

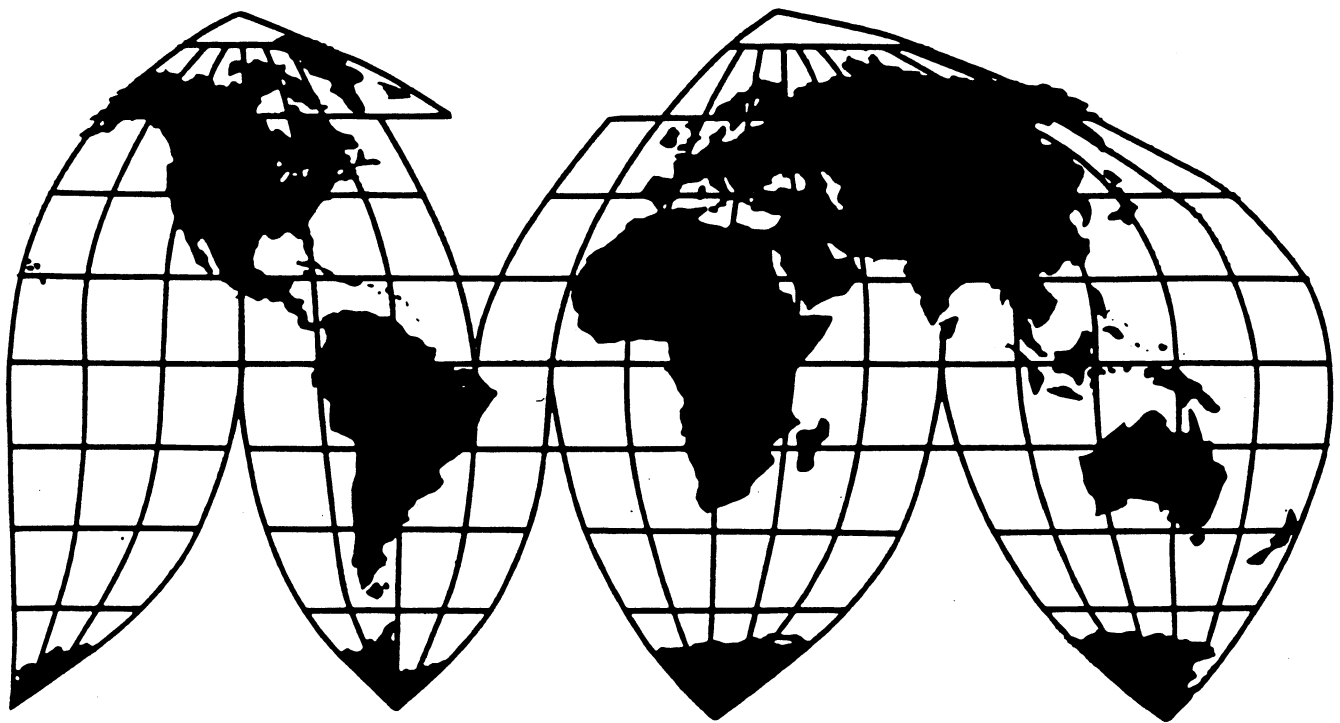
Furfuryl Alcohol from China, South Africa, and Thailand

Investigations Nos. 731-TA-703, 704, and 705 (Preliminary)

Publication 2797

July 1994

U.S. International Trade Commission



U.S. International Trade Commission

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

GLOSSARY OF ABBREVIATIONS
(In order of appearance in this report)

<u>Name/agency/phrase</u>	<u>Abbreviation</u>
U.S. International Trade Commission	USITC
U.S. Department of Commerce	USDOC
QO Chemicals, Inc.	QO
Less Than Fair Value	LTFV
Tariff Act of 1930	The Act
Federal Register	FR
° Celsius	°C
° Fahrenheit	°F
Indo-Rama Chemicals (Thailand)	Indo-Rama (Thailand)
Illovo Sugar Limited	Illovo
Harmonized Tariff Schedule of the United States	HTS
Generalized System of Preferences	GSP
United States Price	USP
Foreign Market Value	FMV
Advanced Resin Systems, Inc.	ARS
Transcript of the Commission's Conference	Conference TR
Harborchem, Inc.	Harborchem
Indo-Rama Chemicals (America), Inc.	Indo-Rama
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***	***
***	***
Selling, General and Administrative Expenses	SG&A
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PART I
DETERMINATIONS AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-703, 704, and 705 (Preliminary)

FURFURYL ALCOHOL FROM CHINA, SOUTH AFRICA, AND THAILAND

Determinations

On the basis of the record¹ developed in the subject investigations, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China, South Africa, and Thailand of furfuryl alcohol, provided for in subheading 2932.13.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On May 31, 1994, a petition was filed with the Commission and the Department of Commerce by QO Chemicals, Inc., West Lafayette, IN, alleging that an industry in the United States is materially injured by reason of LTFV imports of furfuryl alcohol from China, South Africa, and Thailand. Accordingly, effective May 31, 1994, the Commission instituted antidumping investigations Nos. 731-TA-703, 704, and 705 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of June 8, 1994 (59 F.R. 29618). The conference was held in Washington, DC, on June 21, 1994, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

IEWS OF THE COMMISSION

Based on the record in these preliminary investigations, we unanimously determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of furfuryl alcohol from China, South Africa, and Thailand, that are allegedly sold in the United States at less than fair value ("LTFV").¹

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping duty investigations requires the Commission to determine, based upon the best information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of the allegedly subsidized or LTFV imports.² In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that any contrary evidence will arise in a final investigation."³

II. LIKE PRODUCT AND DOMESTIC INDUSTRY

To determine whether there is a reasonable indication that an industry in the United States is materially injured by reason of the subject imports, the Commission must first define the "like product" and the domestic "industry." Section 771(4)(A) of the Tariff Act of 1930, (the "Act"), defines the relevant industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product" ⁴ In turn, the Act defines "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" ⁵

The Department of Commerce ("Commerce") has defined the imported products subject to these investigations as:

furfuryl alcohol (C₄H₃OCH₂OH). Furfuryl alcohol is a primary alcohol, and is colorless or pale yellow in appearance. It is used in the manufacturer [sic] of resins

¹ Whether there is a reasonable indication that the establishment of an industry in the United States is materially retarded is not an issue in these investigations.

² 19 U.S.C. § 1673b(a). See also, American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986); Calabrian Corp. v. U.S. Int'l Trade Comm'n, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

³ American Lamb Co. v. United States, 785 F.2d at 1001. See also Torrington Co. v. United States, 790 F. Supp. 1161, 1165 (Ct. Int'l Trade 1992).

⁴ 19 U.S.C. § 1677(4)(A).

⁵ 19 U.S.C. § 1677(10). The Commission's like product determinations are factual, and the Commission applies the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis. See Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991).

In analyzing like product issues, the Commission considers a number of factors, including: (1) physical characteristics and uses; (2) interchangeability of the products; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) the use of common manufacturing facilities and production employees; and where appropriate, (6) price. Calabrian Corp. v. U.S. Int'l Trade Comm'n, 794 F. Supp. 377, 382 n.4 (Ct. Int'l Trade 1992). No single factor is dispositive, and the Commission may consider other factors relevant to a particular investigation. The Commission looks for clear dividing lines among possible like products, and disregards minor variations. See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); Torrington Co. v. United States, 747 F. Supp. at 748-49.

and as a wetting agent and solvent for coating resins, nitrocellulose, cellulose acetate, and other soluble dyes.⁶

While the Commission must accept Commerce's determination as to which imported merchandise is within the class or kind of merchandise allegedly sold at less than fair value, the Commission determines what domestic product is like the imported articles identified by Commerce.⁷

Furfuryl alcohol is a colorless to light-yellow, mobile liquid, which becomes brown to dark-red upon exposure to light.⁸ Furfuryl alcohol is produced by the addition of hydrogen to the precursor chemical, furfural.⁹ There are two methods of commercial production for furfuryl alcohol, the older liquid phase method, and the newer vapor phase method.¹⁰ With the exception of the Chinese producers, all manufacturers use the vapor phase method. Chinese producers use the liquid phase method. While there are reported advantages to the vapor phase method of production, there are no differences in the furfuryl alcohol produced by the two methods - either results in a chemical with about 98 percent furfuryl alcohol content.¹¹

The principal use of furfuryl alcohol, accounting for more than 90 percent of domestic consumption, is in the production of furan resins.¹² Furan resins are principally used in foundries as the binder for sand cores used as casting molds, as binders in corrosion-resistant mortar, and in the production of reinforced plastics and foams.¹³ While there are no substitutes for furfuryl alcohol in the production of furan resins, there are substitutes for furan resins in certain foundry uses.¹⁴ Other than product ***, virtually all sales of furfuryl alcohol in the U.S. market are to end users, primarily producers of furan resins.¹⁵

Petitioner argued that the like product should be limited to furfuryl alcohol, and should include all furfuryl alcohol.¹⁶ No party objected to this proposed like product.¹⁷ Nothing in the record in these preliminary investigations suggests that a different like product would be more appropriate. Based on the above information regarding the physical characteristics, uses, channels of distribution and manufacturing processes of furfuryl alcohol, as well as customer and producer perceptions as reported in questionnaires, we determine that the like product in these investigations is furfuryl alcohol.

⁶ Initiation of Antidumping Duty Investigations; Furfuryl Alcohol from the People's Republic of China, the Republic of South Africa, and Thailand, 59 Fed. Reg. 32953 (June 27, 1994).

⁷ See, e.g., Algoma Steel Corp. v. United States, 688 F. Supp. 639 (Ct. Int'l Trade 1988) ("ITC does not look behind ITA's determination, but accepts ITA's determination as to which merchandise is in the class of merchandise sold at LTFV."), aff'd, 865 F.2d 240 (Fed. Cir. 1989); Torrington v. United States, 747 F. Supp. 744 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991).

⁸ Confidential Report (hereinafter referred to as "CR") at I-4; Public Report (hereinafter referred to as "PR") at II-3.

⁹ Producers of furfuryl alcohol are either back integrated to the production of furfural, or purchase furfural from outside sources, or both. Furfural is also the feedstock chemical for the production of other chemical products in addition to furfuryl alcohol. CR at I-4 n.4; PR at II-4, n.4.

¹⁰ CR at I-5-I-6; PR at II-4.

¹¹ CR at I-5-I-6; PR at II-4.

¹² CR at I-6; PR at II-5.

¹³ CR at I-7-I-9; PR at II-5-II-6.

¹⁴ CR at I-6 n.9; PR at II-5, n.9.

¹⁵ CR at I-15; PR at II-9.

¹⁶ Post-conference brief on behalf of Petitioner QO Chemicals, Inc. (hereinafter Petitioner's brief) at 1-2.

¹⁷ Transcript of Preliminary Conference (hereinafter Transcript) at 57; Post-conference brief of South African respondents Illovo Sugar Limited and Harborchem (hereinafter Harborchem brief); Post-conference brief of Thai respondents, Indo-Rama Chemicals (Thailand) Limited and Indo-Rama Chemicals (America), Inc. (hereinafter Indo-Rama brief). Respondents do raise various arguments concerning competition in the downstream foundry resins market, and the price of the upstream chemical furfural. However, these arguments principally relate to causation, and do not suggest that a different like product would be appropriate.

In light of our like product determination, the domestic industry consists of the petitioner, QO chemicals, the only current domestic producer of furfuryl alcohol.¹⁸

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of allegedly subsidized or LTFV imports, the Commission considers all relevant economic factors which have a bearing on the state of the industry in the United States. These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is determinative, and we consider all relevant factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."¹⁹

Apparent U.S. consumption of furfuryl alcohol, measured by quantity and by value, increased from 1991 to 1993 and was higher in the first three months of 1994 ("interim 1994") compared with the same period in 1993 ("interim 1993").²⁰ U.S. producer's domestic shipments by quantity and value increased from 1991 to 1992, but declined in 1993 to levels below those reported in 1991, and were lower in interim 1994 than in interim 1993.²¹ While U.S. consumption increased, the U.S. producer's market share, measured by quantity and by value, declined significantly from 1991 to 1993 and was lower in interim 1994 than in interim 1993.²²

Domestic production of furfuryl alcohol fell in each year of the period of investigation, and was substantially lower in interim 1994 than in interim 1993.²³ Production capacity also declined from 1991 to 1993, then remained the same in interim 1994 as in interim 1993. Capacity utilization declined markedly from 1991 to 1993, and was lower in interim 1994 than in interim 1993.²⁴

The number of production and related workers producing furfuryl alcohol, and their hours worked, declined each year from 1991 to 1993, and was much lower in interim 1994 than in interim 1993. The wages paid to such workers, however, increased slightly from 1991 to 1992, before declining in 1993, and declined again between interim 1994 and interim 1993.²⁵

The U.S. producer's end-of period inventories of furfuryl alcohol decreased from 1991 to 1992, then increased substantially in 1993, to a level above that reported in 1991.²⁶ The ratio of such inventories to U.S. shipments declined somewhat from 1991 to 1992, then increased dramatically in 1993, to a level above that reported in 1991. On an annualized basis, the March 1994 inventory level represented a significant increase in the ratio of inventories to shipments over the March 1993 level.²⁷

The domestic industry's financial performance declined over the period of investigation.²⁸ Although the quantity of net sales increased from 1991 to 1992, the value of those sales declined.²⁹

¹⁸ One other company, ARS, produced furfuryl alcohol under a toll arrangement from June 1990 through November 1992. CR at I-12-I-13; PR at II-8. Thus, during that period, ARS was part of the domestic industry producing furfuryl alcohol. Information on ARS's operations is included in the Report, and we have considered it in our determination.

