * it lost a sale of * * * pounds of RS-grade nitrocellulose priced at \$* * *; in * * * it lost a sale for * * * pounds of RS-grade nitrocellulose priced at \$* * *; and in the first quarter of * * * it lost a sale of * * * pounds of nitrocellulose priced at \$* * *. * * * could not confirm these specific allegations although he stated that the proportion of * * * 's total nitrocellulose requirements supplied by Hercules had declined from * * * percent in * * * to * * * percent in * * *. Hercules and * * * are * * * 's only suppliers. Hercules reported that the price of the * * * nitrocellulose was \$* * * in * * * and \$* * * in * * *. * * * stated that the price of the * * * product was raised from \$* * * per pound to \$* * * in * * *, \$* * * in * * *, and \$* * * in * * *. According to * * *, he had been looking for a second supplier since Hercules had a fire in its plant approximately 5 years ago. A small amount of the * * * product was purchased before the * * * product was chosen.

* * * was named in three lost sales allegations. Hercules alleged that in * * * it lost a sale of * * * pounds of RS-grade nitrocellulose priced at \$* * * as a result of competition with * * * and * * *; in * * * it lost a sale of * * * pounds of RS-grade nitrocellulose priced at \$* * * as a result of competition with * * *, * * *, and * * *, and in the first quarter of * * * it lost a sale of * * * pounds of RS-grade nitrocellulose priced at \$* * *. * * * confirmed that in * * * had purchased * * * pounds of nitrocellulose from * * *. He noted that the price of the * * * product was \$* * * per pound rather than \$* * * as reported by Hercules. * * * reported that Hercules' loss of * * * 's business in * * * had nothing to do with the prices offered by foreign sources. * * *. * * *. * * * could not confirm the * * * lost sale allegation. He stated however, that the prices quoted by Hercules were incorrect. He said that the lowest price of the cheapest foreign RS-grade nitrocellulose was \$* * * so that the \$* * * price provided by Hercules was incorrect. He noted that Hercules' \$* * * price for the 1/2 to 1/4 nitrocellulose is f.o.b. compared to delivered prices of approximately \$* * * offered by * * *, which includes a drum. * * * and, depending upon the quantity purchased, may include a * * *-percent rebate. * * * said that, when all these factors were considered, the prices offered by Hercules, * * *, and * * * were almost identical. * * * stated that * * * nitrocellulose was the highest in quality, followed by the * * * and * * * products and then by Hercules. He said that the * * * product was of inferior quality and that * * * had found the * * * product difficult to use.

Preliminary investigations.--Hercules provided 28 instances of alleged lost sales involving 22 different companies. Hercules cited competition from Brazilian nitrocellulose in 7 lost sales instances, the PRC in 3, Japan in 5, Korea in 3, the United Kingdom in 8, West Germany in 8, and Yugoslavia in 2. The total sales volume allegedly lost in connection with the reported examples amounted to * * * pounds of nitrocellulose with an aggregate value of \$* * *.

Hercules named * * * in * * * instances of alleged lost sales during * * *. * * *, Hercules quoted a price of \$* * * per pound for a blanket order amounting to * * * pounds of mixed RS-grades allegedly lost to competing imports from * * * priced at \$* * * per pound. * * * confirmed the competition between Hercules and imported product from * * *. He admitted that he had made aggregate purchases of * * * nitrocellulose through * * * in an amount of * * * pounds at a price of \$* * * plus * * * cents-per-pound freight. From * * * forward, the * * * price increased to \$* * * per pound plus * * * cents freight. * * * expects the total volume from * * * to reach * * * pounds by * * *.

A * * * lost sale allegation involving * * * cited competition in * * * from imported nitrocellulose from * * * offered at \$* * * per pound, compared with \$* * * per pound for the domestic product. The sale in question involved an aggregate anticipated volume of * * * pounds. A * * * alleged sale lost to * * * involved a volume of * * * pounds in * * *. Again, the competing product was imported nitrocellulose from * * * offered at \$* * * per pound against the Hercules price of \$* * * per pound. Again, * * * confirmed the facts generally as alleged. In * * *, * * * did purchase * * * pounds of the imported * * * product at the expense of Hercules' share of the overall * * * volume requirement. The price, however, was \$* * * per pound throughout the year. In * * *, * * * opted for the * * * product and purchased a total of * * * pounds through * * *, again at the expense of volume that could have gone to Hercules. * * * expects to purchase an additional * * * pounds of * * * product during the balance of 1989. The * * * price was not \$* * *, but \$* * * during * * *. The price increased to \$* * * per pound during * * * and will rise to \$* * * for the balance of the year. These are delivered prices and there is no drum cost or return freight expense on the nonreturnable drums.

* * * was named in * * * instances of alleged lost sales, * * *. * * *, the competing imports were from * * *. In * * *, Hercules' offer price of \$* * * was allegedly rejected in favor of the * * * price of \$* * * per pound. In * * *, Hercules' price was \$* * * against a competing price of \$* * * for the * * * nitrocellulose and Hercules allegedly lost the sale.

* * * confirmed the prices and in rough terms the lost volumes involved. In * * *, Hercules' share of * * * purchases of nitrocellulose fell by * * * pounds. In * * *, Hercules will lose an additional volume of * * * pounds. Part of these annual losses reflects the softening of the market, but most of the lost volume is the increase in the annual share that has been given to imported product from * * *. Moreover, * * * has made a decision to increase the amount of its purchases from that source.

* * * noted that the incentive rebate program Hercules designed to make the Hercules price competitive applies only to the volume over a large target base volume, while the price of the * * * nitrocellulose is low on total purchases by * * *. This amounts to a difference of * * * to * * * cents per pound in favor of the imported nitrocellulose.⁹⁸ The lost sales volume to Hercules in value terms amounts to roughly \$* * *, according to * * *, for the * * * period.

⁹⁸ * * *. * * *. * * *.

Hercules identified the * * * company located in * * * in another instance of alleged lost sales in * * *. * * * manufactures lacquers, industrial coatings, and * * *. The aggregate volume involved in this example allegedly totaled * * * pounds. Hercules reported that the import competition included * * *, * * *, and * * *. Hercules' price of \$* * * per pound was rejected allegedly in favor of competing imports from the above-named countries offered at \$* * * per pound. * * *, purchasing manager of the * * * firm, without consulting his records stated that the quantity and prices were fairly accurate. * * *, he said, had purchased imported product as alleged rather than Hercules' nitrocellulose because of the lower price and because of the firm's policy of fostering alternative sources of supply. Hercules, however, retained an estimated * * * of * * *'s total volume requirements. * * * added that the import sources were * * * and * * *. He did not purchase any * * * nitrocellulose in * * *. * * * estimated that the volume lost by Hercules in this case was roughly \$* * *.

Hercules named * * *, a lacquer manufacturer located in * * *, in another alleged instance of lost sales. This example involved an anticipated * * * volume requirement for the purchaser that totaled * * * pounds. Hercules reported that its offer price of \$* * * per pound was rejected in favor of imported nitrocellulose from * * *, * * *, and * * * purchased by * * * at a price of \$* * * per pound. * * *, * * *'s corporate director of purchases, supplied the facts concerning this alleged lost sale. * * * confirmed the volume figure and the Hercules price of \$* * * as an initial price in * * *. He noted with emphasis, however, that Hercules reduced that price in * * * after * * *. Hercules lowered the price to \$* * * and \$* * * per pound for 1/2- and 1/4-second RS-grades, respectively, but "this did not increase Hercules' share." * * * had already made a commitment to * * *, an importer of nitrocellulose from * * *, * * *, and * * *. * * * basically depends on annual negotiations to firm up shares and commitments for needed supply, although such arrangements are not hard contractual agreements. The price of * * * and * * * nitrocellulose was \$* * * in * * * and \$* * * in * * *. The * * * price has increased to \$* * * during the past 3 months. The price for * * * product imported from * * * is \$* * * per pound. In terms of quality, * * * rates the three sources' nitrocellulose on a scale of 1 (low) to 10 (high) as follows: * * * 1, * * * 5, and * * * 10. The value of this potential volume was roughly \$* * *.

* * * was again identified in * * * instances of alleged lost sales. * * * involved annual anticipated volume of * * * pounds in * * * and the competing imports were * * *. Hercules' rejected offer price reportedly was \$* * *, compared with a competing price of \$* * * for the * * * nitrocellulose. * * *.

* * * confirmed the prices but explained that the comparisons were more complex than Hercules indicated. Hercules' * * * price was \$* * * after an allowance for freight equalization of \$* * * per truckload from * * * and a credit for barrel deposit. Late in * * *, Hercules elected to eliminate the freight equalization and the automatic barrel deposit credit. At the resultant price, Hercules was not competitive.

The Hercules rebate program of * * * cents per pound for volume purchased over * * * pounds brought the Hercules price close to the level of * * *'s prices for * * * product. * * * gave a volume discount on all the volume

purchased by * * * that put the import price at \$* * * per pound. As a result, * * * said Hercules " * * *" by their hard line position in * * * on price increases and lost * * * percent of the volume of the * * * plant, an amount that totaled roughly * * * pounds in * * *. The value of the lost volume for the period * * * covered by these * * * allegations amounts to roughly \$* * *.

Another reported example of alleged lost sales involved * * *. The volume in this instance amounted to * * * pounds. Hercules' price of \$* * * per pound was rejected in favor of a competing price of \$* * * for nitrocellulose imported from * * *. * * *, purchasing director for * * *, confirmed the facts as alleged. He did buy imported * * * product at a price "very close" to the alleged price, f.o.b. Port of * * * for a period * * *. In the past few months, however, he has returned to Hercules for * * * 's requirements because the company could not afford to have money tied up in three containers at one time -- one in inventory, one on the water, and one on order. This played havoc with the firm's finances. Consequently, * * * has decided that the firm must buy locally. The lost volume for Hercules during * * * amounted to over \$* * *.

Another example of alleged lost sales named * * *, a * * * firm, as the purchaser involved in a potential sale of * * * pounds of RS-grade nitrocellulose in the period * * *. Hercules' bid of \$* * * per pound was rejected, allegedly in favor of * * * product offered at \$* * * per pound. The aforementioned * * * also responded to this allegation. * * * had sampled the * * * nitrocellulose and found it unacceptable. In this particular instance, * * * confirmed buying imported * * * product at a higher price than the Hercules product. The * * * nitrocellulose works well in the * * * process and the quality is good. * * * noted that he has used the * * * product for about 10 years and said that "until recently, the * * * price was higher than the Hercules price."

Hercules identified the * * * company, a manufacturer of lacquers for wood and other coatings located in * * *, in another instance of alleged lost sales in * * * that involved a total anticipated volume of * * * pounds of RS-grades of nitrocellulose. Hercules' price quote of \$* * * per pound was rejected, allegedly in favor of competing imported product from * * * offered at \$* * * per pound. * * *, manager of operations for the firm, responded to the Commission inquiry. He confirmed purchasing * * * product in the alleged quantity over a * * * period, adding that * * * uses about * * * pounds of nitrocellulose per month. The competing price figures also were accurate, but * * * noted that the * * * product was purchased on a delivered price basis. Hercules' share of * * * 's annual nitrocellulose requirements has decreased to only * * * percent and imports from * * * supply the balance. * * * explained that the * * * producer uses the * * * process and that consequently, the * * * nitrocellulose is superior in its characteristic for handling and is more readily soluble. * * * also emphasized the fact that the * * * product is made with * * *, again, a factor that results in a superior product. The value of this lost volume based on Hercules price of \$* * * amounts to \$* * *.

