

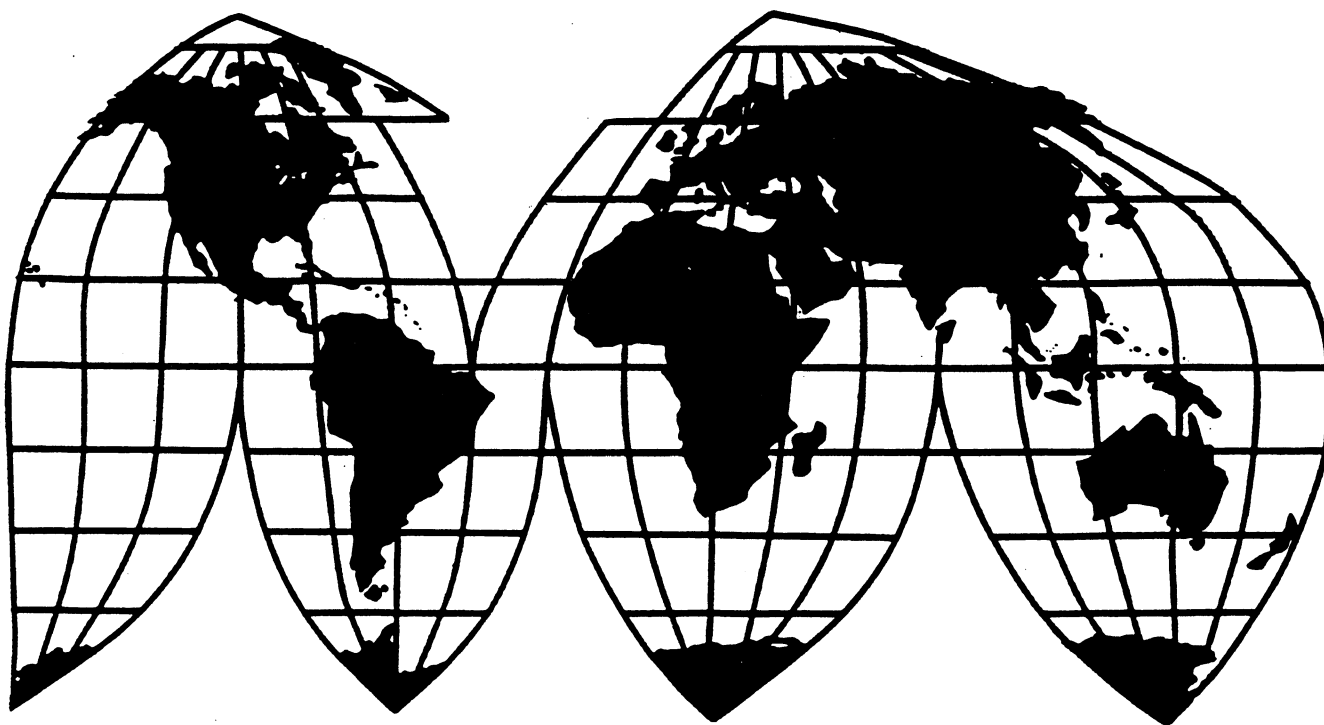
Furfuryl Alcohol from the People's Republic of China and South Africa

Investigations Nos. 731-TA-703 and 704 (Final)

Publication 2897

June 1995

U.S. International Trade Commission



U.S. International Trade Commission

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Furfuryl Alcohol from the People's Republic of China and South Africa



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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

GLOSSARY OF ABBREVIATIONS

(In order of appearance in this report)

Name/agency/phrase	Abbreviation
U.S. International Trade Commission	Commission
U.S. Department of Commerce	Commerce
<i>Federal Register</i>	FR
Less Than Fair Value	LTFV
Tariff Act of 1930.....	The Act
QO Chemicals, Inc.	QO
Advanced Resin Systems, Inc.	ARS
Illovo Sugar Ltd.	Illovo
Indo-Rama Chemicals (Thailand)	Indo-Rama (Thailand)
Celsius	°C
Fahrenheit.....	°F
<i>Harmonized Tariff Schedule of the United States</i>	HTS
Generalized System of Preferences	GSP
Selling, general and administrative expenses	SG&A expenses
Transcript of the Commission's Conference.....	Conference TR
Harborchem, Inc.....	Harborchem
Indo-Rama Chemicals (America).....	Indo-Rama
[Ashland Chemical Company.	Ashland]
[Borden, Inc.....	Borden]
[Delta Resins & Refractories, Inc.	Delta]
[Capital Resin Corporation.....	Capital Resin]