¹⁹ 19 U.S.C. § 1677(7)(C)(iii). None of the parties suggested the existence of a business cycle unique to this industry.

²⁰ CR at I-12, Table 1; PR at II-8, Table 1.

²¹ *Id.*

²² CR at I-42, Table 16; PR at II-18, Table 16.

²³ CR at I-16, Table 2, PR at I-10, Table 2.

²⁴ *Id.*

²⁵ CR at I-19, Table 5; PR at II-11, Table 5.

²⁶ CR at I-17, Table 4; PR at II-10, Table 4.

²⁷ *Id.*

²⁸ CR at I-22 and I-23, Table 7; PR at II-12, Table 7.

²⁹ *Id.*

Both the quantity and the value of net sales declined significantly from 1992 to 1993, to levels far below those reported in 1991, and again between interim 1993 and interim 1994.³⁰ Gross profit and operating income declined substantially throughout the period of investigation, and the domestic industry reported operating and net losses in 1993. Gross profit and operating income were dramatically lower in interim 1994 than in 1993. The ratio of operating income to sales followed the same pattern.³¹ Although the cost of goods sold per pound increased in 1993, after a slight decline from 1991 to 1992, it remained stable between the interim periods.³² The domestic industry's capital expenditures fluctuated from 1991 to 1993, and were dramatically lower in interim 1994 than in interim 1993.³³ Expenditures for research and development decreased somewhat from 1991 to 1993, and were stable in the interim periods of 1993 and 1994.^{34, 35}

IV. CUMULATION

In determining whether there is material injury by reason of allegedly subsidized or LTFV imports, the Commission is required to "cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market."³⁶

With regard to whether the subject imports compete with each other and with the domestic like product, the Commission has generally considered four factors, including:

- (1) the degree of fungibility between the 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 of imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
- (4) whether the imports are simultaneously present in the market.³⁷

No single factor is determinative, and the list of factors is not exclusive. Only a "reasonable overlap" of competition is required; the Commission does not have to find that all imports compete with all other imports and all domestic like products.³⁸

³⁰ Id.

³¹ Id.

³² CR at I-24, Table 8; PR at II-12, Table 8.

³³ CR at I-29, Table 10; PR at I-13, Table 10.

³⁴ CR at I-29, Table 11; PR at II-13, Table 11.

³⁵ Based upon examination of the relevant statutory factors, Commissioner Rohr and Commissioner Newquist conclude that there is a reasonable indication that the domestic industry producing furfuryl alcohol is currently experiencing material injury.

³⁶ 19 U.S.C. § 1677(7)(C)(iv)(I). Cumulation is not required, however, when imports from a subject country are negligible and have no discernible adverse impact on the domestic industry. 19 U.S.C. § 1677(7)(C)(v). In these preliminary investigations, no party argued that the volume of imports from China or Thailand were negligible. The record does not contain any information that would indicate that negligibility is an issue in these investigations. CR at I-42, Table 16. PR at II-18, Table 16.

³⁷ See generally, e.g., Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

³⁸ See Wieland Werke, AG, 718 F. Supp. 50, 52 (Ct. Int'l Trade 1989)); Granges Metallverken AB v. United States, 716 F. Supp. 17, 21-22 (Ct. Int'l Trade 1989).

Petitioner argued that the Commission should cumulate imports from China, South Africa, and Thailand in making its determination in this investigation. Petitioner asserted that imports from all three countries and the domestic product are fungible and used interchangeably, compete with each other for sales in the same geographic markets, are sold through the same channels of distribution, and have been simultaneously present in the market since the first quarter of 1993.³⁹

The Indo-Rama respondents contended that the Commission should not cumulate imports from Thailand with imports from China.⁴⁰ Indo-Rama argued principally that the Thai and Chinese product are not fungible because the Chinese product is of inconsistent quality. Indo-Rama asserted that, as a consequence of the inconsistent quality of the Chinese product, Thai and Chinese furfuryl alcohol have not competed head to head for any sales in the U.S. market, and that there is no "reasonable" overlap between customers of the Thai and Chinese imports. Indo-Rama also argued that customers who buy furfuryl alcohol in bulk refuse to purchase product in drums, and asserted that Chinese product is generally imported in drums, while the Thai product is primarily sold in bulk.⁴¹ The Harborchem respondents made no arguments concerning the issue of cumulation, but indicated that they "defer to the views on the appropriateness of cumulation" expressed by Indo-Rama at the preliminary conference.⁴² No appearance was entered on behalf of Chinese producers, and no information or argument was provided to the Commission concerning the industry in China beyond that in the petition.

Based on the information in these preliminary investigations, we determine that there is a reasonable overlap in competition among the imports from all three countries and the domestic like product. The parties appear to be in agreement that furfuryl alcohol is a fungible commodity, except for the assertedly inconsistent quality of Chinese imports.⁴³ Nearly all questionnaire respondents, which included the domestic producer, all known importers from the subject countries, as well as purchasers accounting for a majority of domestic consumption, indicated that furfuryl alcohol produced in the United States and in the subject countries is identical for virtually all end uses, and that exports from the subject countries compete directly with domestic product for sale in the U.S. market.⁴⁴

Despite Indo-Rama's assertions, there does not appear to be a significant separation of customers, or lack of competition, between Chinese and Thai imports. Indo-Rama itself acknowledges that at least one of its customers apparently purchases furfuryl alcohol in drums, suggesting that Chinese imports in drums are competitive for that purchaser's business.⁴⁵ Confidential information in the record does not support Indo-Rama's contention that Chinese and Thai product do not compete.⁴⁶

Given that the standard requires only a "reasonable overlap" of competition for the mandatory cumulation provision to apply, we conclude that there is a sufficient degree of competition

³⁹ Petitioner's brief at 3-4.

⁴⁰ Indo-Rama did not contend that the Commission should not cumulate imports from Thailand with imports from South Africa. Transcript at 80-81 (Mr. Barringer).

⁴¹ In any final investigation, Commissioner Crawford intends to obtain further information on the relative costs of sales in bulk as opposed to sales in drums.

⁴² Harborchem brief at 16. At the preliminary conference, counsel for Harborchem stated that "judged according to the standard that the Commission would normally apply, there is a case to be made for cumulation, but I won't say that it's [sic] open and shut." Transcript at 57 (Mr. Debicki).

⁴³ Transcript at 54-55, 82. Respondents did not argue, however, that imports from China were unusable, or unsuitable for use in the same end uses, as domestic furfuryl alcohol or subject imports from other sources.

⁴⁴ CR at I-44; PR at II-19.

⁴⁵ Indo-Rama brief at 9.

⁴⁶ Even Indo-Rama admits that the principal purchaser of Chinese imports, Delta Resins, Inc., accounts for *** percent of Chinese imports. Indo-Rama brief at 7-8. Thus, suppliers other than Chinese imports account for *** percent of Delta's purchases. ***. CR at I-46, n. 62; PR at II-20, n.64. ***. CR at I-46; PR at II-20.

between imports, and the domestic product, to require cumulative analysis in these preliminary investigations.

V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

In making its determination in a preliminary antidumping investigation, the Commission is to determine whether there is a reasonable indication that an industry in the United States is materially injured "by reason of" the imports under investigation.⁴⁷ The Commission must consider the volume of imports, their effect on prices for the like product, and their impact on domestic producers of the like product.⁴⁸ Although the Commission may consider causes of injury other than the allegedly LTFV imports, it is not to weigh causes.^{49, 50, 51} For the reasons discussed below, we find that there is a reasonable indication that the domestic furfuryl alcohol industry is materially injured by reason of allegedly LTFV imports of furfuryl alcohol from the subject countries.⁵²

The volume and value of subject imports increased from 1991 to 1992, then surged dramatically in 1993, and increased again from interim 1993 to interim 1994.⁵³ As a share of domestic consumption, subject imports followed the same trend. Imports from China accounted for most of the increase in 1993, but imports from all three countries increased. Thus, we conclude that the volume and market share of the subject imports, and the increase in their volume and market share, are significant in these preliminary investigations.

The Commission received pricing data from the domestic industry, from importers of furfuryl alcohol from each of the subject countries, and from purchasers accounting for a majority of 1993 purchases.⁵⁴ Weighted average f.o.b. domestic producer selling prices *** from the first quarter to the third quarter of 1991, and then *** through the remainder of the period, ending *** lower in the first quarter of 1994 than the first quarter of 1991.⁵⁵ Selling prices for Chinese imports were first

⁴⁷ 19 U.S.C. § 1673b(a).

⁴⁸ 19 U.S.C. § 1677(7)(B)(i).

⁴⁹ See, e.g., *Citrosuco Paulista, S.A. v. United States*, 704 F.Supp. 1075, 1101 (Ct. Int'l Trade 1988).

For Chairman Watson's interpretation of the statutory requirement regarding causation, see, *Certain Calcium Aluminate Cement and Cement Clinker from France*, Inv. No. 731-TA-645 (Final), USITC Pub. 2772 (May 1994) at I-14, n.68.

⁵⁰ Vice Chairman Nuzum, Commissioner Rohr, and Commissioner Newquist note that the Commission need not determine that imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249, 96th Cong., 1st Sess. 57, 74 (1979). Rather, a finding that imports are a cause of material injury is sufficient. See, e.g., *Metallverken Nederland B.V. v. United States*, 728 F. Supp. 730, 741 (Ct. Int'l Trade 1989); *Citrosuco Paulista*, 704 F. Supp. at 1101.

⁵¹ Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly LTFV imports. She finds that the clear meaning of the statute is to require a determination on whether the domestic industry is materially injured by reason of LTFV imports, not by reason of LTFV imports among other things. Many, if not most domestic industries, are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently is causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports." S. Rep. No. 249 at 74. However, the legislative history makes it clear that the Commission is not to weigh or rank the factors that are independently causing material injury. *Id.*; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the allegedly LTFV imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249 at 74. Rather, it is to determine whether any injury "by reason of" the alleged LTFV imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added).

⁵² Commissioner Crawford does not join in the remainder of this opinion. See Additional Views of Commissioner Crawford, *infra*.

⁵³ CR at I-42, Table 16; PR at II-18, Table 16.

⁵⁴ CR at I-46-I-52; PR at II-20-II-22.

⁵⁵ CR at I-46; PR at II-20.

reported in the first quarter of 1993, and *** during the remainder of the period. Prices for South African imports varied during the period of investigation, with an overall *** from the first quarter of 1991 to the first quarter of 1994. Prices for Thai imports were first reported in the first quarter of 1993, and *** through the remainder of the period. In *** possible comparisons, the imports were priced *** the domestic product.^{56, 57}

Because of the small number of purchasers in the domestic market for furfuryl alcohol, we were able to collect purchaser information during these preliminary investigations. The price information received from purchasers shows the same trends as the domestic producer and importer price data.⁵⁸ Purchaser information also showed a similar pattern of under- and overselling to that revealed in the domestic producer and importer data.⁵⁹ Information obtained in investigating petitioner's lost sales and lost revenue allegations generally supports the conclusion that competition from import prices has led to price *** in the domestic market.⁶⁰

Overall, the prices of imports from all three countries, and the domestic product, converged during 1993. Questionnaire responses indicate that price is an important determinant of purchasing decisions. Most furfuryl alcohol is sold on a contract basis, and ***. Purchasers indicated that furfuryl alcohol from all suppliers, domestic and subject imports, are interchangeable in use. In view of the information indicating *** by imports and price ***, and the substitutability of the subject imports and the domestic product, we find in these preliminary investigations that the subject imports depressed domestic prices to a significant degree.