* * * was cited by Hercules in * * * instances of alleged lost sales during * * *. The potential sales volume involved in each year amounted to * * * pounds of nitrocellulose. Hercules' quotes of \$* * * per pound in * * * and \$* * * in * * * were rejected, allegedly in favor of nitrocellulose from

* * * offered at \$* * * and \$* * * per pound in * * * and * * *, respectively.
 * * *, director of purchasing, provided the facts concerning these
 allegations. Hercules "did lose business" * * * said. In * * *,
 nitrocellulose purchases totaled * * * pounds. This figure included * * *
 truckloads from Hercules, so, * * * concluded, the * * *⁹⁹ pound figure was
 "in the ball park" as a measure of "lost business." The * * * figure, he
 added, would be about the same. The alleged prices of \$* * * and \$* * * per
 pound for the * * * product purchased from * * * are not quite correct, * * *
 said. The price varies per RS-grade and was roughly \$* * * in * * * and
 \$* * * in * * *. For instance, the current price of the imported * * *
 product, f.o.b. * * *, ranges from \$* * * to \$* * * per hundredweight, or
 about \$* * * to \$* * * per pound against a competing price of \$* * * per
 pound, f.o.b. the Parlin, NJ, Hercules plant. Complicating price comparisons
 are freight costs and volume incentive programs. The imported * * * product
 does involve the latter. Rebates on achieved volume range from * * * to * * *
 percent, in effect reducing the net price by roughly * * * to * * * cents per
 pound based on annual purchases from * * *. The "lost business" noted by
 * * * over the * * * amounted to roughly more than \$* * *.

APPENDIX A

FEDERAL REGISTER NOTICES

[Investigation No. 731-TA-445 (Final)]**Industrial Nitrocellulose from Yugoslavia****AGENCY:** International Trade Commission.

ACTION: Institution of final antidumping investigation and notice of a hearing to be held in connection with the investigation. To the maximum extent possible, the Commission shall conduct this investigation on the same schedule as the Commission's investigations Nos. 731-TA-439 through 444 (Final), industrial nitrocellulose from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, and West Germany (55 FR 9781, March 15, 1990).

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-445 (Final) (Yugoslavia), 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 Yugoslavia of industrial nitrocellulose,¹ provided for in subheading 3912.20.00 of the Harmonized Tariff Schedules of the United States, that have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Unless the investigation is extended, Commerce will make its final LTFV determination on or before July 2, 1990, and the Commission will make its final injury determination by August 18, 1990 (see sections 735(a) and 735(b) of

¹ Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent, which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

the act (19 U.S.C. 1673d(a) and 1673d(b))).

For further information concerning the conduct of this investigation, 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).

EFFECTIVE DATE: April 19, 1990.

FOR FURTHER INFORMATION CONTACT: Tedford Briggs (202-252-1181), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20438. 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**

This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of industrial nitrocellulose from Yugoslavia are being sold in the United States at less than fair value within the meaning of section 733 of the act (19 U.S.C. 1673b). The investigation was requested in a petition filed on September 19, 1989, by Hercules Incorporated, Wilmington, Delaware. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, 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 (54 FR 47738, November 18, 1989).

Participation in the Investigation

Persons wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than 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.

Public Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c)), each public document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the public 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 and Business Proprietary Information Service List

Pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)), the Secretary will make available business proprietary information gathered in this final investigation 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 this investigation will be placed in the nonpublic record on May 14, 1990, 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 this investigation; the hearing will be a consolidated proceeding for investigations Nos. 731-TA-439 through 445, industrial nitrocellulose from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia. The hearing will begin at 9:30 a.m. on May 29, 1990, 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 May 18, 1990. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on May 23, 1990, at the U.S. International Trade Commission Building. Pursuant to § 207.22 of the Commission's rules (19 CFR 207.22) each party is encouraged to submit a prehearing brief to the Commission. The deadline for filing prehearing briefs is May 23, 1990. If prehearing briefs contain business proprietary information, a non-business proprietary version is due May 24, 1990.

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 § 201.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2))).

Written Submissions

Prehearing briefs submitted by parties must conform with the provisions of § 207.22 of the Commission's rules (19 CFR 207.22) and should include all legal arguments, economic analyses, and factual materials relevant to the public hearing. Posthearing briefs submitted by parties in connection with this investigation must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on July 16, 1990. If posthearing briefs contain business proprietary information, a non-business proprietary version is due July 17, 1990. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before July 16, 1990.

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 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 in connection with this investigation pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)) may comment on such information in their prehearing and posthearing briefs, and may also file additional written comments on such information no later than July 20, 1990. Such additional comments must be limited to comments on business proprietary information received in or after the posthearing briefs.

Authority: This investigation is 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: May 2, 1990.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 90-10792 Filed 5-8-90; 8:45 am]

BILLING CODE 7020-02-M

(Investigation No. 731-TA-439 (Final))

Industrial Nitrocellulose From Brazil

AGENCY: United States International Trade Commission.

ACTION: Revised schedule for the subject investigation.

EFFECTIVE DATE: April 20, 1990.

FOR FURTHER INFORMATION CONTACT:

Tedford Briggs (202-252-1181), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20438. Hearing-impaired individuals may obtain information on this matter 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:

On March 1, 1990, the Commission instituted the subject investigation and established a schedule for its conduct (55 FR 9781, March 15, 1990). Subsequently, the Department of Commerce extended the date for its final determination in the investigation from May 14, 1990, to May 28, 1990 (55 FR 11417, March 28, 1990). The Commission, therefore, is revising its schedule in the investigation to conform with Commerce's new schedule.

The Commission's new schedule for the investigation is as follows: requests to appear at the hearing must be filed with the Secretary to the Commission not later than May 18, 1990; the prehearing conference will be held at the U.S. International Trade Commission Building on May 23, 1990; the prehearing staff report will be placed in the nonpublic record on May 14, 1990; the deadline for filing prehearing briefs is May 23, 1990; the hearing will be held at the U.S. International Trade Commission Building on May 29, 1990; the deadline for filing posthearing briefs is June 4, 1990, and the deadline for Parties to file additional written comments on business proprietary information and on the effect of the Commerce final determination is June 8, 1990.

For further information concerning this investigation see the Commission's notice of investigation cited above and 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).

Authority

This investigation is 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.

Issued: April 23, 1990.

Kenneth R. Mason,

Secretary.

{FR Doc. 90-10302 Filed 5-2-90; 8:45 am}

BILLING CODE 7020-02-M

**INTERNATIONAL TRADE
COMMISSION**

[Investigations Nos. 731-TA-439 through
444 (Final)]

**Industrial Nitrocellulose From Brazil,
Japan, People's Republic of China,
Republic of Korea, United Kingdom,
and West Germany**

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-439 (Final) (Brazil), 731-TA-440
(Final) (Japan), 731-TA-441 (Final) (The
People's Republic of China), 731-TA-442
(Final) (The Republic of Korea), 731-
TA-443 (Final) (The United Kingdom),
and 731-TA-444 (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 Brazil, Japan, the
People's Republic of China, the Republic
of Korea, the United Kingdom, and West
Germany of industrial nitrocellulose.¹

¹ Industrial nitrocellulose is a dry, white,
amorphous synthetic chemical with a nitrogen
content between 10.6 and 12.2 percent, which is

provided for in subheading 3912.20.00 of
the Harmonized Tariff Schedule of the
United States (previously reported under
item 445.25 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 May
14, 1990, and the Commission will make
its final injury determinations by June
28, 1990, (see sections 735(a) and 735(b)
of the act (19 U.S.C. 1673d(a) and
1673d(b)).

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).

EFFECTIVE DATE: March 1, 1990.

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 investigations are
being instituted as a result of affirmative
preliminary determinations by the
Department of Commerce that imports
of industrial nitrocellulose from Brazil,
Japan, the People's Republic of China,
the Republic of Korea, the United
Kingdom, and West Germany are being
sold in the United States at less than fair
value within the meaning of section 733
of the act (19 U.S.C. 1673b). The
investigations were requested in a
petition filed on September 19, 1988, by
Hercules Incorporated, Wilmington,
Delaware. 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

produced from the reaction of cellulose with nitric
acid. Industrial nitrocellulose is used as a film-
former in coatings, lacquers, furniture finishes, and
printing inks. The scope of these investigations does
not include explosive grade nitrocellulose, which
has a nitrogen content of greater than 12.2 percent.

of imports of the subject merchandise
(54 FR 47738, November 16, 1989).

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.

Public service list. Pursuant to
§ 201.11(d) of the Commission's rules (19
CFR 201.11(d)), the Secretary will
prepare a public service list containing
the names of 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 public
document filed by a party to the
investigations must be served on all
other parties to the investigations (as
identified by the public 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 and business
proprietary information service list.**
Pursuant to § 207.7(a) of the
Commission's rules (19 CFR 207.7(a)),
the Secretary will make available
business proprietary information
gathered in these final investigations to
authorized applicants under a protective
order, providing 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 May
14, 1990, 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 May 29, 1990, 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 May 18, 1990. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m., on May 23, 1990, at the International Trade Commission Building. Pursuant to § 207.22 of the Commission's rules (19 CFR 207.22) each party is encouraged to submit a prehearing brief to the Commission. The deadline for filing prehearing briefs is May 23, 1990. 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 § 201.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2))).

Written submissions. Prehearing briefs submitted by parties must conform with the provisions of § 207.22 of the Commission's rules (19 CFR 207.22) and should include all legal arguments, economic analyses, and factual materials relevant to the public hearing. Posthearing briefs submitted by parties must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on June 4, 1990. 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 June 4, 1990.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with section 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for business 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(a) of the Commission's rules (19 CFR 207.7(a)) may comment on such information in their prehearing and posthearing briefs, and may also file additional written comments on such information no later than June 8, 1990. 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: March 9, 1990.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 90-5689 Filed 3-14-90; 8:45 am]

BILLING CODE 7020-02-M

injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: June 6, 1990.

FOR FURTHER INFORMATION CONTACT: Michael Ready or Joel Fischl, 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) 377-2613 or (202) 377-1778, respectively.

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that imports of industrial nitrocellulose from Brazil 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 weighted-average margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

Since publication of the preliminary determination (55 FR 7760, March 5, 1990), the following events have occurred.

On March 7, 1990, the sole respondent, Companhia Nitro Quimica Brasileira (Nitro Quimica), requested that we postpone making our final determination for a period of two weeks pursuant to section 735(a)(2)(A) of the Act. On March 18, 1990, we issued a notice postponing the final determination until May 29, 1990 (55 FR 11417, March 28, 1990).

We verified the questionnaire response in Brazil between March 19 and 23, 1990.

On April 18, 1990, respondent withdrew its March 15, 1990, request for a hearing.

Petitioner and respondent submitted comments for the record in case briefs dated April 23, 1990, and in rebuttal briefs dated April 30, 1990.

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 this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are

International Trade Administration

[A-351-804]

Final Determination of Sales at Less Than Fair Value: Industrial Nitrocellulose from Brazil

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that imports of industrial nitrocellulose from Brazil 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 nitrocellulose from Brazil, 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

provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States* (TSUS). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

Period of Investigation

The period of investigation is April 1, 1989 through September 30, 1989.

Such or Similar Comparisons

For the purposes of this investigation we have determined that all industrial nitrocellulose comprises a single category of such or similar merchandise. Product comparisons were made on the basis of the following criteria: nitrogen percentage, viscosity rating, wetting agent type, cellulose source, physical form, and wetting agent percentage.

Where there were no sales of identical merchandise in the home market with which to compare merchandise sold in the United States, sales of the most similar merchandise were compared on the basis of the characteristics described above. In those instances, we made adjustments for differences in the physical characteristics of the merchandise in accordance with section 773(a)(4)(C) of the Act.

Fair Value Comparisons

To determine whether sales of industrial nitrocellulose from Brazil 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

We based United States price on purchase price in accordance with section 772(b) of the Act because all sales were made directly to unrelated parties prior to importation into the United States. We calculated purchase price based on packed, c.i.f., United States port prices. We made deductions for foreign inland freight, foreign

brokerage and handling, marine insurance, and ocean freight. In accordance with section 772(d)(1)(C) of the Act, U.S. price includes the amounts of the Program of Social Integration (PIS), the Social Investment Fund (FINSOCIAL), and the Industrialized Products (IPI) taxes that would have been collected on the export sale had it been subject to these taxes. We computed the hypothetical amounts of these taxes added to United States price by applying the home market tax rates to a United States price net of all charges and expenses that would not have been incurred had the product been sold in the home market.