FURFURYL ALCOHOL FROM
CHINA AND SOUTH AFRICA

INVS NOS. 731-TA-703-704 (FINAL)

PART I

DETERMINATIONS AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-703-704 (Final)

FURFURYL ALCOHOL FROM CHINA AND SOUTH AFRICA

Determinations

On the basis of the record¹ developed in the subject investigations, the Commission determines, pursuant to section 735(b) of the Tariff Act of 1930 (the Act),² that an industry in the United States is materially injured by reason of imports from China and South Africa of furfuryl alcohol,³ that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted these investigations effective December 16, 1994, following preliminary determinations by the Department of Commerce that imports of furfuryl alcohol from China and South Africa were being sold at LTFV within the meaning of section 733(b) of the Act.⁴ Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of January 19, 1995.⁵ The hearing was held in Washington, DC, on May 3, 1995, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

² 19 U.S.C. § 1673d(b).

³ Furfuryl alcohol ($C_4H_5OCH_2OH$), also called furyl carbinol, is a primary alcohol that is colorless or pale yellow in appearance. It is used in the manufacture of resins and as a wetting agent and solvent for coating resins, nitrocellulose, cellulose acetate, and other soluble dyes. It is classifiable under subheading 2932.13.00 of the Harmonized Tariff Schedule of the United States (HTS). The chemical has an assigned Chemical Abstracts Service registry number of CAS 98-00-0.

⁴ 19 U.S.C. § 1673b(b).

⁵ 60 FR 3874.

VIEWS OF THE COMMISSION

Based on the record in these final investigations, we find that an industry in the United States is materially injured by reason of imports of furfuryl alcohol from the People's Republic of China ("China") and South Africa that are sold in the United States at less than fair value ("LTFV").¹

I. DEFINITION OF LIKE PRODUCT AND DOMESTIC INDUSTRY

A. Like Product

To determine whether an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission must first define the "like product" and the "domestic industry."² Section 771(4)(A) of the Tariff Act of 1930 ("the Act"), as amended, 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. . . ."³ In turn, the statute 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. . . ."⁴ Our decision regarding the appropriate like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.⁵ No single factor is dispositive, and the Commission may

¹ The petition also alleged material injury, or the threat of material injury, by reason of LTFV imports of furfuryl alcohol from Thailand. Commerce made a negative preliminary determination with respect to Thailand and then made an affirmative final determination. Pursuant to 19 U.S.C. § 1673d(b)(3), the Commission's final determination in that investigation shall be made within 75 days after Commerce's affirmative final determination. Accordingly, we will make our determination with respect to Thailand on or before July 18, 1995.

The petition in these investigations was filed prior to the effective date of the Uruguay Round Agreements Act ("URAA"). These investigations, thus, remain subject to the substantive and procedural rules of the pre-existing law. See P.L. 103-465, approved Dec. 8, 1994, 108 Stat. 4809, at § 291.

Whether the establishment of an industry in the United States is materially retarded is not an issue in these investigations.

² 19 U.S.C. § 1677(4)(A).

³ 19 U.S.C. § 1677(4)(A).

⁴ 19 U.S.C. § 1677(10).