We also conclude that there is a reasonable indication that the increased volume and the prices of subject imports had an adverse impact on the domestic industry. We note in particular the domestic industry's consistent loss of market share to subject imports⁶¹, despite increased consumption. The domestic industry's production declined as a result, during a period of *** prices, and it consequently reported declining financial performance, including operating and net losses in 1993.⁶²

CONCLUSION

The record in these preliminary investigations -- particularly the significant volume and increasing market share of the subject imports, and the adverse price effects of the subject imports, in light of the domestic industry's declining performance during the period of investigation -- establishes a reasonable indication that the domestic industry producing furfuryl alcohol is materially injured by reason of the allegedly LTFV imports from the subject countries.

⁵⁶ CR at I-47, Table 17; PR at II-20, Table 17.

⁵⁷ Commissioner Crawford rarely gives much weight to evidence of underselling since it usually reflects some combination of differences in quality, other nonprice factors, or fluctuations in the market during the period in which price comparisons were sought. In any final investigation, she intends to explore further the question of such price differences in the context of an apparently fungible commodity product.

⁵⁸ CR at I-49-I-52; PR at II-21.

⁵⁹ CR at I-50, Table 18; PR at II-21, Table 18.

⁶⁰ CR at I-55-I-57; PR at II-22.

⁶¹ Third country imports were insignificant during the period of investigation. CR at I-42, Table 16; PR at II-18, Table 16.

⁶² CR at I-23, Table 7; PR at II-12, Table 7.

ADDITIONAL VIEWS OF COMMISSIONER CRAWFORD
Furfuryl Alcohol From China, South Africa, and Thailand
Invs. Nos. 731-TA-703-705 (Preliminary)

In these preliminary investigations, I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly LTFV imports of furfuryl alcohol from China, South Africa, and Thailand ("subject imports").

I concur in the conclusions of my colleagues with respect to like product, domestic industry, cumulation, and in the discussion of condition of the industry. These additional views provide further explanation of the analysis that supports my determinations.

The statute directs that we determine whether there is material injury by reason of the dumped imports. Thus we are called upon to evaluate the effect of dumped imports on the domestic industry and determine if they have caused material injury. There may be, and often are, other "factors" that are causing injury. These factors may even be causing greater injury than the dumping. However, the statute does not require us to weigh causes, only to determine if the dumping is causing material injury to the domestic industry. It is important, therefore, to assess the effects of the dumped imports in a way that distinguishes those effects from the effects of other factors unrelated to the dumping. To do this, I compare the current condition of the industry to the industry conditions that would have existed without dumping, that is, had imports been fairly traded.⁶³ I then determine whether the change in conditions constitutes material injury.

In my analysis of material injury by reason of dumped imports, I evaluate the effects of the dumping on domestic prices, domestic sales, and domestic revenues. To evaluate the effects of the dumping on domestic prices, I compare domestic prices that existed when the imports were dumped with what domestic prices would have been if the imports had been priced fairly. Similarly, to evaluate the effects of dumping on the quantity of domestic sales,⁶⁴ I compare the level of domestic sales that existed when imports were dumped with what domestic sales would have been if the imports had been priced fairly. The combined price and quantity effects translate into an overall domestic revenue impact. Understanding the impact on the domestic industry's prices, sales and overall revenues is critical to determining the state of the industry, because the impact on other industry indicators (e.g. employment, wages, etc.) is derived from the impact on the domestic industry's prices, sales, and revenues.

I then determine whether the price, sales and revenue effects of the dumping, either separately or together, demonstrate that the domestic industry would have been materially better off if the imports had been priced fairly. If so, I find that the domestic industry is materially injured by reason of the dumped imports. For the reasons discussed below, I find that there is a reasonable indication that the domestic industry producing furfuryl alcohol is materially injured by reason of allegedly LTFV imports from China, South Africa, and Thailand.⁶⁵

I. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS

In determining whether there is a reasonable indication that a domestic industry is materially injured by reason of the LTFV imports, the statute directs the Commission to consider:

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

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

⁶³ 19 U.S.C. § 1677(7)(C)(iii).

⁶⁴ In examining the quantity sold, I take into account total sales, which includes sales from both existing inventory and new production.

⁶⁵ I have considered and weighed all the evidence in the record in accordance with the holding in American Lamb Co. v. United States, 785 F. 2d. 994 (Fed. Cir. 1986).

(III) the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States...⁶⁶

In assessing the effect of LTFV imports, I compare the current condition of the domestic industry with the condition that would have existed had imports been fairly priced.⁶⁷ Then, taking into account the condition of the industry, I determine whether any resulting change of circumstances constitutes material injury. For the reasons discussed below, I find that there is a reasonable indication that the domestic industry is materially injured by reason of subject imports.

A. Volume of Allegedly LTFV Imports

The cumulated volume and market share of subject imports rose significantly during the period of investigation, both in terms of quantity and value. Subject imports accounted for roughly *** percent of U.S. consumption during 1993, up from *** percent in 1991.⁶⁸ Furthermore, evidence in the record indicates that subject imports accounted for a *** percent share of the U.S. market during the first quarter of 1994.⁶⁹ Therefore, I find the volume of the subject imports and their market share to be significant.

B. Effect of Allegedly LTFV Imports on Domestic Prices

To analyze the effect of subject imports on domestic prices of the like product, I consider the elasticity of substitution,⁷⁰ the elasticity of demand,⁷¹ and the elasticity of supply⁷² in the market for furfuryl alcohol. These elasticities depend on a number of factors relating to the industry and the nature of the products. These factors include: (1) the degree of product differentiation between subject imports and domestic like product; (2) the availability of substitute products in the market;⁷³ (3) the availability of alternative downstream products or finished goods (i.e., alternatives to furan resins, etc.);⁷⁴ (4) the product's cost as a percentage of total cost of the downstream product; (5) capacity utilization and the ability to increase capacity in the industry; (6) the availability of supply from inventories or by diverting supply to and from export markets; (7) the extent to which monopoly power exists in the market;⁷⁵ and, (8) the presence of fairly traded imports.

Consideration of the elasticities of substitution, demand, and supply together allows an assessment of whether the domestic industry could have raised its prices if subject imports had been sold at fairly traded prices. Thus they provide a means to analyze the price effects of the dumping.

⁶⁶ 19 U.S.C. § 1677(7)(B)(i). In making its determination, the Commission may consider "such other economic factors as are relevant to the determination." 19 U.S.C. § 1677(7)(B)(ii).

⁶⁷ 19 U.S.C. § 1677(7)(C)(iii).

⁶⁸ Only South Africa was exporting furfuryl alcohol to the U.S. in 1991. CR at C-3, Table C-1. PR at C-3, Table C-1.

⁶⁹ CR at C-3, Table C-1. PR at C-3, Table C-1.

⁷⁰ The elasticity of substitution measures how the quantity demanded of one product relative to another product responds to changes in their relative prices.

⁷¹ The elasticity of demand measures how purchaser demand responds to market price changes; a demand elasticity of one implies that purchasers will increase their quantity demanded by one percent in response to each percentage point decrease in price.

⁷² The elasticity of supply measures how producer supply responds to market price changes; a supply elasticity of one implies that producers will increase supply to the market by one percent in response to each percentage point increase in the product price.

⁷³ If there are good substitutes for furfuryl alcohol, then any increase in the price of furfuryl alcohol will shift demand from furfuryl alcohol toward these substitutes.

⁷⁴ If there are good downstream product substitutes available, then any increase in the price of furfuryl alcohol will make the downstream product using furfuryl alcohol less competitive. This will reduce sales of this downstream product, and in turn will reduce demand for furfuryl alcohol as an input.

⁷⁵ To the extent that monopoly power exists or would have existed, the supply response of the domestic industry may change. That is, a monopolist can set the price for its product by altering supply in the market and has the ability to choose the combination of price and production levels that will maximize its profits.

I begin by examining what prices of subject imports would have been if they had been sold at fair value. Had the subject imports not been dumped, they would have been sold in the U.S. market at a much higher price. The high dumping margins alleged in these preliminary investigations suggest that a substantial portion of the subject imports would not have entered the domestic market had they been fairly priced.⁷⁶ Examining the factors regarding the elasticities discussed above allows an assessment of how the domestic market likely would have reacted to the higher prices for subject imports, and particularly whether the domestic producer would have been able to raise its prices.

As noted above, the elasticity of substitution measures how the quantity demanded of one product relative to another product responds to changes in the relative prices of these products. This elasticity depends upon the extent of product differentiation such as quality differences and upon differences in the terms and conditions of sale. Products are close substitutes if product attributes and terms and conditions of sale are similar. If products are close substitutes, purchasers will tend to respond more readily to relative price changes. Thus, the impact of LTFV imports on domestic prices is influenced by the elasticity of substitution that exists between the subject imports and the domestic like product. The record in these investigations indicates that the product produced in the United States and the subject countries is a fungible commodity product.⁷⁷ In other words, the elasticity of substitution between subject imports and like product is quite high. This suggests that the domestic producer would have been able to raise prices somewhat had the subject imports not been present in the domestic market or if they had been priced at their fair value.

The elasticity of demand, which measures how purchaser demand responds to product price changes, depends on several factors including, but not limited to: (1) the availability of substitute products;⁷⁸ (2) the availability of downstream products or finished goods that are alternatives to those in which furfuryl alcohol is principally used (alternatives to furan resins, etc.); and (3) the product's cost as a percentage of total cost of the downstream product. If there are alternative products that are good substitutes for furfuryl alcohol in the same uses, then any increase in the price of furfuryl alcohol will shift demand away from furfuryl alcohol toward those substitutes. This would limit the ability of the domestic industry to raise prices. However, in this investigation, the record indicates that substitution between furfuryl alcohol and alternative chemicals is quite limited.⁷⁹ Ceteris paribus, this would tend to suggest a lower elasticity of demand; domestic producers could raise prices since there are only limited alternatives for purchasers. Another important factor is the availability of downstream product substitutes.⁸⁰ If good downstream alternative products are available, any increase in the price of furfuryl alcohol will make the downstream products that use furfuryl alcohol as an input less price competitive. This, in turn, will tend to reduce the demand for furfuryl alcohol as an input. According to the record, more than 90 percent of the annual domestic consumption of furfuryl alcohol is for the production of furan resins, and alternative types of resins compete with furan resins in certain foundry uses.⁸¹ These conditions would tend to suggest a higher elasticity of demand, that is, purchasers of furan resins (and possibly other downstream products) may be sensitive to increases in the price of furfuryl alcohol, and thus may reduce their purchases relatively more as prices increase.

On balance, the evidence indicates that the overall elasticity of demand is low (purchasers of furfuryl alcohol are only somewhat sensitive to price changes).⁸² This relatively low elasticity of

⁷⁶ The alleged LTFV margins were 68 percent for the South Africa, 114 percent for Thailand, and 226 to 228 percent for China. CR at I-9 to I-10. PR at II-7.

⁷⁷ Evidence in the questionnaire responses from purchasers indicated that the product produced in the United States and the subject countries is identical for virtually all end uses. CR at I-45. PR at II-19.

⁷⁸ The elasticity of substitution described above refers to the substitutability between subject imports and domestic like product. Here, I examine substitutability between the domestic like product (furfuryl alcohol) with other types of products (other intermediate chemicals, etc.).

⁷⁹ CR at I-7. PR at II-5.

⁸⁰ The term downstream product substitutes refers to competing downstream products that do not use furfuryl alcohol as an input.

⁸¹ CR at I-6 and I-43. PR at II-5 and II-18.

⁸² CR at I-43. PR at II-18.

demand suggests that the domestic producer would have been able to raise prices somewhat if subject imports had been sold at fair value.

The elasticity of supply measures the responsiveness of the quantity supplied by the U.S. producer to changes in the market price. Capacity utilization is one of the primary factors influencing the elasticity of supply.⁸³ During the period of investigation, the domestic industry's capacity utilization rate was generally low, falling from *** percent in 1991 to *** in 1993.⁸⁴ Throughout this period, the domestic producer had sufficient excess capacity to satisfy the entire U.S. market.⁸⁵ Moreover, the domestic industry had relatively high ratios of inventories to U.S. shipments, and had a significant amount of exports during the period examined.⁸⁶ Together, this evidence tends to suggest that the domestic elasticity of supply for furfuryl alcohol is relatively high.

In addition to these factors, the elasticity of supply will be influenced by the extent to which the sole domestic producer, QO Chemicals, can exercise monopoly power. Had the subject imports been fairly priced, they likely would have been priced out of the market or sold only in limited quantities due to much higher prices.⁸⁷ This suggests that the domestic producer would have had little or no competition in the United States, and thus would have had some monopolistic market power. This monopoly power would have allowed the petitioner to influence the market price by controlling the quantity supplied. In other words, with monopolistic market power, petitioner would have been able to choose production levels and influence the price so that, given existing inelastic demand conditions, it would have maximized its profits. Together, these conditions imply that the domestic producer would have been able to increase the price of its furfuryl alcohol while at the same time increasing the absolute quantity of its production and sales.