Foreign Market Value

In accordance with section 773(a)(1)(A) of the Act, foreign market value was based on home market sales. We calculated foreign market value based on packed, ex-factory prices to unrelated customers in the home market. Because we determined Brazil's economy to be hyperinflationary, we calculated separate foreign market values for the effective period of each home market price list applicable during the period of investigation. Since prices were constant within each period, the use of period averages eliminates much of the distortive price effect of inflation.

In calculating foreign market value, we deducted a quantity discount where applicable, pursuant to section 353.55 of the Department's regulations (19 CFR 353.55).

We made circumstance of sale adjustments for differences in credit expense, commissions, and indirect taxes, other than the Tax on Circulation of Merchandise (ICM), pursuant to section 353.56 of the regulations (19 CFR 353.56). The ICM rate varies with the destination of the merchandise in the home market. Rather than make assumptions about the appropriate tax rate to apply to United States price, as best information available, we deducted the ICM tax from foreign market value and made no addition to United States price. The PIS and FINSOCIAL taxes are included in the home market price. We, therefore, adjusted for PIS and FINSOCIAL taxes by deducting them from the home market price and adding the hypothetical tax on the U.S. sales to both the United States price and the foreign market value. Because the home market prices were reported net of the IPI tax, we adjusted for the IPI tax by adding the hypothetical tax on the U.S. sale to both the United States price and the foreign market value.

Where commissions were paid in the Brazilian market and not in the U.S. market, we did not deduct the

commission or make an adjustment for indirect selling expenses incurred in the U.S. market to offset the commission because Nitro Quimica did not provide its U.S. indirect selling expenses. Where there was a commission on the U.S. sale, and none in the Brazilian market, we added the U.S. commission, but did not offset it with indirect selling expenses in the Brazilian market, because Nitro Quimica did not provide its home market indirect selling expenses.

Finally, we made an adjustment for differences in packing costs by subtracting home market packing costs from the foreign market value and adding all U.S. packing costs.

Currency Conversion

When calculating foreign market value, we normally make currency conversions in accordance with § 353.60 of our regulations (19 CFR 353.60), using the exchange rates certified by the Federal Reserve Bank of New York. Since the Federal Reserve Bank of New York stopped providing exchange rate information for Brazil prior to the period of this investigation, we used daily "selling" exchange rates published by the Bank of Brazil.

Verification

As provided in section 776(b) of the Act, we verified all information used 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 respondents.

Interested Party Comments

Comment 1. Respondent argues that we should make a circumstance of sale adjustment, pursuant to 19 CFR 353.56, to home market prices to compensate for the lag between the Brazilian government-managed exchange rate and hyperinflation in Brazil as measured by the General Price Index. We disallowed this adjustment at our preliminary determination, and the petitioner argues that we should continue to disallow it for our final determination.

DOC Position. We agree with petitioner and have disallowed this adjustment. During the period of investigation, Nitro Quimica was aware that it was increasing its home market prices faster than the Brazilian government was devaluing the Brazilian currency vis a vis the U.S. dollar. Because Nitro Quimica increased its home market prices faster than the rate of devaluation, Nitro Quimica received fewer New Cruzados on its U.S. export sales than on its home market sales. To

avoid dumping. Nitro Quimica could have adjusted its U.S. price, its home market price, or both. When Nitro Quimica made sales to the United States it received New Cruzados at the government-controlled exchange rate. By requesting the Department to make such an unconventional circumstance of sale adjustment, Nitro Quimica is in effect proposing that we substitute a hypothetical exchange rate for the actual government-controlled rate. Just as the Department cannot substitute a hypothetical exchange rate for the government-controlled rate that was actually used, it would be inappropriate for the Department to make a circumstance of sale adjustment which would have the identical effect. To the extent possible, the Department has attempted to take account of Brazil's hyperinflation by using daily exchange rates, by calculating a separate foreign market value for each home market price list period, and by converting New Cruzado-dominated movement charges associated with U.S. sales as of the date such charges were incurred, rather than the date of each U.S. sale. See *Frozen Concentrated Orange Juice from Brazil*, 52 FR 8327 (March 17, 1987); See *Oil Country Tubular Goods From Israel*, 52 FR 1511 (Jan. 14, 1987); and *Steel Wheels From Brazil*, 54 FR 21456 (May 13, 1989). Nitro Quimica cites as precedent for making such an adjustment the Department's Amended Final Determination of Sales at Less Than Fair Value and Amended Antidumping Duty Order, *Tubeless Steel Disc Wheels from Brazil* (53 FR 34566, September 7, 1988). However, we do not find the Disc Wheels precedent applicable to this case. In Disc Wheels, foreign market value was based on constructed value. To compensate for hyperinflation, we constructed six different foreign market values—one for each month of the period of investigation. For each U.S. sale, we compared the United States price with the constructed value applicable to the month of shipment of the U.S. sale. We converted the constructed value to U.S. dollars using the exchange rate applicable to the month of the U.S. sale. This resulted in non-contemporaneous comparisons in cases where the month of the U.S. sale preceded the month of shipment. To counter the inequity caused by these non-contemporaneous comparisons we made a circumstance of sale adjustment. In the present case, home market price is the basis for foreign market value. There are no non-contemporaneous comparisons because both United States price and foreign market value are

established in the same month. Therefore, no adjustment is necessary.

Comment 2

Petitioner argues that Nitro Quimica should not be allowed to claim a negative credit expense for certain U.S. sales.

DOC Position

For the sales in question, Nitro Quimica claimed that the customer paid in advance. Therefore, for these particular sales, since the date of payment preceded the date of shipment, Nitro Quimica's U.S. credit expense calculation resulted in a negative amount. However, at verification, we determined that the so-called date of payment for these sales was, in fact, the date that Nitro Quimica borrowed money which was to be repaid with the proceeds from future unspecified export sales. Since we have determined that these U.S. sales were not, in fact, paid for in advance, we agree with petitioner that there should not be a negative credit expense adjustment. Accordingly, we have disallowed this adjustment, and, as best information available, pursuant to section 776(b) of the Act, have assigned to the sales in question the highest amount of U.S. credit expense calculated for any other sale.

Comment 3

Petitioner argues that home market packing expense should not include the amount calculated by Nitro Quimica for "financial cost."

DOC Position

In its home market, Nitro Quimica sells industrial nitrocellulose packed in steel drums which are returned to Nitro Quimica for re-use.

For the purpose of answering our questionnaire, as part of its home market packing cost, Nitro Quimica included the imputed "financial cost" for carrying reusable drums in inventory. Nitro Quimica calculated this financial cost by multiplying the replacement cost of the drums each month by the short-term interest rate applicable to home market receivables. We disallowed this hypothetical "financial cost" at our preliminary determination and agree with petitioner that we should continue to disallow it for our final determination.

By using reusable drums, Nitro Quimica actually incurs a much lower packing cost on its home market sales compared to its packing cost on U.S. sales of products packed in single-use drums. To include this hypothetical "financial cost" in Nitro Quimica's home market packing cost would mask the

true packing cost and distort our dumping analysis.

Comment 4

Petitioner argues that we should disallow the quantity discount adjustment claimed by Nitro Quimica on the home market sales.

Respondent argues that we should continue to allow this adjustment.

DOC Position

We allowed this adjustment in our preliminary determination pending verification. At the verification, we determined that the number of sales on which Nitro Quimica granted quantity discounts was sufficient to satisfy the requirements of our regulation (19 CFR 353.55(b)) concerning differences in quantities. We, therefore, have allowed this quantity discount.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation, under section 733(d) of the Act, of all entries of industrial nitrocellulose from Brazil, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after March 5, 1990, 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 Brazil exceeds the United States price, as shown below. This suspension of liquidation will remain in effect until further notice.

Manufacturer/Producer/Exporter	Margin percentage
Companhia Nitro Quimica Brasileira	61.25
All others	61.25

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, pursuant to section 735(c)(1) of the Act, 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 Deputy Assistant Secretary for Investigations, Import Administration.

The ITC will determine within 45 days from the date of this final determination whether there is material injury, or the threat thereof, to the domestic industry. 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 nitrocellulose from Brazil 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. 1673(d)).

Dated: May 29, 1990.

Francis J. Sailer,
*Acting Assistant Secretary for Import
Administration.*

[FR Doc. 90-13007 Filed 6-5-90; 8:45 am]

BILLING CODE 3510-05-M

International Trade Administration

[A-570-802]

Final Determination of Sales at Less Than Fair Value; Industrial Nitrocellulose From the People's Republic of China

AGENCY: Import Administration,
International Trade Administration,
Commerce.

ACTION: Notice.

SUMMARY: We determine that imports of industrial nitrocellulose (INC) from the People's Republic of China (PRC) 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 on INC from the PRC. The ITC will determine within 45 days of the publication of this notice whether these imports injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: May 22, 1990.

FOR FURTHER INFORMATION CONTACT:

Joel Fischl or Louis Apple, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230; telephone (202) 377-3003 or (202) 377-1769, respectively.

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that imports on INC from the PRC 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 March 5, 1990, the Department published an affirmative preliminary determination (55 FR 7753). Since that time, the Department has not received a hearing request or comments from any interested parties.

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 this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

INC is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of

cellulose with nitric acid. INC is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. INC is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, INC was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

Period of Investigation

The period of investigation is April 1, 1989 through September 30, 1989.

Fair Value Comparisons

To determine whether sales of INC from the PRC 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. We used best information available as required by section 776(c) of the Act because China North Industries Corporation failed to respond to the Department's requests for information. We determined that the best information available was information submitted by the petitioner.

United States Price

Petitioner's estimate of United States Price for INC is based upon the average c.i.f. unit value of cellulose nitrate imports from the PRC, as reported in the U.S. Census Bureau IM-145 report for May 1989. Petitioner made adjustments to the unit price for estimated movement charges.

Foreign Market Value

Petitioner alleges that the PRC is a nonmarket economy country within the meaning of section 773(c) of the Act. Accordingly, petitioner based foreign market value on constructed value calculated from factors of production valued in a market economy country (i.e., Thailand) at a comparable level of economic development to the PRC. In its calculation, petitioner added amounts for factory overhead, general expenses and packing based on petitioner's costs. Petitioner also added the statutory minimum eight percent of the sum of its own general expenses and manufacturing cost for profit.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation, under section 733(d) of the Act, of all entries of INC from the PRC, 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 the PRC exceeds the United States price as shown below. The suspension of liquidation will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Manufacturer/Producer/Exporter	Weighted-Average margin percentage
China North Industries Corporation	73.40
All Others	78.40

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 in writing that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Investigations.

If the ITC determines that material injury, or threat of material injury, does not exist with respect to INC, the proceeding will be terminated and all securities posted as a result of the suspension 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 all INC from the PRC, 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.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Dated: May 14, 1990.

Eric I. Garfinkel,
Assistant Secretary for Import
Administration.

[FR Doc. 90-11769 Filed 5-21-90; 8:45 am]

BILLING CODE 3510-05-M

(A-588-812)

Final Determination of Sales at Less Than Fair Value; Industrial Nitrocellulose from Japan**AGENCY:** Import Administration, International Trade Administration, Commerce.**ACTION:** Notice.

SUMMARY: We determine that imports of industrial nitrocellulose (INC) from Japan 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 INC from Japan. The ITC will determine within 45 days of the publication of this notice whether these imports injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: May 22, 1990.**FOR FURTHER INFORMATION CONTACT:**

Joel Fischl or Louis Apple, 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) 377-3003 or (202) 377-1769, respectively.

SUPPLEMENTARY INFORMATION:**Final Determination**

We determine that imports of INC from Japan 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. 1673(a)) (the Act). The estimated weighted-average margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On March 5, 1990, the Department published an affirmative preliminary determination (55 FR 7762). Since that time, the Department has not received a hearing request or comments from any interested parties.