⁵ See, e.g., Nippon Steel Corp. v. United States, Slip Op. 95-57 at 11 (Ct. Int'l Trade, Apr. 3, 1995); 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) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). In analyzing like product issues, the Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Calabrian Corp. v. United States, 794 F. Supp. 377, 382 n.4 (Ct. Int'l Trade 1992); Torrington, 747 F. (continued...)

consider other factors relevant to a particular investigation. The Commission looks for clear dividing lines among possible like products, and disregards minor variations.⁶

The imported article subject to these investigations is furfuryl alcohol ($C_4H_3OCH_2OH$). Furfuryl alcohol is a primary alcohol, and is colorless or pale yellow in appearance. It is used in the manufacture of resins and as a wetting agent and solvent for coating resins, nitrocellulose, cellulose acetate, and other soluble dyes.⁷

Furfuryl alcohol is a colorless to light-yellow, mobile liquid, which becomes brown to dark-red upon exposure to light and air.⁸ Furfuryl alcohol is produced by the addition of hydrogen to the precursor chemical, furfural.⁹ While there are two methods of commercial production for furfuryl alcohol, nearly all of the principal manufacturers use the vapor phase method of production.¹⁰ However, regardless of the method used for production, the final product marketed by all world producers is a fungible commodity 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 as a monomer in the production of furan resins.¹² There are no substitutes for furfuryl alcohol in the production of furan resins¹³ or as an intermediate in the production

⁵(...continued)

Supp. at 749. E.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

⁶ Torrington, 747 F. Supp. at 748-49.

⁷ See Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol from the People's Republic of China, 60 Fed. Reg. 22544 (May 8, 1995); see also notice for South Africa, 60 Fed. Reg. 22550. Confidential Report ("CR") at B-7; Public Report ("PR") at B-7.

⁸ CR at II-4, PR at II-4.

⁹ CR at II-4, PR at II-4. Producers of furfuryl alcohol are either back-integrated to the production of furfural, or purchase furfural from open market sources, or both. Id. at II-5 and II-6. 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. Furfural is also the feedstock chemical for the production of other chemical products and specialty lubricants in addition to furfuryl alcohol. Id. at II-4 n.3. According to petitioner, approximately 37 percent of the furfural produced in the United States is used to make furfuryl alcohol. Petition at 2, n.1.

¹⁰ CR at II-5 and II-6, PR at II-5. The Chinese producers use the older liquid phase method of production. Id.

¹¹ CR at II-5, PR at II-5.

¹² CR at II-7-II-10, PR at II-6 and II-7. Furan resins are principally used in foundries, as the binder for heat-resistant sand cores used as casting molds. They also are used as binders in corrosion resistant cements, and in the production of fiber-reinforced plastics and low fire-hazard foams. There are three types of furan no-bake resins -- hot-box resins, warm-box resins, and cold-box resins -- which are considered energy-efficient in the foundry industry because they set without the application of external heat.

¹³ However, other resins compete with furan resins in certain foundry uses. CR at II-7, n.8, PR at II-6, n.8.

of other specialty chemicals.¹⁴ Other than product internally consumed by petitioner, virtually all sales of furfuryl alcohol in the U.S. market are to end users, primarily producers of furan resins.¹⁵

In the preliminary investigation, we defined a single like product, furfuryl alcohol, based on evidence regarding the physical characteristics, uses, channels of distribution, manufacturing processes and customer and producer perceptions of furfuryl alcohol.¹⁶ No new evidence exists that leads us to alter our determination in these final investigations. Moreover, no party has objected in these final investigations to that definition of the like product.¹⁷

Accordingly, we again determine that the like product in these investigations is furfuryl alcohol.

B. Domestic Industry

Based on the definition of the like product in these investigations, the domestic industry is comprised of the domestic producers of furfuryl alcohol. The only current domestic producer of furfuryl alcohol is petitioner, QO Chemicals, Inc. ("QO").¹⁸ QO captively consumes a portion of its domestic production of FA.¹⁹ In considering the effect of the imports on the domestic industry, the Commission includes all domestic production, whether toll-produced, captively consumed, or sold in the merchant market, within the domestic industry. One other company, Advanced Resin Systems, Inc. ("ARS"), produced furfuryl

¹⁴ CR at II-7, PR at II-6.

¹⁵ CR at II-19, PR at II-15.

¹⁶ Furfuryl Alcohol from China, South Africa, and Thailand, Inv. Nos. 731-TA-703-705 (Preliminary), USITC Pub. 2797 at I-6 (July 1994).

¹⁷ Petitioner's Prehearing Brief at 1 and 2. See also Preliminary Conference Transcript at 57. Respondents do raise various arguments concerning competition in the downstream foundry resins market, and the price of the upstream chemical furfural. However, these arguments do not suggest that a different like product would be appropriate.