It must also be noted that the availability of non-subject imports is a critical factor in the analysis of monopoly power. While non-subject imports from Korea and the United Kingdom were negligible during the period examined,⁸⁸ it is possible that producers in these countries could have increased imports to the U.S. and gained market share, thus limiting domestic monopoly power. However, sufficient information regarding non-subject countries was not available, and therefore, I have given the benefit of doubt to the petitioner in these preliminary investigations.⁸⁹

Considering the combination of the above circumstances -- high elasticity of substitution between subject imports and domestic like product, inelastic demand, low domestic capacity utilization, and petitioner's potential monopolistic market power -- I conclude that allegedly LTFV imports had significant price effects on the domestic like product.

C. Impact of Allegedly LTFV Imports on the Domestic Industry

In assessing the impact of allegedly LTFV imports on the domestic industry, I consider, among other factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development.⁹⁰ For the following reasons, I find that the subject imports have had a significant impact on the volume of the domestic industry's production and sales.

⁸³ Typically, alternative production possibilities and the availability of alternative markets also influence the elasticity of supply. However, in these preliminary investigations, only limited information was available with respect to these factors.

⁸⁴ CR at I-16, Table 2. PR at II-10, Table 2.

⁸⁵ For instance, in 1993, total U.S. consumption was *** lbs. During that same period, U.S. production capacity for furfuryl alcohol was roughly *** lbs., while U.S. exports were roughly *** lbs. CR at C-3, Table C-1. PR at C-3, Table C-1.

⁸⁶ Inventories as a ratio of U.S. shipments were *** percent in 1991, *** percent in 1992, and *** percent in 1993. Exports by U.S. producers were *** lbs. in 1991, *** lbs. in 1992, and *** lbs. in 1993. CR at I-16, Table 4; CR at I-17, Table 3. PR at C-3, Table C-1.

⁸⁷ See the discussion below in the section on the impact on the domestic industry as to why a limited amount of subject imports may have been sold in the U.S. even at much higher prices.

⁸⁸ CR at I-39. PR at II-17.

⁸⁹ The ability of other domestic producers to enter into the furfuryl alcohol market is also an important factor in terms of monopoly power. If new domestic entry occurs, the level of market competition increases and monopoly power diminishes. In this industry, ***. CR at I-13. PR at II-8.

⁹⁰ 19 U.S.C. § 1677(C)(iii).

As discussed above, had the subject imports not been dumped, it is likely that a substantial portion of these imports would have been priced out of the U.S. market. Furthermore, the domestic producer could have increased its supply to meet the additional demand that would have been created by the loss of the subject import supply.⁹¹ However, it is unlikely that the domestic producer would capture the entire market share held by subject imports for a number of reasons. First, it is possible that non-subject imports from Korea and the United Kingdom could have increased and gained market share.⁹² Second, many of the purchasers cited several non-price factors for purchasing imports. In particular, the importance of having a second source of supply in order to minimize any vulnerability to supply disruptions, and using imports to build business relationships with overseas customers in order to sell downstream products, were cited in this regard.⁹³ Thus a few purchasers likely would have continued to purchase some amount of imports for this purpose. Third, because the subject imports from South Africa have lower alleged LTFV margins, it is possible that they would have been able to sell some of their product in the U.S. market at fair prices, particularly in light of purchasers' desire for a second source of supply. Fourth, as discussed in the previous section, the domestic producer would have been facing a non-competitive market, and thus would have been able to limit its production in order to maximize its profits.⁹⁴

Considering each of these factors, I find that the domestic industry's sales and revenues would have been significantly higher but for the sale of allegedly LTFV imports. Consequently, the domestic industry would have been materially better off if subject imports had been fairly traded.

II. CONCLUSION

Having weighed the evidence in the record, I determine that there is a reasonable indication that the domestic industry is materially injured by reason of allegedly LTFV imports of furfuryl alcohol from China, South Africa, and Thailand.

⁹¹ See discussion in the price effects section above as to why the domestic industry could readily increase supply.

⁹² As noted earlier, information regarding these non-subject countries' production capacities, prices, etc. was unavailable in these preliminary investigations.

⁹³ ***. CR at I-44 to I-45. PR at II-19.

⁹⁴ The circumstances within the U.S. market in this case indicate that the domestic producer would have been able to increase both output and prices. See related discussion of domestic monopoly power in the price effects section above.

PART II
INFORMATION OBTAINED IN THE INVESTIGATIONS

INTRODUCTION

On May 31, 1994, petitions were filed with the USITC and the USDOC by counsel on behalf of QO, West Lafayette, IN. The petitions allege that an industry in the United States is materially injured, and threatened with material injury, by reason of imports of furfuryl alcohol from China, South Africa, and Thailand that are allegedly being sold in the United States at LTFV.

Accordingly, effective May 31, 1994, the USITC instituted investigations Nos. 731-TA-703, 704, and 705 (Preliminary) under section 733(a) of the Act (19 U.S.C. § 1673(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the allegedly LTFV imports of furfuryl alcohol from China, South Africa, and Thailand into the United States.

Notice of the institution of these investigations and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, USITC, Washington DC, and by publishing the notice in the *Federal Register* of June 8, 1994 (59 F.R. 29618). USDOC published its notice of initiation in the *Federal Register* of June 27, 1994 (59 F.R. 32953).¹ The conference was held on June 21, 1994,² and the Commission's vote in these investigations was held on July 12, 1994.

A summary of data collected in these investigations is presented in appendix C.

THE PRODUCT

Description

Furfuryl alcohol (also known as furyl carbinol, 2-hydroxymethylfuran, and 2-furanmethanol) is a colorless to light-yellow, mobile liquid which, upon exposure to light and air, becomes brown to dark-red. The chemical has an assigned Chemical Abstracts Service registry number of CAS 98-00-0. Furfuryl alcohol solidifies (freezes) at -14.63 °C or approximately 6 °F and, at a pressure of 1 atmosphere (equivalent to 14.7 pounds per square inch), boils at a temperature of 170 °C, or 338 °F.³ Chemically, the properties of furfuryl alcohol are typical of all alcohols. Furfuryl alcohol can be chemically combined with organic acids to form esters, dehydrated or reacted with certain other organic chemicals to form ethers, or oxidized (i.e., combined with oxygen) to form an aldehyde or acid.

¹ Copies of the USITC's and USDOC's notices are presented in app. A.

² A list of participants at the conference is presented in app. B.

³ The freezing and boiling point characteristics of furfuryl alcohol pertain to a purified form of the chemical. The commercial grade may exhibit slightly different physical properties.

Manufacturing Processes

Furfuryl alcohol is produced by the addition of hydrogen to the precursor chemical, furfural,⁴ using a suitable catalyst. Two commercial methods of producing furfuryl alcohol are currently in use and are based on either a vapor phase process or a liquid phase process.⁵ Regardless of the method used, the final product marketed by all world producers is a fungible commodity chemical with about a 98 percent furfuryl alcohol content.

Vapor Phase Method

The vapor phase method is a continuous production process. With the exception of Chinese producers, this method is used by all of the principal manufacturers of furfuryl alcohol worldwide. Various processes have been developed and patented based on this method; however all of these processes are essentially similar in their chemistry. In this method, the furfural feedstock is preheated to convert it to a vapor. This vapor and a stream of hydrogen gas are mixed and passed through a tubular reactor containing some form of a copper catalyst. As the heated stream of feedstock material contacts the catalyst, furfural is chemically converted to furfuryl alcohol. The vapor exiting the reactor is condensed and the crude furfuryl alcohol is fractionally distilled to yield furfuryl alcohol with the desired level of purity.

QO, Indo-Rama (Thailand), the Thai producer, and Illovo, the South African producer, are all back-integrated to the production of furfural from biomass and hydrogen from either methanol, natural gas, or natural gas products. These three producers obtain hydrogen either by production from natural gas or natural gas products (QO) or from methanol (Indo-Rama (Thailand) and Illovo) or by open-market purchases.

Liquid Phase Method

In this method, used by the Chinese producers, a ***.⁶

Comparison of Methods of Production

According to information provided by the petitioners and from other sources, the continuous vapor phase technology has certain advantages over the older liquid phase method. The vapor phase process allows the chemical conversion of furfural to furfuryl alcohol to proceed at lower

⁴ Furfural is produced by combining agricultural by-products such as corncobs, the hulls from oats, rice, and cottonseed, sugarcane bagasse, or other biomass, with an acid in a reaction vessel. The combined material is treated with steam and the crude furfural collected and subsequently purified by distillation. The acid used is generally a mineral acid (e.g., hydrochloric or sulfuric acid), but at least one process has been patented which used acetic acid generated naturally by steam heating the biomass to convert the sugars in the biomass to furfural.

Furfural is used as the feedstock for the production of another intermediate chemical, tetrahydrofuran. In addition, furfural is used in the production of specialty lubricants and as an extraction solvent in the recovery of the primary petrochemical butadiene. Furfural can also be used as a viscosity modifier for certain phenolic molding resins and as an intermediate chemical in the production of pharmaceutical, pesticide, and flavor and fragrance chemicals.

According to petitioner, approximately 37 percent of the furfural produced in the United States is used to make furfuryl alcohol. Petition, p. 2, fn. 1

⁵ An extensive explanation of the liquid phase and vapor phase production methods and the nature of the catalysts used for the production of furfuryl alcohol are presented in Exhibit 11 of the petition. The information presented in this exhibit is similar to information generally available in publications such as the *Kirk-Othmer Encyclopedia of Chemical Technology*, published by John Wiley and Sons, New York.

⁶ Petition, Exhibit 12, p. 3.

temperatures and pressures than the liquid phase method. The lower temperatures reduce the quantity of undesirable by-products formed, yielding a higher grade crude furfuryl alcohol and consuming less furfural feedstock per pound of furfuryl alcohol produced. According to one source, 0.98 pounds of furfural is consumed to produce one pound of furfuryl alcohol.⁷ In addition, lower temperatures provide a longer useful lifetime for the catalyst employed by minimizing the deposition of insoluble materials on the catalyst surface.

Uses

The principal use of furfuryl alcohol is as a monomer⁸ in the production of furan resins.⁹ Furan resins account for more than 90 percent of the annual domestic consumption of furfuryl alcohol. These resins are heat-stable and resistant to acid, alkali, and petroleum solvents. Furfuryl alcohol reacts readily in the presence of an acid catalyst to form furan resins. The reaction is spontaneous and exothermic (i.e., heat is liberated), hence care must be exercised to maintain the temperature of the reaction within acceptable limits in order to form a polymer with the desired characteristics. In addition to the production of furan resins, furfuryl alcohol is used as a component in copolymer resins, fiber-reinforced plastics, low fire-hazard foams, and corrosion-resistant cements, as an intermediate chemical in the production of flavor and fragrance chemicals and pharmaceutical and pesticide products, and as a specialty solvent. No other chemicals compete with furfuryl alcohol as used to produce furan resins or as an intermediate in the production of other specific chemicals.

Furan Resins

Furan resins are used in ferrous and nonferrous foundry casting methods, in the production of reinforced plastics products and foams, as binders for corrosion-resistant mortars and cements, and either alone or as a component of copolymer resins used as binders for abrasive wheels and paper products. The major use for furfuryl alcohol-based furan resins is as a binder for sand cores used in the foundry industry. Furan no-bake resins are prominent in the foundry industry because the setting of the resins to form a stable, heat-resistant sand core occurs without the application of external heat, making the process energy efficient. Three types of furan no-bake resins are used commercially; namely, hot-box resins, warm-box resins, and cold-box resins.

Hot-box resins

Hot-box resins, used in both ferrous and nonferrous foundries, are formed by mixing a furan resin and a mineral acid catalyst with dry sand. The mixture is blown into a heated metal box containing a cavity with the shape of the desired core. After the surface of the sand mass hardens (taking only seconds) and cures sufficiently, the core is removed from the box. This method provides cores with excellent dimensional accuracy and mechanical strength. The hot-box process is, however, being replaced by lower energy techniques.

Warm-box resins

Warm-box resin systems are similar to the hot-box systems in core production rate, however they have the advantage of lower energy use and lower chemicals emissions during formation and

⁷ *Chemical Conversion Factors and Yields, Commercial and Theoretical*, second edition, Chemical Information Services, Stanford Research Institute, Menlo Park, CA, 1977.

⁸ A monomer is the smallest repeating molecular unit comprising the long chain of a polymeric chemical. For example, styrene is the monomer for polystyrene and vinyl chloride is the monomer for polyvinyl chloride.