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 this date will be classified solely

according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

INC is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. INC is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. INC is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, INC was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

Period of Investigation

The period of investigation is April 1, 1989 through September 30, 1989.

Fair Value Comparisons

To determine whether sales of INC from Japan 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. We used best information available as required by section 778(c) of the Act because Asahi Chemical Industry Co., Ltd failed to respond to the Department's requests for information. We determined that the best information available was information submitted by the petitioner.

United States Price

Petitioner's estimate of United States Price for INC is based upon the average c.i.f. unit value of cellulose nitrate imports from Japan, as reported in the U.S. Census Bureau IM-145 report for May 1989. Petitioner made adjustments to the unit price for estimated movement charges.

Foreign Market Value

Petitioner's estimate of foreign market value for INC is based on foreign manufacturers' price quotes to Japanese customers, as determined by petitioner's market research. Petitioner deducted movement charges from the foreign market value and made circumstance of sale adjustments for differences in credit and packing.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation, under section 733(d) of the

Act, of all entries of INC 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 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 Japan exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Manufacturer/Producer/Exporter	Weighted-average margin percentage
Asahi Chemical Industry Co., Ltd _____	66.00
All Others _____	68.00

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 in writing that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Investigations.

If the ITC determines that material injury, or threat of material injury, does not exist with respect to INC, the proceeding will be terminated and all securities posted as a result of the suspension 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 all INC from Japan, 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.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Dated: May 14, 1990.

Eric I. Garfinkel,
Assistant Secretary for Import Administration.

[FR Doc. 90-11770 Filed 5-21-90; 8:45 am]

BILLING CODE 3510-08-01

[A-580-805]

Final Determination of Sales at Less Than Fair Value; Industrial Nitrocellulose from the Republic of Korea

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that imports of industrial nitrocellulose (INC) from the Republic of Korea (ROK) 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 INC from the ROK. The ITC will determine within 45 days of the publication of this notice whether these imports injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: May 22, 1990.

FOR FURTHER INFORMATION CONTACT: Joel Fischl or Louis Apple, 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) 377-3603 or (202) 377-1769, respectively.

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that imports of INC from the ROK 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 March 5, 1990, the Department published an affirmative preliminary determination (55 FR 7754). Since that time, the Department has not received a hearing request or comments from any interested parties.

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 this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

INC is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. INC is used as a film-former in coatings, lacquers, furniture finishers, and printing inks. INC is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, INC was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

Period of Investigation

The period of investigation is April 1, 1989 through September 30, 1989.

Fair Value Comparisons

To determine whether sales of INC from the ROK 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. We used best information available as required by section 776(c) of the Act because Miwon Company, Ltd failed to respond to the Department's requests for information. We determined that the best information available was information submitted by the petitioner.

United States Price

Petitioner's estimate of United States Price for INC is based upon the average c.i.f. unit value of cellulose nitrate imports from the ROK, as reported in the U.S. Census Bureau IM-143 report for May 1989. Petitioner made adjustments to the unit price for estimated movement charges.

Foreign Market Value

Petitioner's estimate of foreign market value for INC is based on foreign manufacturers' price quotes to Korean customers, as determined by petitioner's market research. Petitioner deducted movement charges from the foreign market value and made circumstance of sale adjustments for differences in credit.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend

liquidation, under section 733(d) of the Act, of all entries of INC from the ROK, 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 the ROK exceeds the United States price as shown below. The suspension of liquidation will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Manufacturer/Producer/Exporter	Weighted-average margin percentage
Miwon Company, Ltd.	66.30
All Others	66.30

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 in writing that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Investigations.

If the ITC determines that material injury, or threat of material injury, does not exist with respect to INC, the proceeding will be terminated and all securities posted as a result of the suspension 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 all INC from the ROK, 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.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Dated: May 14, 1990.
 Eric I. Garfinkel,
*Assistant Secretary for Import
 Administration.*
 [FR Doc. 90-11771 Filed 5-21-90; 8:45 am]
 BILLING CODE 3510-DS-M

[A-412-303]

Final Determination of Sales at Less Than Fair Value; Industrial Nitrocellulose from the United Kingdom

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that imports of industrial nitrocellulose from the United Kingdom 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 nitrocellulose from the United Kingdom. The ITC will determine within 45 days of the publication of this notice whether these imports injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: May 22, 1990.

FOR FURTHER INFORMATION CONTACT: Steven Lim or Bradford Ward, 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) 377-4087 or (202) 377-5288, respectively.

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that imports of industrial nitrocellulose (INC) from the United Kingdom 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) (the Act). The estimated weighted-average margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On March 5, 1990, the Department published an affirmative preliminary determination (55 FR 7763). Verification of the questionnaire responses submitted by the respondent, Imperial Chemical Industries (ICI) was conducted at ICI's headquarters in Manchester, United Kingdom, from March 5 through

March 9, 1990, and at the Wilmington, Delaware, facilities of ICI's U.S. subsidiary, ICI Americas, on March 26 and March 27, 1990.

Interested parties submitted comments for the record in case briefs dated April 19 (respondent) and April 23, 1990 (petitioner), and in rebuttal briefs dated April 26 (petitioner) and April 30, 1990 (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 this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States* (TSUS). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

Period of Investigation

The period of investigation (POI) is April 1, 1989, through September 30, 1989.

Such or Similar Comparisons

For the purposes of this investigation, we have determined that all industrial nitrocellulose comprises a single category of such or similar merchandise. Product comparisons were made on the basis of the following criteria: Nitrogen percentage, viscosity rating, wetting agent type, cellulose source, physical form, and wetting agent percentage.

Where there were no sales of identical merchandise in the home market with which to compare merchandise sold in the United States, sales of the most similar merchandise were compared on the basis of the

characteristics described above. In those instances, we made adjustments for differences in the physical characteristics of the merchandise in accordance with section 773(a)(4)(C) of the Act.

Fair Value Comparisons

To determine whether sales of industrial nitrocellulose from the United Kingdom in 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

As provided for in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price where the merchandise was sold to unrelated purchasers prior to importation into the United States.

In those cases where sales were made through a related sales agent in the United States to an unrelated U.S. purchaser prior to the date of importation, we also used purchase price as the basis for determining United States price. For these sales, the Department determined that purchase price was the most appropriate determinant 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 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 in the United States acted only as a processor of sales-related documentation and a communication link with the unrelated U.S. buyer in Puerto Rico.

Where all the above elements are met, we regard the routine selling functions of the exporter as merely having been relocated geographically from the country of exportation to the United States, where the sales agent performs them. Whether these functions take place in the United States or abroad does not change the substance of the functions themselves.

We calculated purchase price based on either delivered or CIF port of entry prices to unrelated customers in the United States. We made deductions, where appropriate, for brokerage and handling, foreign inland freight, storage in the United Kingdom, ocean freight, containerization, transit insurance, U.S. duties, U.S. Customs fees, and U.S.

inland freight, in accordance with section 772(d)(2) of the Act. We used purchase order date as the appropriate date of sale for purchase price transactions because we verified that the material terms of sale (e.g., price and quantity) were set at the time of the purchase order.

Where the merchandise was sold to unrelated purchasers after importation into the United States, we used exporter's sales price (ESP) to represent the United States price, as provided for in section 772(c) of the Act. We calculated ESP based on FOB warehouse or delivered prices to unrelated customers in the United States. We made deductions, where appropriate, for foreign inland freight, brokerage and handling, containerization, ocean freight, transit insurance, U.S. duties, U.S. Customs fees, U.S. inland freight, credit expenses, commissions, product liability insurance, and indirect U.S. selling expenses (including inventory carrying costs, technical service expenses, and other miscellaneous indirect selling expenses incurred in the United States and the home market).

ICI incurred no short term debt in the United States. Therefore, for purposes of calculating ESP credit and inventory carrying expense, we used the average U.S. prime rate as the best information available.

In accordance with section 772(d)(1)(C) of the Act, we added to the United States price the amount of value-added tax (VAT) that apparently would have been collected on the export sale had it been subject to the tax. We computed the hypothetical amount of VAT added to United States price by applying the home market VAT rate to a United States price net of all charges and expenses that would not have been incurred had the product been sold in the home market.

Foreign Market Value

In accordance with section 773(a)(1)(A) of the Act, we calculated foreign market value based on home market sales. We calculated foreign market value based on the packed prices (either delivered or ex-works) to unrelated customers in the United Kingdom. We made deductions, where appropriate, for inland freight, discounts, rebates, and credit expenses. We deducted home market packing costs and added U.S. packing costs.

In comparing purchase price sales, we made a circumstance of sale adjustment for differences in credit terms. When a commission was paid on a purchase price sale, we added the amount of the commission to the weighted average:

foreign market value and then deducted from the weighted average foreign market value the lesser of either total home market indirect selling expenses or the U.S. commission amount, in accordance with 19 CFR 353.56(b)(1).

In comparing ESP sales, we deducted from the average foreign market value home market credit expenses, as well as indirect selling expenses. In accordance with 19 CFR 353.56(b)(2), the amount of home market indirect selling expenses deducted from the average foreign market value could not exceed total U.S. indirect selling expenses for the sale in question.

We made a circumstance of sale adjustment in accordance with section 773(a)(4)(B) of the Act to account for any differences in taxation between the two markets. Because the home market prices were reported net of VAT, this adjustment was made by adding the hypothetical tax on the U.S. sale to both the United States price and the foreign market value.

Currency Conversion

We made currency conversions based on the official exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

Interested Party Comments

Comment 1: Respondent argues that the Department should use home market sales to related customers in calculating foreign market value because doing so is the Department's normal practice when the sales can be demonstrated to be arm's length in nature. Respondent states that the comparability of prices to related and unrelated customers was established, demonstrating the arm's length nature of the related party transactions.

Petitioner argues that the Department should not include sales to related parties because respondent failed to demonstrate adequately (i.e., by providing proof that pricing to related parties follows established policies) that the prices were arm's length in nature.

DOC Position: We have not included sales to related parties in calculating foreign market value. Under 19 CFR 353.45, the Department may disregard transactions between related parties if the price does not fairly reflect the usual price at which sales are made to unrelated parties. Generally, for the Department to determine whether transactions between related parties are arm's length in nature,

a respondent must provide a detailed analysis of the prices charged to related parties and those to unrelated parties on identical products. If, based on this evidence, it appears that the prices may be comparable,

we will do our own analysis on all of respondent's sales.

(Final Determination of Sales at Less than Fair Value: Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From the Federal Republic of Germany (54 FR 18092, 1989; May 3, 1989))

To show that the related party transactions were at arm's length, respondent attempted at verification to demonstrate that, for particular grades of merchandise in the home market, the reported prices to two buyers, one of which was related to respondent, were comparable. However, the nature of financial transactions between respondent and the related buyer was such that respondent was unable to provide documentary proof that merchandise was actually paid for. Accordingly, respondent was not able to satisfy the obvious prerequisite that prices used in such a comparison be verifiable.

In addition, it is questionable whether the respondent and the related party are separate entities. Indeed, the brief filed after the verification by respondent's counsel emphasized that the related buyer, described in the verification report as a sister company, "should correctly be termed a business unit" (respondent's April 19, 1990, brief, p. 13). Thus, it appears that the related party is simply a unit within the same company as the respondent. Since respondent used unverifiable prices to what may not even be a separate entity, we have not accepted respondent's claim that sales to related parties should be used in calculating the FMV for purposes of our final determination.

Comment 2: Respondent and petitioner point out that, for comparisons of all grades of INC, the difference in merchandise amount reported in respondent's database was added to the FMV but should have been subtracted from the FMV.

DOC Position: We agree, and have made this correction for purposes of the final determination.