¹⁸ CR at II-15, PR at II-13.

¹⁹ During the period of investigation, QO captively consumed the following percentages of its U.S. shipments of FA to produce derivative products: *** Table D-2, CR at D-4 and II-15, n.14, PR at D-4 and II-13, n.14. The Commission has noted in captive production cases that imports under investigation may not affect merchant market and captive production the same way, and has sometimes focused its attention on the merchant market segment of the industry in evaluating whether the imports are materially injuring the domestic industry. See United States Steel Group v. United States, Slip Op. 94-201 at 16 (Ct. Int'l Trade, December 30, 1994), aff'g, Certain Flat-Rolled Carbon Steel Products from Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom, Inv. Nos. 701-TA-319-332, 334, 336-342, 344, and 347-353 and 731-TA-573-579, 581-592, 594-597, 599-609, and 612-619 (Final), USITC Pub. 2664 at 15, 17, 22 and 23 (Aug. 1993) ("Certain Flat-Rolled Steel").

alcohol under a toll arrangement from June 1990 through November 1992.²⁰ Thus, during that period, ARS also would be part of the domestic industry producing furfuryl alcohol.

C. Related Party

The related parties provision, 19 U.S.C. § 1677(4)(B), allows the Commission to exclude certain domestic producers from the domestic industry for purposes of an injury determination. The Commission must first determine whether the domestic producer meets the definition of a related party.²¹ If a producer is a related party, the Commission may exclude such producer from the domestic industry if "appropriate circumstances" exist.²² Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case.²³

In these investigations, one domestic producer, ARS, imported furfuryl alcohol from

²⁰ CR at II-16, PR at II-13.

²¹ A domestic producer is a related party if it is either related to the exporters or importers of LTFV merchandise, or is itself an importer of the subject merchandise. 19 U.S.C. § 1677(4)(B).

²² 19 U.S.C. § 1677(4)(B). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and
- (3) the position of the related producer vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered whether a company's books are kept separately from its "relations" and whether the primary interests of the related producer lie in domestic production or in importation. See, e.g., Certain Carbon Steel Butt-Weld Pipe Fittings from France, India, Israel, Malaysia, the Republic of Korea, Thailand, the United Kingdom, and Venezuela, Inv. Nos. 701-TA-360 and 361, 731-TA-688-695 (Final), USITC Pub. 2870 at I-18 (April 1995).

²³ Torrington v. United States, 790 F. Supp. at 1168 (Ct. Int'l Trade 1992); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

China during the period of investigation²⁴ and, therefore, is a related party.^{25,26} ARS accounted for less than *** of total U.S. production of furfuryl alcohol in the one year, 1992, during the period of investigation that it produced the subject product.²⁷ ARS began importing from China ***.²⁸ From 1992 to 1994, ARS accounted for *** of imports of furfuryl alcohol from China.²⁹ It appears that ARS imported from China after ceasing its domestic production ***³⁰ and that ARS' primary interest in the furfuryl alcohol market lies in importation rather than domestic production.³¹ ARS provided only limited financial data, making it unlikely that inclusion or exclusion of ARS would skew the financial data.³²

For the above reasons, we find that appropriate circumstances exist in these investigations to exclude ARS from the domestic industry as a related party.³³ Accordingly, the domestic industry is comprised of QO Chemicals.

II. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether the domestic industry is materially injured or threatened with material injury by reason of LTFV imports, we consider all relevant economic factors that bear on the state of the industry in the United States.³⁴ 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 dispositive and all relevant factors are considered "within the context of the

²⁴ CR at II-17 and II-18, PR at II-14.

²⁵ The issue of whether ARS is a related party was not addressed in the preliminary investigations. Petitioner, however, argued in the final investigations that ARS is a related party and should be excluded from the domestic industry. Petitioner's Posthearing Brief, Appendix H at 1.