⁹ Other resins compete with furan resins in certain foundry uses.

setting. The warm-box systems are based on a modified furan resin using the chemical 2,5-bis(hydroxymethyl)furan, which is produced from furfuryl alcohol.

Cold-box resins

The cold-curing preparations using furan resins offer the advantages of low energy utilization, rapid core production, and high reproducibility of dimensionally accurate cores. This system uses sand mixed with furan resin and a peroxide. The mixture does not set until gassed with sulfur dioxide, which makes preparation much simpler than hot- and warm-box resins which begin setting immediately. In addition, core boxes may be made of less costly materials such as plastic and wood; however, metal boxes may also be used.

Fiber-reinforced Plastic

Furfuryl alcohol thermosetting resins reinforced with fiberglass produce plastics that are resistant to corrosion and heat distortion. Additional advantages of these plastics are the properties of low flame spread and low smoke emission characteristic of all furan resins. All of these properties favor the selection of furan-based fiber-reinforced plastics in the production of corrosion-resistant equipment for industrial applications such as pipes, tanks, reaction vessels, vats, ducts, scrubbers, and stacks. Furan fiber-reinforced plastics are recommended for equipment used in chemical processes using highly corrosive reactants.

Low Fire-hazard Foams

Foamed plastic insulation incorporating furan resins shows low-hazard behavior under the influence of fire; that is, such foams do not ignite readily and need no additional flame retardants. The foams reduce the surface spread of flames and have no flash-over tendency.¹⁰

Corrosion-resistant Cements

One of the oldest uses for furan resins is in the jointing of bricks and masonry. Mortars and grouts formulated using furan resins are used for setting brick linings in structures exposed to corrosive materials such as concentrated acid or alkali cleaning solutions.

Other Uses

Furfuryl alcohol can also be used as a specialty solvent in paint strippers and biocides, and as an intermediate chemical in the production of tetrahydrofurfuryl alcohol, flavor and fragrance chemicals, and pharmaceutical and pesticide products. Certain esters of furfuryl alcohol are used as plasticizers.

U.S. Tariff Treatment

Furfuryl alcohol enters the United States under subheading 2932.13.00 of the HTS.¹¹ Eligible imports of furfuryl alcohol from South Africa and Thailand are currently eligible for duty-free entry duties under the GSP. Imports of furfuryl alcohol from China are subject to a 3.7 percent

¹⁰ Flash-over results from the explosive ignition of vapors released by a material when heated to high temperatures during a fire.

¹¹ Tetrahydrofurfuryl alcohol is also classified under this subheading.

ad valorem duty, as were imports from South Africa entered prior to May 10, 1994¹² and those for which GSP eligibility is not established.

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

China

On the basis of comparisons of the USP with the FMV, the petitioner estimated LTFV margins on imports from China ranging from 226 to 268 percent *ad valorem*. Petitioner calculated USP based upon the average c.i.f. unit value of furfuryl alcohol imports from China, as reported in the monthly Census Bureau reports for October 1993 through March 1994. Adjustments were made to deduct ocean freight, insurance, and Chinese inland freight. As an alternative to the aforementioned approach, petitioner also calculated an estimated USP based on six price quotations for Chinese furfuryl alcohol during the period November 1993 through April 1994. FMV was based on a constructed value utilizing information available to the petitioner regarding the production factors of the Chinese industry and, where possible, valuing those factors in India. These valuations related primarily to the production of furfural, the only feedstock which is used to make furfuryl alcohol.¹³ Petitioner states that there "are no significant producers of furfuryl alcohol located in countries at a level of economic development comparable" to that of China.¹⁴

South Africa

Based on comparisons of the USP with the FMV, the petitioner estimated LTFV margins on the South African product to be approximately 68 percent *ad valorem*. Petitioner calculated USP based upon the average c.i.f. unit value of furfuryl alcohol imports from South Africa, as reported in the monthly Census Bureau reports for November 1993 through March 1994. Adjustments were made to deduct ocean freight, insurance, and South African inland freight. FMV was based on a price quotation obtained by petitioner for sales of furfuryl alcohol in the South African market. Petitioner believes this price quotation approximates the price at which South African furfuryl alcohol was sold in its home market in commercial quantities in the ordinary course of trade during the period October 1993 through April 1994.¹⁵

Thailand

On the basis of petitioner's comparisons of the USP with the FMV, the estimated LTFV margins for product from Thailand are approximately 114 percent *ad valorem*. Petitioner calculated USP based upon the average c.i.f. unit value of furfuryl alcohol imports from Thailand, as reported in the monthly Census Bureau reports for October 1993 through March 1994. Deductions were made for ocean freight, insurance, and Thai inland freight. Petitioner based FMV on constructed value. To do so, petitioner used information ***. On the basis of ***, and because the vapor phase production technology employed by the Thai producer is similar to that utilized by the petitioner, petitioner believes the actual Thai production technology and costs can be estimated with a "high degree of confidence."¹⁶

¹² Effective May 10, 1994, entries from South Africa became eligible for duty-free treatment under the GSP.

¹³ India does not produce furfuryl alcohol.

¹⁴ Petition, p. 23.

¹⁵ Petition, p. 34.

¹⁶ Petition, p. 32.

THE U.S. MARKET

Apparent U. S. Consumption

Data on apparent consumption of furfuryl alcohol are presented in table 1. Total U.S. consumption, by quantity, increased by *** percent from 1991 to 1993. January-March 1994 consumption was *** percent ahead of consumption during January-March 1993. In terms of value, U.S. consumption experienced a *** increase from 1991 to 1993 while January-March 1994 consumption was up *** percent compared with the same period of 1993.

Table 1

Furfuryl alcohol: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

U.S. Producers

QO

QO, a subsidiary of Great Lakes Chemical Corporation¹⁷ of West Lafayette, IN, is presently the sole U.S. producer of furfuryl alcohol. Its manufacturing operations are carried out at Memphis, TN, and Omaha, NE. QO serves the U.S. commercial market for furfuryl alcohol exclusively with product manufactured at Omaha, while all furfuryl alcohol manufactured in Memphis is consumed internally in the production of value-added products.¹⁸ In addition to furfuryl alcohol, QO is engaged in the manufacture and marketing of furfural, the basic raw material used in the production of furfuryl alcohol, as well as other furfural-based products. QO's furfural production takes place at its Omaha plant as well as its Belle Glade, FL, operation. In addition to its production facilities located in the United States, QO produces furfuryl alcohol for the European market at its manufacturing facility located at Geel, Belgium. QO was originally operated by the Quaker Oats Company before being sold in a leveraged buy-out in 1984. In 1986, Great Lakes Chemical Corporation purchased QO for the publicly announced price of \$121 million.

ARS

ARS, headquartered in Des Plaines, IL, produced furfuryl alcohol from June 1990 through November 1992. All of its production of furfuryl alcohol was done under a toll arrangement with one of three companies, all of whom were or are located in Houston, TX. ***.¹⁹ ***.²⁰ ***.²¹ ***.²²

¹⁷ Great Lakes Chemical Corporation is a worldwide producer of performance chemicals, water treatment chemicals, and petroleum additives; it also provides a variety of specialized services and manufacturing processes. It has manufacturing facilities located in nine states in the United States and six foreign countries.

¹⁸ ***.

¹⁹ ***.

²⁰ Producer questionnaire of ARS, attachment to p. 21.

²¹ Id.

²² Id.

U.S. Importers

Questionnaires were sent to 12 firms named in the petition and in the Customs Net Import File as importing products under HTS item 2932.13.00.²³ Of the 12 firms, 11 responded to the request for information.²⁴ Four had not imported product from 1991 through March 1994,²⁵ and a fifth had imported only *** from ***.²⁶ Imports from the other six firms account for ***. Of the six responding firms, *** pounds in 1992. Otherwise, *** has not imported furfuryl alcohol. ***. A discussion of the three primary importers of furfuryl alcohol from the subject countries follows.

ARS

ARS accounted for *** percent of imports of furfuryl alcohol from China from 1991 through March 1994. ARS began importing from China in small amounts ***.²⁷

Harborchem

Harborchem, located in Cranford, NJ, is the other major importer of furfuryl alcohol from China, as well as the exclusive importer of product from South Africa. Harborchem is a privately held company specializing in the manufacture and sale, import and export, and recovery of industrial chemicals. Harborchem accounted for *** percent of total imports of furfuryl alcohol from China from 1991 through March 1994. Harborchem, which has been importing furfuryl alcohol from South Africa for 15 years,²⁸ began importing from China in 1993. From 1991 through March 1994, *** percent of Harborchem's imports came from South Africa, with the balance coming from China.

Indo-Rama

Indo-Rama, based in Oak Brook, IL, is the U.S. subsidiary of Indo-Rama (Thailand), the sole producer of furfuryl alcohol in Thailand. ***. Indo-Rama began importing product from Thailand in 1992.

Channels of Distribution

In the U.S. market, other than product ***, sales of furfuryl alcohol are made almost exclusively to end users, almost all of which are producers of foundry resins. The bulk of furfuryl alcohol is sold to a very limited number of users (fewer than 20), with ***.

²³ Tetrahydrofurfuryl alcohol is also entered under HTS subheading 2932.13.00. Petitioner believes that other than itself, the only other known producers of tetrahydrofurfuryl alcohol are located in Brazil and Japan and are believed to produce exclusively for their domestic markets. Further, petitioner notes that tetrahydrofurfuryl alcohol sells at prices "far in excess" of those charged for furfuryl alcohol, probably in a range of 50 to 70 percent. Petition, p. 7, fn. 3, and Conference TR, p. 32.

²⁴ ***.

²⁵ ***.

²⁶ ***.

²⁷ ***.

²⁸ According to Stephen Maybaum, President and CEO of Harborchem, his firm has been allotted the same volume of product by Illovo every year for almost a decade. Further, he states "The allotment is neither changed nor fixed with reference to price fluctuations. Even if we wanted to we could not increase this allotment, because Illovo's production is sold out every year." Conference TR, p. 41.

CONSIDERATION OF ALLEGED MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

The information provided in this section of the report is based on the questionnaire responses of QO and ARS,²⁹ which accounted for all known U.S. production of furfuryl alcohol during 1991-March 1994, with QO accounting for virtually all of the production during the period.

U.S. Capacity, Production, and Capacity Utilization

As indicated in table 2, average-of-period capacity ***. U.S. production dropped by *** percent from 1991 to 1993 and January-March 1994 production was off *** percent compared with January-March 1993. Capacity utilization fell from *** percent in 1991 to *** percent in 1993. January-March 1994 utilization levels stood at *** percent compared with *** percent during January-March 1993.

Table 2

Furfuryl alcohol: U.S. capacity, production, and capacity utilization, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

U.S. Producers' Shipments

As shown in table 3, the quantity of U.S. shipments by U.S. producers dropped irregularly by *** percent during 1991-93 and fell *** percent during January-March 1994 compared with January-March 1993 as ***. The value of U.S. shipments declined steadily from 1991 to 1993, falling by *** percent, and exhibited a *** percent drop during January-March 1994 in comparison with January-March 1993. The unit value of U.S. shipments dropped from *** per pound in 1991 to *** in 1992 and held at that level until dropping to *** during January-March 1994.

Table 3

Furfuryl alcohol: Shipments by U.S. producers, by types, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

U.S. Producers' Inventories

End-of-period inventories are presented in table 4. Inventories decreased from *** pounds in 1991 to *** pounds in 1992, then increased to *** pounds in 1993, representing an inventory to U.S. shipments ratio of ***, ***, and *** percent, respectively. The March 1994 inventory level is *** pounds, with an annualized inventory-to-U.S. shipments ratio of *** percent.

²⁹ ***.

Table 4

Furfuryl alcohol: End-of-period inventories of U.S. producers, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

Employment, Wages, and Productivity

QO's employment and productivity data are presented in table 5. The number of production and related workers producing furfuryl alcohol, hours worked by those workers, wages paid, and total compensation declined from 1991 to 1993 ***. January-March 1994 figures in each of these categories were down in comparison with January-March 1993 figures. Hourly wages and hourly total compensation increased from 1991 to 1993, ***. January-March 1994 numbers in both categories were up compared with January-March 1993. QO reported that it placed ***. QO uses ***. ***.

Table 5

Average number of U.S. production and related workers producing furfuryl alcohol, hours worked, wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

Financial Experience of U.S. Producers

QO, representing all U.S. production of furfuryl alcohol in 1993, supplied financial data³⁰ on overall establishment operations and operations on furfuryl alcohol.³¹ QO's company transfers of furfuryl alcohol were valued at the average net trade sales value (rather than cost) when recorded as a sale. The purpose is to present the estimated profitability of furfuryl alcohol based on the total actual shipments and total actual related costs, and the only adjustments are to value the transferred quantities at market. This, in effect, is a projection of the profitability of all shipments including transfers.