Comment 3: Respondent argues that the Department should calculate the hypothetical U.S. VAT based on the gross U.S. price, instead of a U.S. price net of selling expenses, movement charges, rebates and commissions. Alternatively, respondent argues, the Department should use the weighted average of actual VAT paid in the home market as the hypothetical U.S. VAT.

Petitioner argues that using the gross U.S. price as the basis for VAT calculations would artificially increase the hypothetical VAT.

DOC Position: As explained in the U.S. price section of this notice, section 772(d)(1)(C) directs the Department to add to the U.S. price the amount of VAT that apparently would have been collected on the export sales had they been subject to the tax. Although this inquiry is unavoidably hypothetical, the most reasonable course is to include within the U.S. tax base that level of expenses which is included within the home market tax base.

Consistent with our practice, we made circumstance of sale adjustments to the FMV to offset any differences between the VAT in the United Kingdom and the imputed VAT on U.S. sales. This adjustment ensured that prices in each market were compared on a tax-net basis, preventing the export exemptions from artificially inflating or deflating the dumping margin.

Comment 4: Respondent argues that the reported U.S. interest rate, rather than the reported U.K. interest rate, should be used in calculating credit expenses on purchase price sales.

Petitioner argues that since ICI Americans has no short-term borrowing, its short-term funds needs must be met directly or indirectly by ICI, the parent company in the United Kingdom. Therefore, using ICI's credit expense is appropriate.

DOC Position: Since purchase price sales are normally financed in the home market country, we have followed Departmental practice and used the home market interest rate in calculating credit on purchase price sales.

Comment 5: Respondent argues that a post-POI provision to a customer of cost-free merchandise as a replacement for merchandise sold during the POI should be allowed as a direct warranty expense.

Petitioner argues that no warranty expense was mentioned in the response nor was any general or customer-specific warranty arrangement reported, and that the expense was actually only "an adjustment to the price of a particular shipment." Petitioner states that any adjustment allowed should apply only to the one sale in question or, alternatively, to all sales of INC, but not just to all sales to the customer in question.

DOC Position: We have not allowed any adjustment for the claimed warranty expense. Respondent stated in its questionnaire response that it incurred no warranty expenses in the home market and made no mention that a warranty policy existed. As new information, such a claim cannot be accepted.

Comment 6: Respondent argues that an expense reported as containerization

of U.S.-bound shipments was actually a loading expense which is part of fixed manufacturing overhead expenses, and thus should not be deducted from U.S. price.

DOC Position: We consider the expense a movement expense, and have treated it as such for purposes of our final determination. In addition, Departmental characterization of expenses need not conform to a company's internal classification procedures.

Comment 7: Respondent argues that a storage expense incurred in the United Kingdom on Puerto Rico-bound shipments is included in the transfer price from respondent to a related reseller, and thus was correctly not reported.

DOC Position: We disagree. The storage expense was incurred after sale to the first unrelated buyer and thus has been deducted from the U.S. price for sales made in Puerto Rico.

Comment 8: Petitioner argues that home market technical service expenses are not, as respondent claims, directly related to home market sales.

DOC Position: We agree. We have continued to treat these expenses as indirect since they consist primarily of employees' salaries which would have been paid regardless of specific sales being made.

Comment 9: Petitioner argues that, because some pallets are not returned, ICI overestimated home market pallet costs by including a return cost for all pallets as well as replacement costs for some.

DOC Position: We verified that the home market packing costs were correctly reported. We therefore have used the verified pallet cost information in calculating home market packing cost for purposes of our final determination.

Comment 10: Respondent states that U.S. product code 29018 should have been matched with U.K. product code 11127, not 11128.

DOC Position: We determined that U.S. product code 29018 was more appropriately matched with U.K. product code 11128 because their viscosity ratings are closer. In all comparisons of similar merchandise where only viscosity differed, the home market product with a viscosity rating closest to the U.S. product's viscosity rating was chosen as the most appropriate match.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation, under section 733(d) of the Act, of all entries of industrial

nitrocellulose from the United Kingdom, 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 the United Kingdom exceeds the United States price as shown below. The suspension of liquidation will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Manufacturer/Producer/Exporter	Weighted-average (Margin percentage)
Imperial Chemical Industries	11.13
All Others	11.13

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 in writing that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Investigations, Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist with respect to industrial nitrocellulose, the proceeding will be terminated and all securities posted as a result of the suspension 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 all industrial nitrocellulose from the United Kingdom, 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.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Dated: May 14, 1990.
Eric I. Garfinkel,
Assistant Secretary for Import
Administration.

[FR Doc. 90-11772 Filed 5-21-90; 8:45 am]
JBILLING CODE 3510-08-M

[A-428-803]

Final Determination of Sales at Less Than Fair Value; Industrial Nitrocellulose From the Federal Republic of Germany

AGENCY: Import Administration,
International Trade Administration,
Commerce.

ACTION: Notice.

SUMMARY: We determine that imports of industrial nitrocellulose (INC) from the Federal Republic of Germany (FRG) 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 nitrocellulose from the FRG. The ITC will determine within 45 days of the publication of this notice whether these imports injure, or threaten material injury to, the U.S. industry.

EFFECTIVE DATE: May 22, 1990.

FOR FURTHER INFORMATION CONTACT: David J. Goldberger or Bradford Ward, 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) 377-4136 or (202) 377-5288, respectively.

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that imports of industrial nitrocellulose from the FRG 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) (the Act). The estimated weighted-average margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On March 5, 1990, the Department published an affirmative preliminary determination (55 FR 7763). Verification of the questionnaire responses submitted by the respondent, Wolff Walsrode AG (Wolff), was conducted at Wolff's U.S. subsidiary in Burr Ridge, Illinois on March 7 through 9, 1990, and

at Wolff's headquarters in Bomlitz, FRG from March 19 through 23, 1990.

Interested parties submitted comments for the record in their case briefs dated April 20, 1990, and in their rebuttal briefs dated April 27, 1990.

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 this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States* (TSUS). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

Period of Investigation

The period of investigation (POI) is April 1, 1989 through September 30, 1989.

Such or Similar Comparisons

For the purposes of this investigation, we have determined that all industrial nitrocellulose comprises a single category of such or similar merchandise. Product comparisons were made on the basis of the following criteria: Nitrogen percentage, viscosity rating, wetting agent type, cellulose source, physical form, and wetting agent percentage.

Where there were no sales of identical merchandise in the home market with which to compare merchandise sold in the United States, sales of the most similar merchandise were compared on the basis of the characteristics described above. In those instances, we made adjustments for differences in the physical characteristics of the merchandise in

accordance with section 773(a)(4)(C) of the Act.

Fair Value Comparisons

To determine whether sales of industrial nitrocellulose from the FRG 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

As provided for in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price where the merchandise was sold to unrelated purchasers prior to importation into the United States. We calculated purchase price based on FOB U.S. port or delivered prices to unrelated customers in the United States. We made deductions, where appropriate, for brokerage and handling, foreign inland freight, ocean freight, transit insurance, U.S. duties, U.S. Customs fees, U.S. inland freight and rebates, in accordance with section 772(d)(2) of the Act.

Where the merchandise was sold to unrelated purchasers after importation into the United States, we used exporter's sales price (ESP) to represent the United States price, as provided for in section 772(c) of the Act. We calculated ESP based on FOB warehouse or delivered prices to unrelated customers in the United States. We made deductions, where appropriate, for foreign inland freight, brokerage and handling, ocean freight, transit insurance, U.S. duties, U.S. Customs fees, repacking, U.S. inland freight, credit expenses, rebates, and indirect selling expenses, including inventory carrying expense and product liability premiums.

We recalculated the credit expense reported by Wolff on ESP sales based on the period from shipment date to payment date, rather than from invoice date, which may occur after shipment.

In accordance with section 772(d)(1)(C) of the Act, we added to United States price the amount of value-added tax (VAT) that would have been collected on the export sale had it been subject to the tax. We computed the hypothetical amount of VAT added to United States price by applying the home market VAT rate to a United States price net of all charges and expenses that would not have been incurred had the product been sold in the home market.

Foreign Market Value

In accordance with section 3(a)(1)(A) of the Act, we calculated foreign market value based on home market sales. We calculated foreign market value based on the packed, delivered prices to unrelated customers in the FRG. We made deductions, where appropriate, for inland freight, transit insurance, discounts, rebates, and sales-related testing expenses. We deducted home market packing costs and added U.S. packing costs.

On comparisons involving purchase price sales, we subtracted home market commissions from the foreign market value and added U.S. indirect selling expenses up to the amount of the weighted average home market commissions paid, in accordance with 19 CFR 353.56(b)(1). We made a circumstance of sale adjustment for differences in credit terms. We recalculated the reported credit expense on purchase price sales to impute credit from the date of shipment to the date of payment, rather than from date of U.S. invoice. We used the home market interest rate to impute credit for the period from shipment to U.S. invoice date, and the U.S. interest rate for the period from U.S. invoice date to payment date, since the U.S. subsidiary bears the imputed expense as of the U.S. invoice date.

On comparisons involving ESP sales, we deducted home market credit expenses, which we recalculated to impute credit from shipment date, rather than from invoice date as reported by Wolff. We also deducted indirect selling expenses, including inventory carrying expense, product liability premiums, and, where appropriate, commissions.

In accordance with 19 CFR 353.56(b)(2), the amount of home market indirect selling expenses deducted from the weighted average foreign market value could not exceed total U.S. indirect selling expenses for the sale in question.

We made a circumstance of sale adjustment in accordance with section 773(a)(4)(B) of the Act to eliminate any differences in taxation between the two markets. Because the home market prices were reported net of VAT, this adjustment was made by adding the hypothetical tax on the U.S. sale to both the United States price and the foreign market value.

Currency Conversion

We made currency conversions based on the official exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

Interested Party Comments

Comment 1: Petitioner claims that purchase order date, rather than ex-factory shipment date, should be used as the date of sale for Wolff's purchase price sales. Petitioner contends that the purchase order date is appropriate because it is the date that the material terms of sale, i.e., price and quantity, are fixed for Wolff's transactions and that most of the order changes made subsequent to this date, such as shipment date and destination, are not material. Furthermore, petitioner asserts that Wolff's claimed practice is contrary to that of the domestic industry and at least one major foreign supplier. Since Wolff reported purchase price sales on the basis of shipment date and not purchase order date, and the Department's verification was unable to support Wolff's date of sale selection, petitioner argues that the Department should calculate Wolff's margin on the basis of the best information available.

Wolff contends that it correctly reported the ex-factory shipment date as date of sale for purchase price sales. Wolff states that the Department verified that the terms and conditions of sale permit modification of the material terms of sale up to the date of shipment and that frequent modifications to these terms did occur after the purchase order date. Not until shipment are these terms established.

DOC Position: In its responses and at verification, Wolff demonstrated that even though the material terms of sale are included in the purchase order, the terms of sale are not final until shipment. A number of changes prior to the shipment date involved price and quantity. These changes are made both by Wolff and by its customers. That these changes can and do occur up to the shipment date indicates that the terms of sale are not set at purchase order date. Therefore, we have used the date of shipment as the date of sale.

With respect to petitioner's argument regarding industry practice, the Department has already recognized that dates of sale can differ among parties in the same industry. As correctly pointed out by the respondent in its rebuttal brief, in *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From the Federal Republic of Germany* (54 FR 13992, 19041, May 3, 1989), we determined that the appropriate dates of sale varied from company to company within the same industry, depending on the specific facts and circumstances of each company.

Comment 2: Petitioner claims that home market sales of a product that is

70% INC and 30% wetting agent (70/30% INC) are not in the ordinary course of trade because FRG customers normally demand 65% INC and 35% wetting agent (65/35% INC) products. Moreover, petitioner argues that the volume of these transactions in the FRG during the POI was so small that these sales cannot be considered made in normal commercial quantities. Therefore, petitioner holds that the Department should disregard these sales and base the FMV for this product on an alternative, most similar product.