²⁶ Commissioner Newquist notes that the statute requires that, in order to be "related," the party must be a "producer." Here, it appears that ARS did not begin importing the subject merchandise until after it ceased domestic production. Thus, in his view, interpretation of the statute as written leads to the conclusion that ARS is not a related party. He further notes, however, that whether ARS's data are included or excluded is not dispositive in the determination that the domestic industry is materially injured by reason of the subject imports. Accordingly, for purposes of unanimity, Commissioner Newquist does join the following discussion.

²⁷ Appendix D-1, CR at D-3, PR at D-3.

²⁸ CR at II-16, PR at II-13.

²⁹ CR at II-17 and II-18, PR at II-14.

³⁰ CR at II-16, PR at II-13. ARS indicated in its questionnaire response that *** *Id.*

³¹ ARS imported *** from China from 1992 to 1994 and had domestically produced through a toll arrangement a total of *** during the same period. CR at II-17, Table 16 at II-44, and Table D-1 at D-3; PR at II-14, II-29, and D-3.

³² CR at II-26, n.28, PR at II-18, n.28.

³³ We note that whether ARS is included or excluded from the domestic industry is not dispositive in our affirmative determinations in these final investigations.

³⁴ 19 U.S.C. § 1677(7)(C)(iii).

business cycle and conditions of competition that are distinctive to the affected industry."³⁵

We note certain conditions of competition pertinent to our analysis of the domestic furfuryl alcohol industry.³⁶ First, furfuryl alcohol is a fungible commodity.³⁷ Second, there are relatively few suppliers as well as purchasers of furfuryl alcohol in the market.³⁸ The commodity nature of the product and the concentration of the market make pricing an important consideration. Because purchasers buy large volumes of furfuryl alcohol annually, ranging from hundreds of thousands to millions of pounds, a price differential of as little as one cent per pound can be the deciding factor in their purchasing decisions.³⁹ Third, furfuryl alcohol primarily is used in the production of furan resins,⁴⁰ which are used as binders for sand cores in the foundry industry.⁴¹ There are no known substitutes for furfuryl alcohol in the production of furan resins.⁴² Therefore, demand for furfuryl alcohol is dependent on the demand for foundry products that utilize furan resin binders.⁴³ Over the period of investigation, U.S. demand for furfuryl alcohol increased, largely due to increased production in the U.S. steel industry.⁴⁴

Apparent U.S. consumption of furfuryl alcohol increased during each year of the period of investigation, with the largest increase occurring from 1993 to 1994.⁴⁵ The value of apparent U.S. consumption, however, followed an opposite pattern, with the largest decrease occurring from 1993 to 1994.⁴⁶

The domestic industry's U.S. shipments of furfuryl alcohol decreased substantially during the period of investigation, with the largest part of the decrease occurring from 1992 to

³⁵ 19 U.S.C. § 1677(7)(C)(iii). The issue of a business cycle was not addressed by parties and there is no evidence of a business cycle distinctive to the domestic industry.

³⁶ See Petitioner's Prehearing Brief at 3.

³⁷ CR at II-5, PR at II-5.

³⁸ Supply of furfuryl alcohol is provided by one domestic producer and three primary sources of foreign supply. Furfuryl alcohol is purchased by fewer than 20 firms, with *** of such purchases in 1994. CR at II-52 and II-53; PR at II-33 and II-34.

³⁹ CR at II-53, PR at II-34.

⁴⁰ Furan resins account for more than 90 percent of the annual domestic consumption of furfuryl alcohol. Other uses for furfuryl alcohol include: copolymer resins, fiber-reinforced plastic, low fire-hazard foams, and corrosion-resistant cements. CR at II-7, PR at II-6.

⁴¹ CR at II-7-II-10, PR at II-6 and II-7.

⁴² CR at II-7, PR at II-6.

⁴³ Respondents argued that competition among downstream foundry resin systems have affected demand for furfuryl alcohol. Respondent's (South Africa) Prehearing Brief at 9 and 10; Respondents' (China) Posthearing Brief at 2-6. See Economic Memorandum, EC-S-059 at 10, dated June 1, 1995 ("EC-S-059").

⁴⁴ EC-S-059 at 10.

⁴⁵ Apparent U.S. consumption *** from 1992 to 1993 and by *** from 1993 to 1994, for an overall ***. Table 1, CR at II-13, PR at II-11.