Overall Establishment Operations

Income-and-loss data on the overall establishment operations of QO are shown in table 6. Furfuryl alcohol accounted for approximately *** percent of the overall establishment operations in 1993. Other products produced in the establishment include furfural, tetrahydrofurfuryl alcohol, furan, tetrahydrofuran, Polymeg, Furcarb, and specialty chemicals.

Table 6

Income-and-loss experience of QO on the overall operations of its U.S. establishments wherein furfuryl alcohol is produced, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

³⁰ ***.

³¹ ***.

Operations on Furfuryl Alcohol

Income-and-loss data for QO's operations on furfuryl alcohol are shown in table 7. The net sales value decreased slightly from *** in 1991 to *** in 1992, then decreased more sharply to *** in 1993. The quantity sold and transferred increased from *** pounds in 1991 to *** pounds in 1992 but then decreased to *** pounds in 1993. The average unit sales value, as shown in table 8, decreased from *** in 1991 to *** in 1992 and 1993. The cost of goods sold per pound dropped slightly from *** in 1991 to *** in 1992 but then increased to *** in 1993, due in part ***. QO realized an operating income of *** in 1991 and *** in 1992; and then incurred an operating loss of *** in 1993, caused in part ***. The operating income (loss) margins were *** percent in 1991, *** percent in 1992, and *** percent in 1993. The net sales value was *** in interim 1994 compared to *** in interim 1993. The operating income margin decreased from *** percent in interim 1993 to *** percent in interim 1994, caused in part ***.

Table 7

Income-and-loss experience of QO on its U.S. operations producing furfuryl alcohol, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

Table 8

Income-and-loss experience (on a per-pound basis) of QO on its U.S. operations producing furfuryl alcohol, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

QO converts furfural to furfuryl alcohol in its plants located in Omaha and Memphis, ***, as shown in the following tabulation:

* * * * *

As shown by the above tabulation, ***,³² ***.

QO produces furfural, the raw material for furfuryl alcohol, at its Omaha and Belle Glade, FL plants. The Omaha and Memphis plants both *** are shown in the following tabulation in dollars per pound, except as noted:^{33 34 35 36 37}

* * * * *

The value added for conversion and SG&A expenses as a percent of total costs for QO are shown in the following tabulation (*in dollars per pound, except as noted*):

* * * * *

32 ***
 33 ***
 34 ***
 35 ***
 36 ***
 37 ***

The value added by conversion costs as a share of total cost ranged from *** percent for 1991 to *** percent for 1993. The value added by conversion costs and SG&A expenses as a share of total costs ranged from *** percent for 1991 to *** percent for interim 1993.

Investment in Productive Facilities and Return on Assets

Data on investment in productive facilities and return on assets are shown in table 9. The operating income return on total assets decreased for furfuryl alcohol in each comparative period.

Table 9

Value of assets and return on assets of QO's U.S. operations producing furfuryl alcohol, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

Capital Expenditures

The capital expenditures of QO are shown in table 10. Capital expenditures for furfuryl alcohol fluctuated from ***.

Table 10

Capital expenditures by QO on its U.S. operations producing furfuryl alcohol, by products, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

Research and Development Expenses

The research and development expenditures (as shown in table 11) of QO were ***.

Table 11

Research and development expenses by QO on its U.S. operations producing furfuryl alcohol, by products, fiscal years 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

Capital and Investment

The Commission requested the U.S. producers to describe any actual or potential negative effects of imports of furfuryl alcohol from China, South Africa, and Thailand on their growth, development and production efforts, investment, and ability to raise capital (including efforts to develop a derivative or improved version of its product). Comments from the companies are presented in appendix D.

CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

Section 771(7)(F)(i) of the Act (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 the merchandise, the Commission shall consider, among other relevant economic factors³⁸--

(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 706 or 736, are also used to produce the merchandise under investigation,

³⁸ 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."

(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.³⁹

The available information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of Alleged Material Injury to an Industry in the United States." Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows. Other threat indicators have not been alleged or are otherwise not applicable.

U.S. Importers' Inventories of Furfuryl Alcohol

Importers' inventory data are presented in table 12. Of the importers of product from China, Harborchem ***. Harborchem *** also reported inventories of *** of South African product as of March 31, 1994. Indo-Rama, the sole importer of Thai product, reported March 31, 1994 inventories of ***.

Table 12
Furfuryl alcohol: End-of-period inventories of U.S. importers, by sources, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

U.S. Importers' Current Orders

Reported orders for *** furfuryl alcohol that *** have placed for delivery after March 31, 1994, totaled nearly *** pounds, *** pounds due to be brought in by ***. *** were slated for ***. With respect to orders for *** product, *** reported that it *** pounds during the ***. *** reported orders for nearly *** pounds with deliveries slated for ***.

³⁹ 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."

Ability of Foreign Producers to Generate Exports and the Availability of Export Markets other than the United States

The USITC requested certain information from counsel for the South African producer and counsel for the Thai producer. The Chinese producers have not retained counsel nor have they been in touch with the USITC. The USITC also requested information from the U.S. embassies in Beijing, Johannesburg, and Bangkok; the embassies have not responded to these requests. The information below was supplied in the petition and by counsel for the foreign producers.

The Industry in China

Petitioner believes there are at least 16 facilities producing furfuryl alcohol in China.⁴⁰ ARS ***. Counsel for the petitioner estimates China's capacity to produce furfural, the feedstock for furfuryl alcohol, to be 150 million pounds per year and believes that "only 26 percent of current Chinese furfural capacity is presently used to make furfuryl alcohol products."⁴¹ Additionally, counsel for petitioner states that "Chinese furfural imports are presently subject to provisional antidumping duties in the EC and are also subject to a 208 percent antidumping duty in Mexico."⁴²

The Industry in South Africa

Illovo is the sole producer of furfuryl alcohol in South Africa. Its production facility is located at Sezela, Natal, South Africa. Illovo's total sales of furfuryl alcohol in its most recent fiscal year accounted for *** percent of its total operations. As shown in table 13, Illovo's annual capacity to produce furfuryl alcohol has *** pounds since 1991. Production *** from nearly *** pounds in 1991 to *** pounds in 1993 with a corresponding ***. Illovo projects its full-year 1994 production at *** pounds and 1995 production at *** pounds. According to Illovo, its total allotment of exports to the United States for 1994 has already been shipped.⁴³

Petitioners argue that, of Illovo's estimated 35 million pounds of annual furfural production capacity, "only three-fourths is used for furfuryl alcohol production."⁴⁴ Assuming this, petitioner argues that Illovo has the ability to substantially increase its furfuryl alcohol production.⁴⁵ On the other hand, counsel for Illovo argues that capacity has ***, there are ***.⁴⁶ Further, counsel states that exports to the United States have been ***.⁴⁷ Additionally, counsel notes that Illovo's strategy ***, a strategy ***.⁴⁸

Table 13

Furfuryl alcohol: South Africa's capacity, production, inventories, capacity utilization, and shipments, 1991-93, Jan.-Mar. 1993, Jan.-Mar. 1994, and projected 1994-95

* * * * *

⁴⁰ Petition, p. 7.

⁴¹ QO's postconference brief, June 24, 1994, p. 18.

⁴² QO's postconference brief, June 24, 1994, p. 18 and Exhibit F.

⁴³ Illovo's postconference brief, June 24, 1994, p. 15. Conference TR, p. 41.

⁴⁴ QO's postconference brief, June 24, 1994, p. 18.

⁴⁵ Id.

⁴⁶ Illovo's postconference brief, June 24, 1994, p. 14.

⁴⁷ Id.

⁴⁸ Illovo's postconference brief, June 24, 1994, pp. 14-15. Conference TR, p. 41.

The Industry in Thailand

Indo-Rama (Thailand), the sole Thai producer, began commercial production in 1991. As shown in table 14, by 1993 it was operating *** reported capacity and it ***. Indo-Rama (Thailand) says it has ***.⁴⁹ The share of total shipments of its product going to the U.S. market has increased from *** percent in 1993 and is projected to be ***. Its other markets include ***.

Table 14

Furfuryl alcohol: Thailand's capacity, production, inventories, capacity utilization, and shipments, 1991-93, Jan.-Mar. 1993, Jan.-Mar. 1994, and projected 1994-95

* * * * *

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT MERCHANDISE AND THE ALLEGED MATERIAL INJURY

U.S. Imports

The data in this section were provided by six U.S. importers of furfuryl alcohol. The data account for all imports from the subject countries as well as imports from Korea (table 15) and are believed to account for virtually all imports of furfuryl alcohol into the United States with the exception of a minuscule amount from the United Kingdom.

China

Imports from China increased from *** in 1991 to *** pounds in 1993, when China supplied *** percent of all imports. January-March 1994 imports from China stood at nearly *** compared with slightly over *** pounds during January-March 1993.

South Africa

Imports of product from South Africa rose from nearly *** pounds, *** percent of all imports, in 1991 to over *** pounds in 1992, *** percent of the total, then dropped to nearly *** pounds in 1993, a *** share of all imports. There were *** imports of South African product during January-March 1993 and imports of over *** pounds during January-March 1994, accounting for *** percent of total imports.

Thailand

Imports of product from Thailand rose from *** in 1991 to *** pounds in 1993, when they accounted for *** percent of all imports. January-March 1994 imports stood at just over *** pounds, *** percent of all imports, compared with *** during January-March 1993. Concerning the January-March 1994 imports, counsel for Indo-Rama notes that the vast majority of the furfuryl alcohol which entered the United States at the beginning of 1994 was imported to supply a year-long contract with a particular customer.⁵⁰ In this regard, counsel states:

⁴⁹ Foreign producer questionnaire of Indo-Rama (Thailand), Annex A.

⁵⁰ Indo-Rama's postconference brief, June 24, 1994, p. 21.

Table 15

Furfuryl alcohol: U.S. imports, by sources, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

" . . . although there may appear to be a rapid increase when the first quarter of 1994 shipments are viewed alone, the import figures must be viewed in light of the sporadic nature of shipments of furfuryl alcohol and the fact that a large portion of the imports at the beginning of 1994 are being used to supply a year long contract."⁵¹

Total Subject Imports

Cumulative imports of furfuryl alcohol from the subject sources increased steadily from *** pounds in 1991 to *** pounds in 1993. Imports during January-March 1994 were over *** pounds compared with *** pounds during January- March 1993.

Market Penetration by the Subject Imports

U.S. producers' and importers' market shares based on U.S. producers' shipments and U.S. importers' U.S. shipments are presented in table 16. From 1991 to 1993, the U.S. producers' share of the quantity of total apparent consumption decreased steadily from *** percent to *** percent. For January-March 1994, the U.S. producers' market share was *** percent compared with *** percent during January-March 1993. Together, China, South Africa, and Thailand, increased their market share from *** percent in 1991⁵² to *** percent in 1993, with China accounting for most of the increase. The January-March 1994 market share for the subject imports was *** percent compared with a *** percent portion of the market in January-March 1993.

Table 16

Furfuryl alcohol: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

Prices

Market Considerations

The demand for furfuryl alcohol is principally derived from the demand for furan resins, the primary end product in which the material is used. As noted earlier in the report, demand rose from *** pounds in 1991 to *** pounds in 1993, an increase of *** percent, with more than *** percent being sold to furan resin producers. Producers, importers, and purchasers indicated that while demand for furfuryl alcohol can vary somewhat, it is fairly unresponsive to changes in price due to the lack of ready substitutes. All of the responding purchasers of furfuryl alcohol indicated that they know of no substitute for furfuryl alcohol in their furan resin applications. And while ***, ***, and

⁵¹ Id, p. 22

⁵² ***.

***,⁵³ they also indicated there are no known substitutes for furfuryl alcohol in the production of furan resins.

As noted throughout the report, the furfuryl alcohol industry is heavily concentrated both in terms of suppliers as well as purchasers. In the latter instance, fewer than 20 firms account for the vast majority of furfuryl alcohol consumption, with *** firms alone accounting for more than *** percent of furfuryl alcohol purchases in 1993.⁵⁴ Hence, the market is very competitive, with price, quality, and delivery being very important to the purchaser's final decision.

With the exception of a somewhat limited amount of spot sales, furfuryl alcohol is sold on a contract basis. Large foundry resin manufacturers, which account for more than 90 percent of sales, typically buy the bulk of their furfuryl alcohol requirements on a contract basis, whereas, smaller non-resin manufacturers will more frequently purchase their requirements on a spot basis. Contracts are usually one year in duration, with a few instances of sales on a two-month contract basis.