Wolff states that the FRG sales in question are identical to the U.S. product and, therefore, are the proper sales for comparison. In addition, Wolff contends that the terms under which these sales were made were consistent with the terms of other sales made in the home market, within the range of prices prevailing in the home market during the POI, and in quantities typically purchased in the home market. As a result, these sales were in the ordinary course of trade. Because Wolff offers its entire range of products for sale to all customers world-wide, FRG customers will occasionally purchase 70/30% INC, and U.S. customers will occasionally purchase 65/35% INC, as the Department verified.

DOC Position: From the information developed at verification, we have determined that the sales in question were not made in the ordinary course of trade. Although the sales and distribution channels are identical to other home market sales and the transaction quantities are similar to other home market sales, the circumstances of these sales are not ordinary. Wolff did not sell the customer what it originally wanted and instead offered a substitute product, not normally sold in the home market, at the price it charges for the product originally ordered. The price to the customers reflects, in part, these conditions rather than simply the product costs and normal market forces that would have otherwise determined price.

Comment 3: Wolff contends that the Department should exclude from sales comparisons certain home market sales that are subjected to unique production and testing standards. These standards involve considerably narrower tolerances than the usual production of this INC grade, in order to meet special physical qualities required by Wolff's customer. As a result of this procedure, Wolff claims that these sales possess different physical characteristics than other home market sales of this INC grade.

Petitioner claims that Wolff has failed to demonstrate that these sales are physically different from the other compared home market sales, nor has Wolff produced any information regarding added costs incurred in producing this merchandise.

Accordingly, petitioner argues that as the sales in question are physically identical to the other home market sales of "most similar" merchandise, the Department should continue to include these sales in its comparisons.

DOC Position: Since there are no identical home market sales of the U.S. product for the INC in question, we have made product comparisons based on the "most similar" merchandise sold in the FRG. Based on our product matching criteria, as described above, the sales in question are the "most similar" home market product to the U.S. product. The production procedures, narrow tolerances and special testing requirements do not necessarily make these sales physically different from the other sales of this home market product, according to the matching criteria. Special production and testing procedures may be the basis of claims for circumstances of sale or difference in merchandise adjustments. However, since Wolff neither made such claims nor provided cost data to substantiate such claims, we were unable to consider them. Consequently, we have included the sales involving "special testing" in our sales comparison without additional adjustments.

Comment 4: Wolff states that the Department should make price comparisons at comparable levels of trade, in accordance with 19 CFR 353.58. Since Wolff sells to end-users and distributors in the home market, but only to end-users in the U.S., Wolff contends that the Department should only compare U.S. sales to home market end-user sales and disregard distributor sales from comparison.

Petitioner responds that Wolff failed to show that different levels of trade exist in the home market, therefore its claim should be rejected.

DOC Position: Wolff established that it sells to two types of customers in the home market, end-users and distributors, but sells only to end-users in the U.S. Accordingly, we agree with the respondent and have compared end-user sales in the U.S. only to end-user sales in the FRG.

Comment 5: Wolff argues that freight expenses between its home market factory warehouse and its regional warehouses prior to sale should be treated as a direct adjustment to FMV.

Petitioner contends that this freight expense should be treated as an indirect

expense as it constitutes a pre-sale expense.

DOC Position: Consistent with our final determination in *Industrial Phosphoric Acid from Israel* (52 FR 25440, 25441, July 7, 1987), we have treated the movement expense for transporting the merchandise from the factory to a regional warehouse as a movement charge to be deducted to arrive at an ex-factory home market price.

Comment 6: Wolff claims that the Department improperly calculated home market credit expenses in the preliminary determination by deducting the early payment discount from the gross unit price used in the calculation. Wolff contends that this discount should not be deducted from the price in the credit calculation because it does not appear on the invoice and is not factored into the account receivable. Accordingly, Wolff asserts that the Department should calculate credit on the basis of the posted amount since Wolff does not know whether the customer will take advantage of this program when it extends credit.

Petitioner contends that when this discount is granted it should be subtracted from the gross unit price because it represents revenue Wolff never receives on the sale.

DOC Position: We agree with the petitioner and have deducted the early payment discount from the gross unit price in the credit calculation for all sales where this discount was given.

Comment 7: Wolff claims that the Department improperly disallowed two revenue items as adjustments to U.S. price in the preliminary determination. These items represent additional amounts that are directly related to the sale, such as the additional revenue Wolff receives for arranging freight to the customer's warehouse that are invoiced to and paid by the customers. These items should be added to the U.S. price for margin calculation purposes.

Petitioner contends that the Department should exclude these adjustments as they are completely unrelated to the comparative net prices of the subject merchandise.

DOC Position: In accordance with the Act and the Department's regulations, we make adjustments to the U.S. price in order to arrive at an ex-factory price. Where the sale price does not include freight, for example, it is neither appropriate nor logical to add a freight charge to this price and deduct a freight expense. Consequently, we agree with the petitioner and have rejected Wolff's claim.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation, under section 733(d) of the Act, of all entries of industrial nitrocellulose from the FRG, 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 the FRG exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Manufacturer/Producer/Exporter	Weighted-average (margin percentage)
Wolff Walsrode AG	3.84
All Others	3.84

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 in writing that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Investigations, Import Administration.

If the ITC determines that material injury, or threat of material injury, does not exist with respect to industrial nitrocellulose, the proceeding will be terminated and all securities posted as a result of the suspension 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 all industrial nitrocellulose from the FRG, 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.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Dated: May 14, 1990.

Eric L. Garfinkel,

*Assistant Secretary for Import
Administration.*

[FR Doc. 90-11773 Filed 5-21-90; 8:45 am]

BILLING CODE 3510-05-48

International Trade Administration**(A-479-801)****Preliminary Determination of Sales at
Less Than Fair Value; Industrial
Nitrocellulose From Yugoslavia****AGENCY:** Import Administration,
International Trade Administration,
Commerce.**ACTION:** Notice.

SUMMARY: We preliminarily determine that imports of industrial nitrocellulose from Yugoslavia 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 industrial nitrocellulose from Yugoslavia, as described in the "Suspension of Liquidation" section of this notice. If this investigation proceeds normally, we will make a final determination by July 2, 1990.

EFFECTIVE DATE: April 24, 1990.

FOR FURTHER INFORMATION CONTACT: Karmi Leiman or Bradford Ward, 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) 377-8498 or (202) 377-5288, respectively.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We preliminarily determine that imports of industrial nitrocellulose from Yugoslavia 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 (the Act). The estimated weighted-average margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since publication of the notice of initiation on October 17, 1989, (54 FR 42533), the following events have occurred:

On November 3, 1989, the ITC determined that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports from Yugoslavia of industrial nitrocellulose (USITC Pub. No. 2231, November 1989).

On November 3, 1989, the Department presented its questionnaire to counsel for Milan Blagojevic (MB). This manufacturer accounted for 100 percent of exports of the subject merchandise to the United States during the period of investigation.

MB submitted responses to our questionnaire on November 22 and December 20, 1989. The Department sent a letter to MB on January 12, 1990 outlining deficiencies in the responses. MB replied to the deficiency letter on February 2, 1990.

On January 12, 1990, petitioner alleged that home market sales were made at below the cost of production (COP). The Department initiated a COP investigation on January 31, 1990, and issued a COP questionnaire to MB on February 5, 1990. MB responded to the COP questionnaire on March 5, 1990. The Department sent a letter to MB on March 20, 1990 outlining deficiencies in the COP response. MB replied to the deficiency letter on April 3, 1990.

On January 29, 1990, the petitioner requested that the Department postpone its preliminary determination in this case. On February 1, 1990, the Department postponed the preliminary determination until April 17, 1990 (55 FR 4647, February 9, 1990).

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 this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

Period of Investigation

The period of investigation is April 1, 1989 through September 30, 1989.

Such or Similar Comparisons

For the purposes of this investigation we have determined that all industrial nitrocellulose comprises a single category of such or similar merchandise. On the basis of six criteria (nitrogen percentage, viscosity rating, wetting agent type, cellulose source, physical form and wetting agent percentage) we determined that there were no sales of identical merchandise in the home market with which to compare merchandise sold in the United States. Therefore, we compared sales of the most similar merchandise and made adjustments for differences in the physical characteristics of the merchandise in accordance with 19 CFR 353.57.

Fair Value Comparisons

To determine whether sales of industrial nitrocellulose from Yugoslavia 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.

We based United States price on purchase price in accordance with section 772(b) of the Act because all sales were made directly to unrelated parties prior to importation into the United States. We calculated purchase price based on packed f.o.b. Yugoslav port prices. We made deductions for foreign inland freight, foreign inland insurance, and foreign brokerage and handling. In an attempt to compensate for hyperinflation in Yugoslavia, foreign inland freight, foreign inland insurance, and foreign brokerage and handling were converted to U.S. dollars using the exchange rate in effect on the date the charges were incurred, rather than the date of the U.S. sale to which the charges pertain. In accordance with section 772(d)(1)(B) of the Act, we added import duties imposed by Yugoslavia which have not been collected by reason of the exportation of the merchandise to the United States.

We did not adjust for certain taxes (under section 772(d)(1)(C) of the Act) that the respondent reported were imposed in Yugoslavia and rebated by reason of the exportation of the merchandise to the United States. MB reported that it received a refund from the Yugoslav government for taxes paid by MB's suppliers at the rate of 4.92 percent of the gross unit U.S. price. MB stated that the reported home market prices included the taxes. However, MB was unable to provide any evidence that the tax was included in the home market price, provide information on the home market tax rate, or even show that the tax was paid.

Foreign Market Value

We compared home market ex-factory sales prices to the cost of production in all cases. We found that these prices were above the cost of production. Therefore, we based foreign market value on home market sales in accordance with section 773(a)(1)(A) of the Act. We calculated foreign market value based on packed, ex-factory prices to unrelated customers in the home market. Because we determined Yugoslavia's economy to be hyperinflationary, we divided the period of investigation into six different sub-periods based on home market price changes. Home market prices remained constant during each of these sub-periods. In an attempt to eliminate the distortive effect of inflation on home market prices, each U.S. sale was compared to an average foreign market

value calculated for the sub-period in which the U.S. sale was made.

Pursuant to 19 CFR 353.56, we made circumstance of sale adjustments for differences in credit expenses and bank charges. Because commissions were paid on U.S. sales and not on home market sales, we added U.S. commissions to the foreign market value and subtracted from foreign market value the lesser of U.S. commissions or home market indirect selling expenses.

Finally, we made an adjustment for differences in packing costs by subtracting home market packing costs from the foreign market value and adding all U.S. packing costs.

Currency Conversion

In accordance with 19 CFR 353.60, when calculating foreign market value, we normally make currency conversions using the exchange rates certified by the Federal Reserve Bank of New York. Certified rates are not currently available for Yugoslav dinars for the period of investigation. Therefore, for the purposes of this preliminary determination, we used the daily exchange rates provided by MB in its response. We confirmed the accuracy of the rates by comparing them to the rates provided by Jugobanka in New York. Jugobanka officials explained that the rates provided to the Department were obtained from the Yugoslav central bank.

Verification

As provided in section 776(b) of the Act, we will verify all information used in making our final determination.

Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of industrial nitrocellulose from Yugoslavia, 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 require a cash deposit or posting of a bond equal to the estimated preliminary dumping margin, as shown below. The suspension of liquidation will remain in effect until further notice.

Manufacturer/producer/exporter	Margin percentage
Milan Blagojevic.....	9.42
All Others.....	9.42

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 in writing that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Investigations.

If our final determination is affirmative, the ITC will determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry before the later of 120 days after the date of this preliminary determination or 45 days after our final determination.

Public Comment

In accordance with 19 CFR 353.38, case briefs or other written comments in at least ten copies must be submitted to the Assistant Secretary no later than June 5, 1990, and rebuttal briefs no later than June 11, 1990. In accordance with 19 CFR 353.38(b), we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. The hearing will be held at 1:30 p.m. on June 14, 1990, at the U.S. Department of Commerce, room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Interested parties who wish to participate in the hearing must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, room B-099 within 10 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 accordance with 19 CFR 353.38(b), oral presentations will be limited to arguments raised in the briefs.