According to ***⁵⁵ ***⁵⁶

Given the concentrated nature of the industry, with one U.S. producer and three primary sources of foreign supply, purchasers, if they so choose, are able to solicit price quotations from virtually all the players in the furfuryl alcohol market and make their decision based on the quotes received. In some instances, purchasers will negotiate for better prices after initial quotations have been received if, for instance, the purchaser wants to buy from a particular source that did not quote low enough in the initial round.⁵⁷ With purchasers buying anywhere from hundreds of thousands to millions of pounds annually, they may choose one supplier over another based on a price differential of as little as one cent per pound.⁵⁸

As noted earlier, the *** largest purchasers of furfuryl alcohol, ***, accounted for more than *** percent of total product purchases during 1993. ***⁵⁹ ***. In its questionnaire submission, *** explained its purchasing strategy as follows:

* * * * *

***⁶¹ ***⁶²

Product Comparisons

Nearly all questionnaire respondents agree that furfuryl alcohol produced in the United States and the subject countries is identical for virtually all end uses, and that exports from the specified sources compete directly with domestic products for sale in the U.S. market. Purchaser questionnaire respondents viewed the quality of the subject imports as "comparable" to that of the domestic product. At the conference held in connection with these investigations as well as in postconference submissions, Indo-Rama argued that the quality of the Chinese product is not up to

⁵³ These are generally viewed as not as environmentally acceptable as furan resins.

⁵⁴ The nine purchasers responding to USITC questionnaires were responsible for *** percent of total purchases during 1993. Of the nine, seven had purchased from ***.

⁵⁵ ***

⁵⁶ ***

⁵⁷ Some respondents to purchaser questionnaires indicated that a "traditional" source of supply was an important consideration for them. ***.

⁵⁸ ***

⁵⁹ ***

⁶⁰ ***

⁶¹ ***

⁶² ***

quality of the Thai product and that the two do not compete with each other due for that reason.^{63 64}
In its ***.⁶⁵

Producer and Importer Prices

Weighted-average f.o.b. prices for quarterly sales of furfuryl alcohol by U.S. producers and importers of subject imports are presented in table 17 and figure 1.⁶⁶ Prices of domestic furfuryl alcohol *** from January-March to October-December 1991 and then *** through the end of the period to a *** of *** cents per pound in January-March 1994; overall, prices were *** percent *** at the end of the period.

China

F.o.b. prices for Chinese furfuryl alcohol *** percent from *** cents per pound in January-March 1993 to *** cents per pound in January-March 1994. In *** of the five instances where price comparisons were possible, the Chinese product was priced *** the domestic product; margins ranged from *** to *** percent. ***, the Chinese product was priced *** percent *** the comparable U.S. product.

South Africa

F.o.b. prices for South African furfuryl alcohol sold in the United States varied during the period January-March 1991 to January-March 1994, with a *** of *** cents in April-June 1991 and a *** of *** cents in January-March 1994. Overall, prices were *** percent *** in the first quarter of 1994 as compared with the same quarter of 1991. In *** of the *** instances where price comparisons were possible, the South African product was priced *** the U.S. product; margins ranged from *** to *** percent. In the other *** instances, the South African product was priced *** the U.S. product; margins ranged from *** to *** percent.

Thailand

F.o.b. prices for Thai furfuryl alcohol *** percent from *** cents per pound in January-March 1993 to *** cents per pound in January-March 1994. In *** of the five instances where comparisons were possible, the Thai product was priced *** and *** percent *** the domestic. In the remaining three quarters, the Thai product was priced between *** and *** percent *** the U.S. product.

Table 17

Furfuryl alcohol: F.o.b. weighted-average selling prices received by U.S. producers and importers of the subject product for their largest sales to end users, and margins of underselling/(overselling), by quarters, Jan. 1991-Mar. 1994

* * * * *

⁶³ Conference TR, pp. 72-74 and Indo-Rama's postconference brief, June 24, 1994, pp. 6-9.

⁶⁴ ***.

⁶⁵ ***.

⁶⁶ Reported prices for U.S.-produced furfuryl alcohol accounted for approximately *** percent of U.S. producers' domestic shipments in 1993. Pricing data for the imported products accounted for approximately *** percent of shipments of imports from China and *** of the imports from South Africa and Thailand in 1993.

Figure 1.-- Furfuryl alcohol: Weighted-average f.o.b. selling prices for largest sales to end-users, by quarters, Jan. 1991-Mar. 1994

* * * * *

Trends in purchaser prices

Fifteen purchasers of furfuryl alcohol received questionnaires requesting price information. Of those, six firms, accounting for *** percent of 1993 purchases, provided usable pricing data. Weighted-average delivered purchaser prices of domestic and imported furfuryl alcohol were calculated from these data, and are presented in table 18 and figure 2. Purchasers' weighted-average delivered prices also display the *** trend that was seen in producer and importer prices during 1992 and 1993. Prices of U.S.-produced furfuryl alcohol showed a *** of *** percent from January-March 1991 to January-March 1994, *** from *** cents per pound to *** cents per pound.

Delivered purchase prices for the Chinese furfuryl alcohol were only reported for 1993 and 1994. These prices *** from the first quarter of 1993 to the same quarter of 1994, *** percent in that time.

Prices of the South African product *** fairly consistently from October-December 1991 to January-March 1994, *** percent during that time. Purchase prices for furfuryl alcohol imported from Thailand were reported for four quarters during the period for which data were collected. These prices *** percent from July-September 1992 to January-March 1994.

The margins of *** reported for purchasers' prices of furfuryl alcohol show much variability. In the case of China, there were *** instances where price comparisons were possible. In *** instances, the Chinese product was priced *** the U.S. product, with margins ranging from *** to *** percent. ***, the Chinese product was priced *** percent *** than the domestic product.

The South African product was priced *** the domestic product in *** of the *** instances where comparisons were possible; margins ranged from *** to *** percent. In the remaining *** instances, the South African product was priced between *** and *** percent *** than the domestic product.

In *** of the instances where comparisons were possible between U.S. and Thai prices, the Thai product was priced *** and *** percent *** the domestic product. In the other *** cases, the Thai product was priced *** and *** percent *** than the domestic product.

Table 18
Furfuryl alcohol: Weighted-average delivered purchase prices paid by end users, by sources and by quarters, Jan. 1991-Mar. 1994

* * * * *

Figure 2
Furfuryl Alcohol: Weighted-average delivered purchase prices paid by end users, by sources and by quarters, Jan. 1991-Mar. 1994

* * * * *

Purchaser questionnaires yielded 8 responses on questions pertaining to transport costs. *** of these purchasers indicated that received the product by truck. The two most important factors

affecting transport costs cited by purchasers were the size of the order (full truckloads versus partial truckloads) and the distance the material was to be moved. Most of the purchasers were able to report the delivered prices they paid for the material, and estimated that transport costs comprised 2 to 10 percent of the purchase price. The variability in this percentage is in part attributed to the variability in the product price, rather than to changes in the transport expense.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the currencies of the three countries subject to this investigation depreciated in relation to the U.S. dollar over the period from January-March 1991 through January-March 1994 (figure 3).⁶⁷ The value of the Thai currency fluctuated slightly ending the period at less than 1 percent below its initial January-March 1991 value. During the same interval, the values of the South African and Chinese currencies showed net depreciations of 24.9 and 40 percent.⁶⁸ When adjusted for movements in producer price indices in the United States and the specified countries, the respective values of the Thai and South African currencies depreciated 0.9 percent and 8.9 percent during the periods for which data were collected.⁶⁹

Lost Sales and Revenues

QO submitted *** instances of lost sales involving *** firms in which *** pounds of furfuryl alcohol valued at *** were lost in various months between June of 1992 and December of 1993 as a result of competition from imports of furfuryl alcohol from the subject sources. All three of the firms are ***. The staff was able to contact *** firms. *** of the firms, ***, accounted for *** percent of these alleged sales.

***.⁷⁰ ***.⁷¹ ***. The remaining firm, *** named in a lost sales allegation reported that it ***.

QO also alleged it had lost revenues on transactions with ***, ***, and ***. ***. ***. ***.

Two other purchasers, *** and ***, could ***, but in each case indicated that they did ***.

⁶⁷ *International Financial Statistics*, May 1994.

⁶⁸ Beginning Jan. 1, 1994, the People's Bank of China changed the manner in which the official exchange rate was determined.

⁶⁹ Reliable producer price data for China is unavailable; therefore, an accurate analysis of movements in the real Chinese exchange rate cannot be presented.

⁷⁰ ***.

⁷¹ ***.

Figure 3
 Indexes of the nominal and real exchange rates between the U.S. dollar and the currencies of China, South Africa, and Thailand, by quarters, Jan. 1991-Mar. 1994

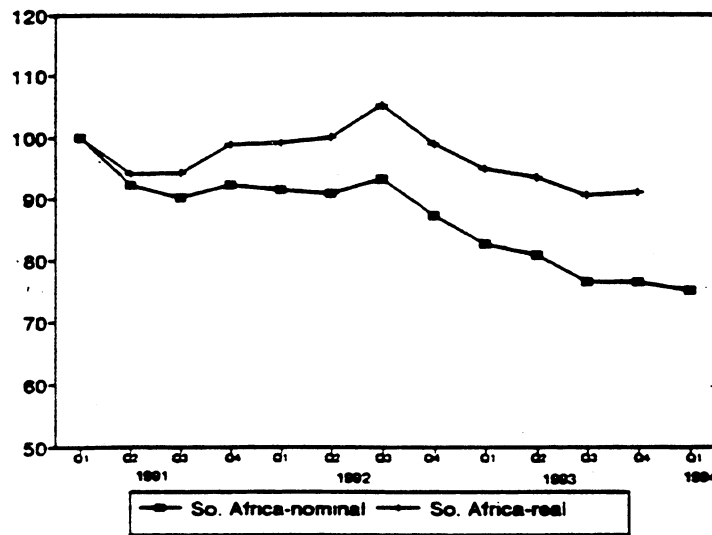
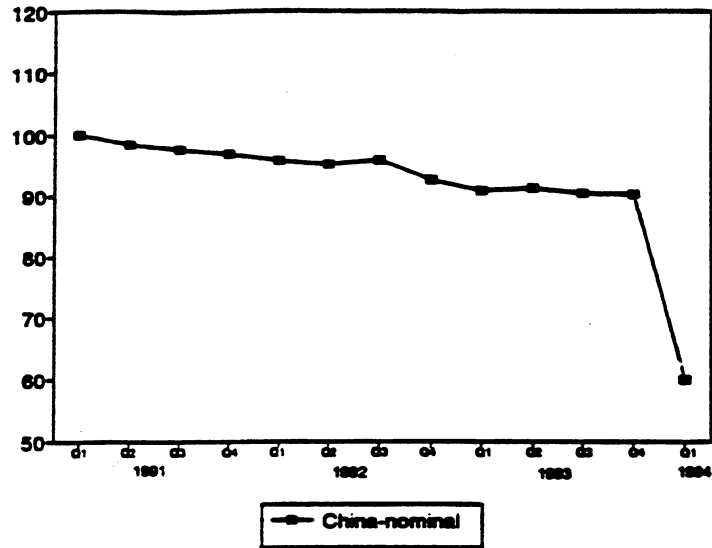
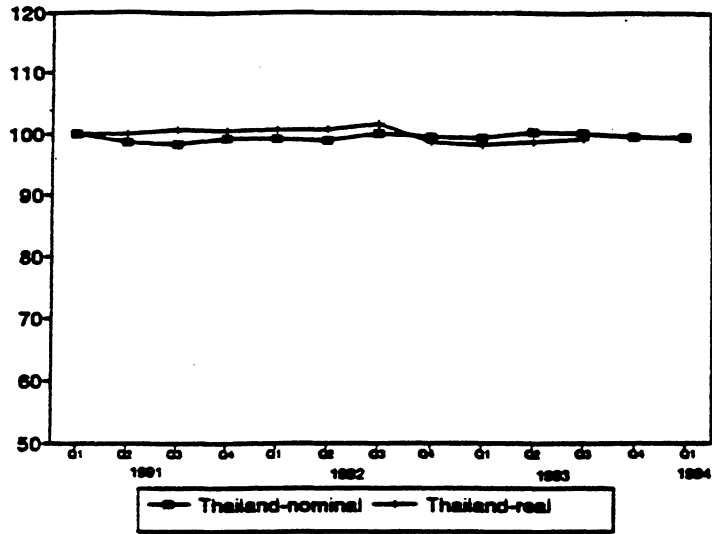


Figure 3--Continued

Indexes of the nominal and real exchange rates between the U.S. dollar and the currencies of China, South Africa, and Thailand, by quarters, Jan. 1991-Mar. 1994



Source: International Monetary Fund, *International Financial Statistics*, May 1994.