This determination is published pursuant to section 733(f) of the Act (19 U.S.C. section 1673b(f)).

Eric I. Garfinkel,

Assistant Secretary for Import Administration.

[FR Doc. 90-0309 Filed 4-23-90; 8:45 am]

BILLING CODE 3510-06-01

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 Nitrocellouse from Brazil,
Japan, The People's Republic of China,
The Republic of Korea, The United Kingdom,
West Germany and Yugoslavia

Inv. Nos. : 731-TA-439 through 445 (Final)

Date and Time: May 29, 1990 - 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
Antidumping Duties:

Kelley Drye and Warren
Washington, D.C.
on behalf of

Hercules Incorporated

W. Wells Hood, Vice President,
Business Development and
Marketing, Hercules Incorporated

J. Stephen Bryce, Business Manager,
Coatings Aqualon Company, Hercules
Incorporated

Michael P. Kelly, Counsel, Law
Department, Hercules Incorporated

Daniel J. Klett, Economist, ICF Consulting
, Associates, Incorporated

Suzanne Eder, Coding Business Supervisor,
Hercules Incorporated

Jeffrey Wolff, Products Supervisor, Hercules
Incorporated

In Support of the Imposition of
Antidumping Duties cont'd:

Ad Hoc Group

J. Robert Pickering, President and CEO,
Lilly Industrial Coatings, Incorporated
Indianapolis, Indiana

Edgar N. Putman, Chariman and CEO,
Penn Color Company, Doylestown, Pennsylvania

Leon Cole, Senior Vice President, Surface
Protection Industries, Incorporated
Los Angeles, California

Frederick Parkinson, Vice President,
U.S. Cellulose Company, Incorporated
San Jose, California

Edward M. Lebow)
)--OF COUNSEL
David R. Busam)

In Opposition to the Imposition of
Antidumping Duties:

PANEL OF PURCHASERS:

Mar-Lak Products Company
Hawaiian Gardens, California

Edward J. Spiering, Vice President

Tennessee Technical Coatings Corporation,
Lewisburg, Tennessee

John F. Rawe, Executive Vice President

Rudd Company, Incorporated
Seattle, Washington

Alan, M. Park, Jr., General Manager

Seaside Incorporated, Long Beach, California

Joel Friedland, President

-more-

In Opposition to the Imposition of
Antidumping Duties:

Guardsman Products, Incorporated

Richard B. Chalker, Corporate Director

Skadden, Arps, Slate,
Meagher and Flom
Washington, D.C.
on behalf of

Asahi Chemical Industry Company, Limited

Mr. Okobu, Asahi Chemical Industry Company

Henry McFarland, Economist, Economist
International

Mr. VanLeewen, Economist, Economist International

William E. Perry)
)--OF COUNSEL
Mr. Burke)

Stein, Shostak Shostak and O'Hara
Los Angeles, California
on behalf of

E.T. Horn Company

Gene E. Alley, President, E.T. Horn Company

Robert Glenn White)--OF COUNSEL

-more-

In Opposition to the Imposition of
Antidumping Duties:

Kaplan Russin and Vecchi
Washington, D.C.
on behalf of

Varteks-Vartimpeks

Bozidar Grobotek, of Impex Overseas, Agent
for Varteks-Vartimpeks

Milan Blagojevic

Akzo Coatings Incorporated
(formerly Reliance Universal, Incorporated)
(the only importer and purchaser of Milan Blagojevic)

T.H. McHenry, Manager of Corporate Purchases,
Akzo Coatings Incorporated

Robert Torba, Executive Vice President, Azako
Coatings Incorporated

Kathleen F. Patterson--OF COUNSEL

Howrey and Simon
Washington, D.C.
on behalf of

Imperial Chemical Industries PLC

ICI Americas Incorporated

David Wilkinson, Business Manager,
ICI Americas Incorporated,
Industrial Colorants

Michael A. Hertzberg)
)--OF COUNSEL
Paul M. Orbuch)

-more-

In Opposition to the Imposition of
Antidumping Duties cont'd:

Wolff Walsrode AG and Wolff Products/
Mobay Corporation ("Wolff companies")

John A. Schoch, Jr., General Manager,
Chemicals, Wolff Products/Mobay
Corporation

Paul Plaia, Jr.)
)--OF COUNSEL
Juliana M. Cofrancesco)

-end-

APPENDIX C

DOMESTIC PRODUCER'S SHIPMENTS AND IMPORTS FOR CONSUMPTION
OF INDUSTRIAL NITROCELLULOSE, BY TYPE OF WETTING AGENT

Table C-1
U.S. producer's domestic shipments of nitrocellulose, by type of wetting agent, 1986-89 and January-March 1990

(In thousands of wet pounds)

Year and product category	Estimated U.S. producer's domestic shipments wet with--						Total
	Isopropyl alcohol	Ethyl alcohol	Other alcohols	Plasti-cizers	Toluene	Other wet-ting agents	
1986:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1987:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1988:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1989:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
Jan.-Mar. 1990:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***

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

Table C-2

Imports of industrial nitrocellulose from the seven subject countries, by type of wetting agent, 1986-89 and January-March 1990

(In thousands of wet pounds)

Year and product category	Estimated imports wet with--						Total
	Isopropyl alcohol	Ethyl alcohol	Other alcohols	Plasticizers	Toluene	Other wetting agents	
1986:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
1987:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
1988:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
1989:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
Jan.-Mar. 1990:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***

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

Table C-3
Imports of industrial nitrocellulose from Brazil, by type of wetting agent, 1986-89 and January-March 1990

(In thousands of wet pounds)							
Year and product category	Estimated imports wet with--						Total
	Isopropyl alcohol	Ethyl alcohol	Other alcohols	Plasticizers	Toluene	Other wetting agents	
1986:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
1987:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
1988:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
1989:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
Jan.-Mar. 1990:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***

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

Table C-4

Imports of industrial nitrocellulose from Japan, by type of wetting agent, 1986-89 and January-March 1990

(In thousands of wet pounds)

(in thousands of wet pounds)							
Year and product category	Estimated imports wet with--						Total
	Isopropyl alcohol	Ethyl alcohol	Other alcohols	Plasticizers	Toluene	Other wetting agents	
1986:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
1987:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
1988:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
1989:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***
Jan.-Mar. 1989:							
Industrial nitrocellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***	***	***

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

Table C-5

Imports of industrial nitrocellulose from the People's Republic of China, by type of wetting agent, 1986-89 and January-March 1990

(In thousands of wet pounds)

Year and product category	Estimated imports wet with--						Total
	Isopropyl alcohol	Ethyl alcohol	Other alcohols	Plasticizers	Toluene	Other wetting agents	
1986:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1987:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1988:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1989:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
Jan.-Mar. 1989:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***

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

Table C-6
Imports of industrial nitrocellulose from the Republic of Korea, by type of wetting agent, 1986-89
and January-March 1990

(In thousands of wet pounds)

Year and product category	Estimated imports wet with--						Total
	Isopropyl alcohol	Ethyl alcohol	Other alcohols	Plasti-cizers	Toluene	Other wet-ting agents	
1986:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1987:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1988:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1989:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
Jan.-Mar. 1990:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***

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

Table C-7

Imports of industrial nitrocellulose from the United Kingdom, by type of wetting agent, 1986-89 and January-March 1990

(In thousands of wet pounds)							
Year and product category	Estimated imports wet with--						Total
	Isopropyl alcohol	Ethyl alcohol	Other alcohols	Plasticizers	Toluene	Other wetting agents	
1986:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose....	***	***	***	***	***	***	***
1987:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1988:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1989:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
Jan.-Mar. 1990:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***

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

Table C-8

Imports of industrial nitrocellulose from West Germany, by type of wetting agent, 1986-89 and January-March 1990

(In thousands of wet pounds)							
Year and product category	Estimated imports wet with--						Total
	Isopropyl alcohol	Ethyl alcohol	Other alcohols	Plasticizers	Toluene	Other wetting agents	
1986:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1987:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1988:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1989:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
Jan.-Mar. 1990:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***

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

Table C-9

Imports of industrial nitrocellulose from Yugoslavia, by type of wetting agent, 1986-89 and January-March 1990

(In thousands of wet pounds)

Year and product category	Estimated imports wet with--						Total
	Isopropyl alcohol	Ethyl alcohol	Other alcohols	Plasticizers	Toluene	Other wetting agents	
1986:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose....	***	***	***	***	***	***	***
1987:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1988:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
1989:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***
Jan.-Mar. 1990:							
Industrial nitro-cellulose:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Z-grade.....	***	***	***	***	***	***	***
Other.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***	***	***

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

APPENDIX D

HERCULES' GROSS PROFIT ANALYSIS

HERCULES' GROSS PROFIT VARIANCE ANALYSIS
1986-89

(Variances in thousands of wet pounds and in thousands of dollars)

Sales price/volume variances

Price variance = change in unit price x new volume
= * * *
= * * *

Volume variance = change in volume x old price
= * * *
= * * *

Net sales variance = * * *¹

Cost-of-sales/volume variances

Cost variance = change in unit cost x new volume
= * * *
= * * *

Volume variance = change in quantity x old unit cost
= * * *
= * * *

Net cost-of-sales variance = * * *¹

Gross profit variance = * * *¹

SG&A expense/volume variances

Expense variance = change in unit expense x new volume
= * * *
= * * *

Volume variance = change in volume x old unit expense
= * * *
= * * *

Net SG&A variance = * * *¹

Operating income variance = * * *¹
=====

See footnote at end of appendix.

HERCULES' GROSS PROFIT VARIANCE ANALYSIS--Continued
1986-87

(Variances in thousands of wet pounds and in thousands of dollars)

Sales price/volume variances

Price variance = change in unit price x new volume
= * * *
= * * *

Volume variance = change in volume x old price
= * * *
= * * *

Net sales variance = * * *¹

Cost-of-sales/volume variances

Cost variance = change in unit cost x new volume
= * * *
= * * *

Volume variance = change in quantity x old unit cost
= * * *
= * * *

Net cost-of-sales variance = * * *¹

Gross profit variance = * * *¹

SG&A expense/volume variances

Expense variance = change in unit expense x new volume
= * * *
= * * *

Volume variance = change in volume x old unit expense
= * * *
= * * *

Net SG&A variance = * * *¹

Operating income variance = * * *¹

=====

See footnote at end of appendix.

HERCULES' GROSS PROFIT VARIANCE ANALYSIS--Continued
1987-88

(Variances in thousands of wet pounds and in thousands of dollars)

Sales price/volume variances

Price variance = change in unit price x new volume
= * * *
= * * *

Volume variance = change in volume x old price
= * * *
= * * *

Net sales variance = * * *¹

Cost-of-sales/volume variances

Cost variance = change in unit cost x new volume
= * * *
= * * *

Volume variance = change in quantity x old unit cost
= * * *
= * * *

Net cost-of-sales variance = * * *¹

Gross profit variance = * * *¹

SG&A expense/volume variances

Expense variance = change in unit expense x new volume
= * * *
= * * *

Volume variance = change in volume x old unit expense
= * * *
= * * *

Net SG&A variance = * * *¹

Operating income variance = * * *¹

=====

See footnote at end of appendix.

HERCULES' GROSS PROFIT VARIANCE ANALYSIS--Continued
1988-89

(Variances in thousands of wet pounds and in thousands of dollars)

Sales price/volume variances

Price variance = change in unit price x new volume
= * * *
= * * *

Volume variance = change in volume x old price
= * * *
= * * *

Net sales variance = * * *¹

Cost-of-sales/volume variances

Cost variance = change in unit cost x new volume
= * * *
= * * *

Volume variance = change in quantity x old unit cost
= * * *
= * * *

Net cost-of-sales variance = * * *¹

Gross profit variance = * * *¹

SG&A expense/volume variances

Expense variance = change in unit expense x new volume
= * * *
= * * *

Volume variance = change in volume x old unit expense
= * * *
= * * *

Net SG&A variance = * * *¹

Operating income variance = * * *¹
=====

See footnote at end of appendix.