APPENDIX A
***FEDERAL REGISTER* NOTICES**

(Investigations Nos. 731-TA-703, 704 and 705 (Preliminary))

Furfuryl Alcohol From China, South Africa, and Thailand

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of preliminary antidumping investigations.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigations Nos. 731-TA-703, 704 and 705 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China, South Africa, and Thailand of furfuryl alcohol, provided for in subheading 2932.13.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. The Commission must complete preliminary antidumping investigations in 45 days, or in this case by July 15, 1994.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's rules of practice and procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

EFFECTIVE DATE: May 31, 1994.

FOR FURTHER INFORMATION CONTACT: Jim McClure (202-205-3191), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. Information can also be obtained by calling the Office of Investigations'

remote bulletin board system for personal computers at 202-205-1895 (N.8.1).

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on May 31, 1994, by QO Chemicals, Inc., West Lafayette, IN.

Participation in the Investigations and Public Service List

Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in §§ 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the *Federal Register*. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these preliminary investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than seven (7) 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 BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on June 21, 1994, at the U.S. International Trade Commission Building, 500 E Street SW., Washington DC. Parties wishing to participate in the conference should contact Jim McClure (202-205-3191) not later than June 16, 1994, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before June 24, 1994, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules.

Issued: June 2, 1994.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 94-13902 Filed 6-7-94; 8:45 am]

BILLING CODE 7020-02-P

[A-570-835, A-549-812, A-791-832]

Initiation of Antidumping Duty Investigations: Furfuryl Alcohol From the People's Republic of China, the Republic of South Africa, and Thailand

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: June 27, 1994.

FOR FURTHER INFORMATION CONTACT: Erik Warga or Ellen Grebasch at (202) 482-0922 or (202) 482-3773, respectively, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C., 20230

Initiation of Investigations

The Petition

On May 31, 1994, we received a petition in proper form filed by QO Chemicals, Inc. (petitioner), the sole U.S. producer of furfuryl alcohol. Petitioner filed supplements to the petition on June 6, 15, 16, and 17, 1994.

In accordance with 19 CFR 353.12, petitioner alleges that imports of furfuryl alcohol from the People's Republic of China (PRC), Thailand, and the Republic of South Africa (South Africa) are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended

(the Act), and that such imports are materially injuring, or threaten material injury to, a U.S. industry.

Petitioner states that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and it is the sole domestic producer of furfuryl alcohol. If any interested party, as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, it should file a written notification with the Assistant Secretary for Import Administration.

Scope of Investigations

The product covered by these investigations is furfuryl alcohol (C₄H₇OCH₂OH). Furfuryl alcohol is a primary alcohol, and is colorless or pale yellow in appearance. It is used in the manufacturer of resins and as a wetting agent and solvent for coating resins, nitrocellulose, cellulose acetate, and other soluble dyes.

The product subject to these investigations is classifiable under subheading 2932.13.00 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and Customs purposes, our written description of the scope of these investigations is dispositive.

United States Price and Foreign Market Value

People's Republic of China

Petitioner based United States Price (USP) on FOB PRC port, C&F U.S. port, and CIF U.S. port, price quotes from PRC producers through their representative U.S. trading companies. Adjustments were made for foreign inland freight, ocean freight, and marine insurance. Petitioner based inland freight on the distance from the PRC producers of the subject merchandise to the PRC port of export. Freight transportation charges were valued using Indian surrogate data. (See description of non-market economy (NME) below methodology). Ocean freight and marine insurance charges were estimated by comparing per-unit U.S. IM-145 customs value import statistics to per-unit U.S. IM-145 customs value import statistics to per-unit U.S. IM-145 CIF import statistics.

Petitioner asserts that the PRC is a NME within the meaning of sections 771(18)(A) and (C) of the Act and in accordance with section 773(c) of the Act. Accordingly, foreign market value (FMV) should be based on the producer's factors of production, valued

in a surrogate market economy country. The Department has determined in previous investigations that the PRC is a NME, and the presumption of NME status continues for the initiation of this investigation. See, e.g., *Final Determination of Sales at Less Than Fair Value: Sebacic Acid from the People's Republic of China*, (59 FR 28053, May 31, 1994).

Absent evidence that a particular NME country government determines which of its factories shall produce for export to the United States, we intend, for purposes of the investigation from the PRC, to base FMV only on those factories that produced furfuryl alcohol sold to the United States during the period of investigation (POI).

In the course of this investigation, parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and granting of separate rates to individual exporters. See *Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the PRC* (59 FR 22585, May 2, 1994).

Petitioners based the factors of production on the production process used by PRC producers of the subject merchandise and valued these factors, where possible, on publicly available published information from the surrogate country, India. Where certain values were not available from Indian sources, petitioner has used values from Pakistan and Indonesia. These countries have been determined to be appropriate surrogates for the PRC. See November 29, 1993, memorandum from Rob Straw, Office of Policy to the File, *Antidumping Investigation of Paper Clips from the PRC*, A-570-826. For purposes of these initiations, we have accepted, pursuant to section 773 (c)(4) of the Act, petitioner's view that India, Pakistan, and Indonesia are appropriate surrogate countries.

Pursuant to section 773(c)(1) of the Act, petitioner determined FMV on the basis of the value of factors of production specified in section 773(c)(3) of the Act. These factors included materials, energy, labor costs and a percentage for factory overhead based on information from India. Petitioner then added the statutory minimum of ten percent for general expenses and eight percent for profit, as well as an amount for packing.

We disregarded certain factor values where the inputs were based on prices in the United States because (1) petitioner failed to follow the Department's established hierarchy regarding selection of surrogate countries for the PRC, with respect to factor valuation, and (2) petitioner

provided no basis for determining that United States values are representative of the appropriate surrogate country values.

Based on a comparison of USP to FMV, the recalculated dumping margins ranged from 225.42 percent to 320.69 percent.

South Africa

Petitioner based USP for South Africa on IM-145 data. Petitioner adjusted for foreign inland freight, ocean freight and marine insurance charges. Ocean freight and marine insurance charges were estimated by comparing per-unit U.S. IM-145 customs value import statistics to per-unit U.S. IM-145 CIF import statistics.

Petitioner based FMV on a domestic price quote from a producer of the subject merchandise in South Africa to a home market customer. An adjustment was made for foreign inland freight to arrive at an ex-factory price. Petitioner then added VAT to both the FMV and USP.

Based on a comparison of USP to FMV, the dumping margin alleged by petitioner is 68 percent.

Thailand

Petitioner based USP for Thailand on U.S. IM-145 Customs data. Petitioner adjusted for foreign inland freight, ocean freight and marine insurance charges. Petitioner calculated inland freight charges based on the distance from the Thai producer's plant to the port of export. Ocean freight and marine insurance charges were estimated by comparing per-unit U.S. IM-145 customs value import statistics to per-unit U.S. IM-145 CIF import statistics.

Petitioner based FMV on constructed value (CV) because it claimed that the Thai market was not viable and that home market and third country prices provided in the petition represented sales that were made below the cost of production (COP) and therefore were not appropriate bases for calculating FMV.

Petitioner provided a sales price from a Thai producer to a home market customer, and third country prices to Germany and the Netherlands, based on 1993 Thai export statistics to these countries. We did not use the Thai sales price to the home market customer because the source of the information could not be substantiated. Petitioner's claim that the home market is not viable is moot because they have been unable to obtain a substantiated home market sales price in Thailand. We rejected prices to third countries because these prices were found to be below COP, as described below.

Allegations of Home Market and Third Country Sales Below Cost of Production: Thailand

Petitioner alleged that a Thai producer is selling the subject merchandise in the home market at prices below its COP. This allegation is based on a comparison of a domestic price obtained in Thailand with the Thai producer's COP for the subject merchandise. Because the domestic sales price from Thailand is unsubstantiated, there is no need to address petitioner's home market COP allegation. See "Review of Estimated COP and Constructed Value for Furfuryl Alcohol Memorandum," dated June 17, 1994, which is on file in the Central Records Unit, at the Department of Commerce.

Petitioner also alleged that the Thai producer's sales prices to Germany and the Netherlands were also made at prices below COP. This allegation is based on a comparison of the third country prices to Germany and to the Netherlands (based on 1993 Thai export statistics to these countries) to the Thai producer's calculated COP. A comparison of prices to Germany and the Netherlands to the Thai producer's COP for the subject merchandise indicates sales below cost. If the Department determines after these initiations that the home market is not viable and the Department uses third country prices in Germany or the Netherlands for purposes of comparison to USP, we will initiate separate cost investigations at that time.

Therefore, for purposes of this initiation, in accordance with 773(e)(1) of the Act, we are accepting petitioner's estimate of CV as the only appropriate basis for FMV. Petitioners based CV on costs incurred by a Thai producer, and its own manufacturing experience adjusted for differences in costs between the United States and Thailand. An amount for selling, general and administrative expenses and the statutory minimum for profit were added to the cost of manufacturer. Petitioner added an amount for export packing to arrive a total CV.

Based on a comparison of USP to FMV, the recalculated dumping margin is 72.35 percent.

Fair Value Comparisons

Based on the data provided by the petitioner, there is reason to believe that imports to furfuryl alcohol from the PRC, the Republic of South Africa, and Thailand are being, or likely to be, sold at less than fair value. If it becomes necessary at a later date to consider the petition as a source of best information

available, we may review the calculations used to derive the allegations.

Initiation of Investigations

We have examined the petitions on furfuryl alcohol and have found that they meet the requirements of section 732(b) of the Act and 19 CFR 353.13(a). Therefore, we are initiating antidumping duty investigations to determine whether imports of furfuryl alcohol from the PRC, the Republic of South Africa, and Thailand are being, or are likely to be, sold in the United States at less than fair value. If these investigations proceed normally, we will make our preliminary determinations by November 7, 1994.

ITC Notification

Section 732(d) of the Act requires us to notify the ITC of these actions, and we have done so.

Preliminary Determination by the ITC

The ITC will determine by July 15, 1994, whether there is a reasonable indication that imports to furfuryl alcohol from the PRC, Thailand, and the Republic of South Africa are causing material injury, or threaten to cause material injury, to a U.S. industry. A negative ITC determination will result in the investigations being terminated; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act and 19 CFR 353.13(b).

Dated: June 20, 1994.

Susan G. Esserman,
Assistant Secretary for Import
Administration.

[FR Doc. 94-15535 Filed 6-24-94; 8:45 am]

BILLING CODE 3510-06-M

APPENDIX B
LIST OF PARTICIPANTS IN THE CONFERENCE

CALENDAR OF THE PUBLIC CONFERENCE

Subject: FURFURYL ALCOHOL FROM CHINA, SOUTH AFRICA, AND THAILAND, Investigations Nos. 731-TA-703, 704, and 705 (Preliminary)

Time and Date: June 21, 1994 - 9:30 a.m.

Those listed below appeared at the conference held in connection with these investigations in Courtroom B of the United States International Trade Commission, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Winthrop, Stimson, Putnam and Roberts
Washington, DC
On behalf of

QO Chemicals, Inc.
George T. Cassidy, Vice President-Marketing and Sales
George Everett, Technical Manager-Formulated Resins

Dr. William F. Finan, Economist, Horst, Frisch, Clowery and Finan

Jeffrey M. Lang, Esq.)
Mark A. Monborne, Esq.)--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:

Fulbright and Jaworski
Washington, DC
On behalf of

Illovo Sugar, Ltd.
Harborchem, Inc.
Stephen Maybaum, President and Chief Executive Officer

Dr. Seth T. Kaplan, Director of Economics, Trade Resources Company

Andrew Jaxa-Debicki, Esq.)
Matthew M. Nolan, Esq.)--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:

Willkie, Farr, and Gallagher
Washington, DC
On behalf of

Indo-Rama Chemicals (Thailand), Ltd.
Indo-Rama Chemicals (America), Inc.
Wayne Small, President

William H. Barringer, Esq.)
Nancy A. Fischer, Esq.)--OF COUNSEL

APPENDIX C
SUMMARY DATA

Table C-1

Furfuryl alcohol: Summary data concerning the U.S. market, 1991-93, Jan.-Mar. 1993, and Jan.-Mar. 1994

* * * * *

APPENDIX D

**COMMENTS RECEIVED FROM U.S. PRODUCERS
ON THE IMPACT OF IMPORTS OF FURFURYL ALCOHOL
FROM CHINA, SOUTH AFRICA, AND THAILAND ON THEIR
GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL,
AND/OR EXISTING DEVELOPMENT AND PRODUCTION EFFORTS**

* * * * *