HERCULES' GROSS PROFIT VARIANCE ANALYSIS--Continued
January-March 1989-January-March 1990

(Variances in thousands of wet pounds and in thousands of dollars)

Sales price/volume variances

Price variance = change in unit price x new volume
 = * * *

Volume variance = change in volume x old price
 = * * *

Net sales variance = * * *¹

Cost-of-sales/volume variances

Cost variance = change in unit cost x new volume
 = * * *

Volume variance = change in quantity x old unit cost
 = * * *

Net cost-of-sales variance = * * *¹

Gross profit variance = * * *¹

SG&A expense/volume variances

Expense variance = change in unit expense x new volume
 = * * *

Volume variance = change in volume x old unit expense
 = * * *

Net SG&A variance = * * *¹

Operating income variance = * * *¹
 =====

¹ Calculated variances may differ from derived variances from income-and-loss data due to rounded unit values used in the variance calculations.

APPENDIX E

**IMPACT OF IMPORTS ON THE U.S. PRODUCER'S GROWTH,
INVESTMENT, ABILITY TO RAISE CAPITAL, AND EXISTING
DEVELOPMENT AND PRODUCTION EFFORTS**

Response of Hercules to the following questions:

1. Since January 1, 1986, has your firm experienced any actual negative effects on its growth, investment, ability to raise capital, or existing development and production efforts as a result of imports of industrial nitrocellulose from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany, and/or Yugoslavia?

* * * * *

2. Does your firm anticipate any negative impact of imports of industrial nitrocellulose from the subject countries?

* * * * *

3. Has the scale of capital investments undertaken been influenced by the presence of imports of the subject merchandise from the subject countries?

* * * * *

APPENDIX F

INDEXES OF NET F.O.B. SELLING PRICES OF U.S.-PRODUCED Z-GRADE
INDUSTRIAL NITROCELLULOSE AND THE NET F.O.B. SELLING
PRICES AND QUANTITIES

Table F-1

Price indexes and net U.S. f.o.b. selling prices to end users of U.S.-produced Z-grade industrial nitrocellulose, by products and by quarters, January 1986-March 1990 1/

* * * * *

1/ The prices shown are the net U.S. f.o.b. selling prices of Hercules' largest sale of specified U.S.-produced products in each quarter. The quantities shown represent Hercules' total sales of the products to all U.S. end users during the quarter.

Note.--January-March 1986=100.

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

APPENDIX G

**INDEXES OF NET U.S. DELIVERED PRICES OF IMPORTED PLASTICIZED
INDUSTRIAL NITROCELLULOSE FROM WEST GERMANY AND THE NET U.S. DELIVERED
PRICES AND QUANTITIES**

Table G-1

Price indexes and net U.S. delivered prices of imported plasticized industrial nitrocellulose from West Germany, by products and by quarters, January 1986-March 1990 1/

* * * * *

1/ The prices shown are the averages of the net U.S. delivered quarterly prices of two importers--one importer's selling prices to end users and one importer/end user's direct imports, both on a delivered basis--weighted by each importer's total sales/purchase quantity in that quarter. The quantities shown represent reported total sales/purchases of the two responding U.S. importers of the products during each of the quarters.

Note.--January-March 1986=100, unless otherwise indicated.

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

APPENDIX H

PRICE COMPARISONS BETWEEN U.S.-PRODUCED AND THE SUBJECT IMPORTED
INDUSTRIAL NITROCELLULOSE USING COTTON LINTERS AS THE CELLULOSE BASE

Brazil

Quarterly price comparisons between U.S.-produced and imported Brazilian industrial nitrocellulose are based on net U.S. delivered selling prices of cotton-linter-based products * * * sold to end users during January 1986-March 1990. Based on the net delivered selling prices of the largest quarterly sale, the reported price data resulted in 13 quarterly price comparisons involving product * * * and 2 comparisons involving product * * * (table H-1). All 13 price comparisons involving product * * * showed that the imported product was priced less than the domestic product, averaging about * * * percent below prices of the domestic product. Of the two price comparisons involving product * * *, one indicated that during July-September 1987 the imported product was priced almost * * * percent below the domestic product and the other indicated that in April-June 1988 the imported product was priced about * * * percent higher than the domestic product.

Japan

Quarterly price comparisons between U.S.-produced and imported Japanese industrial nitrocellulose are based on net U.S. delivered selling prices of cotton-linter-based products * * * sold to end users during January 1986-March 1990. Based on the net delivered selling prices of the largest quarterly sale, the reported price data resulted in 17 comparisons involving product * * * and 1 comparison involving product * * * (table H-2). Of the 17 price comparisons involving product * * *, 16 showed that the imported product was priced less than the domestic product, averaging about * * * percent below prices of the domestic product. The remaining price comparison involving product * * * occurred during January-March 1990 and showed that the imported product was priced almost * * * percent higher than the domestic product.¹ The single net delivered-price comparison involving product * * * occurred during July-September 1987 and showed the imported product to be priced almost * * * percent below the domestic product.

The People's Republic of China

Quarterly price comparisons between U.S.-produced and imported Chinese industrial nitrocellulose are based on net U.S. f.o.b. selling prices of cotton-linter-based product * * * sold to end users during January 1986-March 1990. Based on the net f.o.b. selling prices of the largest quarterly sale, the reported price data resulted in 16 comparisons involving product * * * (table H-2). All 16 comparisons showed that the imported product was priced less than the domestic product, averaging about * * * percent below prices of the domestic product.

¹ The reporting importer, * * *, indicated that the jump in the selling price of the imported product during January-March 1990 resulted from the additional antidumping duty of \$* * * per pound, which its customer, * * *, agreed to pay.

Table H-1

Net U.S. delivered selling prices of industrial nitrocellulose produced in the United States and imported from Brazil, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ The prices shown are the net delivered selling prices of the U.S. producer and * * *, based on their largest quarterly sales of the specified products to end users in each quarter.

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

Table H-2

Net U.S. selling prices of industrial nitrocellulose product * * * produced in the United States and imported from Japan and the People's Republic of China, and margins of under/(over) selling, 1/ by quarters, January 1986-March 1990

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

Note.--Although not shown, a single net delivered price comparison involving product * * * was possible between the U.S.-produced and imported Japanese products. During July-September 1987, the imported product was priced about * * * percent below the domestic product.

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

The Republic of Korea

Quarterly price comparisons between U.S.-produced and imported Korean industrial nitrocellulose are based on net U.S. f.o.b. selling prices of cotton-linter-based product * * * sold to end users during April 1988-March 1990. Based on the net f.o.b. selling prices of the largest quarterly sale, the reported price data resulted in six comparisons involving product * * * (table H-3). Five of the six price comparisons showed that the imported product was priced less than the domestic product, averaging about * * * percent below prices of the domestic product. The remaining price comparison involving product * * * occurred during October-December 1988 and showed that the imported product was priced higher than the domestic product, by about * * * percent.

Yugoslavia

Quarterly price comparisons between U.S.-produced and imported Yugoslav industrial nitrocellulose are based on net U.S. delivered prices of cotton-linter-based products * * * and * * * sold to end users or imported by end users during January 1986-March 1990.² Based on the net delivered prices of the largest quarterly sale/purchase, the reported price data resulted in a total of 19 comparisons involving products * * * (table H-4). By product, 16 comparisons involved product * * * and 3 comparisons involved product * * *. Of the 19 price comparisons, 17 showed that the imported products were priced less than the U.S.-produced products, by margins averaging almost * * * percent. Two quarterly price comparisons involving product * * * showed that the imported product averaged about * * * percent higher in price than the domestic product.

² Prices of the U.S.-produced products were based on Hercules' reported quarterly net delivered selling prices to end users for its largest sale in each quarter of the specified products. * * *.

Table H-3

Net U.S. f.o.b. selling prices of industrial nitrocellulose product * * * produced in the United States and imported from the Republic of Korea, and margins of under/(over) selling, 1/ by quarters, April 1988-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ Price comparisons involving imported Korean industrial nitrocellulose are based on net U.S. f.o.b. selling prices, because all prices of the Korean products were reported on this basis. U.S. producer prices shown are based on the largest quarterly sales of product * * * to end users reported by Hercules during the quarters requested. The importer prices shown are based on the largest quarterly sale of product * * * to end users during the quarters requested by the single importer reporting price data.

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

Table H-4

Net U.S. delivered selling prices of industrial nitrocellulose product * * * produced in the United States and imported from Yugoslavia, and margins of under/(over) selling, 1/ by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ U.S. producer prices shown are based on Hercules' reported largest quarterly sale of the specified product to end users during the quarters requested. The importer prices shown are based on the largest quarterly purchase of the specified product reported by the responding end user/importer during the quarters requested; * * *.

Note.--Although not shown, 3 quarterly net delivered price comparisons involving product * * * were possible between the U.S.-produced and imported products. During July-September 1987, the imported product was priced about * * * percent below the domestic product, but during January-June 1988 quarterly prices of the imported product averaged about * * * percent higher than prices of the domestic product.

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

APPENDIX I

DELIVERED PRICE COMPARISONS BETWEEN U.S.-PRODUCED AND THE SUBJECT IMPORTED
INDUSTRIAL NITROCELLULOSE BASED ON PURCHASER QUESTIONNAIRE PRICE DATA

Table I-1

Net U.S. delivered purchase prices of industrial nitrocellulose produced in the United States and imported from Brazil, and margins of under/(over) selling, 1/ by specified products and by quarters, April 1987-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. product's prices.

2/ Prices of the domestic and imported Brazilian industrial nitrocellulose shown are based on delivered prices reported for the largest quarterly purchase by end users of the specified products during the quarters requested weighted by each purchaser's total purchases of the product in each quarter.

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

Table I-2

Net U.S. delivered purchase prices of industrial nitrocellulose produced in the United States and imported from Japan, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-December 1989 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. product's prices.

2/ Prices of the domestic and imported Japanese industrial nitrocellulose shown are based on delivered prices reported for the largest quarterly purchase by end users of the specified products during the quarters requested weighted by each purchaser's total purchases of the product in each quarter.

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

Table I-3

Net U.S. delivered purchase prices of industrial nitrocellulose produced in the United States and imported from the People's Republic of China, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. product's prices.

2/ Prices of the domestic and imported Chinese industrial nitrocellulose shown are based on delivered prices reported for the largest quarterly purchase by end users of the specified products during the quarters requested weighted by each purchaser's total purchases of the product in each quarter.

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

Table I-4

Net U.S. delivered purchase prices of industrial nitrocellulose produced in the United States and imported from the Republic of Korea, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1988-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. product's prices.

2/ Prices of the domestic and imported Korean industrial nitrocellulose shown are based on delivered prices reported for the largest quarterly purchase by end users of the specified products during the quarters requested weighted by each purchaser's total purchases of the product in each quarter.

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

Table I-5

Net U.S. delivered purchase prices of industrial nitrocellulose produced in the United States and imported from the United Kingdom, and margins of under/(over) selling, 1/ by specified products and by quarters, January 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ Prices of the domestic and imported British industrial nitrocellulose shown are based on delivered prices reported for the largest quarterly purchase by end users of the specified products during the quarters requested weighted by each purchaser's total purchases of the product in each quarter.

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

Table I-6

Net U.S. delivered selling prices of industrial nitrocellulose produced in the United States and imported from West Germany, and margins of under/(over) selling, 1/ by specified products and by quarters, October 1986-March 1990 2/

* * * * *

1/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producer's prices.

2/ Prices of the domestic and imported West German industrial nitrocellulose shown are based on delivered prices reported for the largest quarterly purchase by end users of the specified products during the quarters requested weighted by each purchaser's total purchases of the product in each quarter.

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