⁴⁶ Table 1, CR at II-13, PR at II-11. The value of apparent U.S. consumption *** from 1992 to 1993, and by *** from 1993 to 1994, for an overall *** during the period of investigation.

1993.⁴⁷ While the total value of the domestic industry's U.S. shipments followed the same pattern, the decrease in value outpaced the decrease in volume during the 1992-1994 period.⁴⁸ The domestic industry's share of the U.S. market for furfuryl alcohol also declined substantially from 1992 to 1994.⁴⁹

The domestic industry's capacity to produce furfuryl alcohol remained constant during the period of investigation.⁵⁰ However, both production volume and capacity utilization of the industry dropped during the period of investigation, with the largest decreases occurring from 1993 to 1994.⁵¹ The year-end inventories held by the domestic industry fluctuated between years, with an overall decline from 1992 to 1994; as a percentage of shipments, inventories also fluctuated between years, but increased over the period of investigation.⁵²

The number of production workers, hours worked, total compensation, and productivity declined throughout the period of investigation.⁵³ Hourly total compensation and unit labor costs, however, increased during the period of investigation.⁵⁴

The financial performance indicators for the domestic furfuryl alcohol industry declined throughout the period of investigation. The domestic industry experienced decreases in net sales by both quantity and value from 1992 to 1994,⁵⁵ despite the increase in U.S. consumption by quantity for the same period. Gross profit and operating income declined

⁴⁷ Table 1, CR at II-13, PR at II-11; Table D-2, CR at D-4, PR at D-3. The domestic industry's U.S. shipments by quantity *** from 1992 to 1993 and by *** from 1993 to 1994, for an overall *** during the period of investigation.

⁴⁸ Table 1, CR at II-13, PR at II-11; Table D-2, CR at D-4, PR at D-3. The value of the domestic producer's U.S. shipments *** from 1992 to 1993 and by *** from 1993 to 1994, for an overall *** during the period of investigation. The unit value of domestic industry shipments *** from 1992 to 1993, but *** from 1993 to 1994, for an overall *** from 1992 to 1994.

⁴⁹ Tables 17 and D-2, CR at II-49 and D-4, PR at II-32 and D-3. The domestic industry's share of total apparent consumption by quantity was *** in 1992, *** in 1993 and *** in 1994, for an overall ***; the domestic industry's share of the U.S. market by value was *** in 1992, *** in 1993 and *** in 1994, for an overall ***.

⁵⁰ CR at II-20, PR at II-16. Furfuryl alcohol production capacity remained at *** from 1992 to 1994.

⁵¹ Tables 2 and D-1, CR at II-21 and D-3, PR at II-16 and D-3. Production volumes *** from 1992 to 1993 and by *** from 1993 to 1994, for an overall *** during the period of investigation. Capacity utilization *** in 1994.

⁵² Tables 4 and D-3, CR at II-24 and D-6, PR at II-17 and D-3. Year-end inventories held by the domestic producer *** from 1992 to 1993 and *** from 1993 to 1994, for an overall *** during the period of investigation. Domestic inventories as a percentage of U.S. shipments *** in 1994; as a share of U.S. production, inventories *** in 1994.

⁵³ The number of production workers decreased from *** in 1994. Hours worked decreased from *** in 1994. Total compensation decreased consistently during the period of investigation, from *** over the period. Productivity declined from *** in 1994. Table 5, CR at II-25, PR at II-18.

⁵⁴ Table 5, CR at II-25, PR at II-18. Hourly total compensation *** during the period.

⁵⁵ The domestic industry's net sales by quantity *** from 1992 to 1993 and by *** from 1993 to 1994, for an overall *** for the period of investigation. Net sales by value *** even further, *** from 1992 to 1993 and *** from 1993 to 1994, for an overall ***. Table 7, CR at II-29, PR at II-20.

substantially from 1992 to 1994,⁵⁶ with ***.⁵⁷ Decreases in sales values outpaced decreases in production and selling costs.⁵⁸ Moreover, an increase in the domestic industry's unit COGS exceeded the decrease in the domestic industry's unit sales value, *** on a per-pound basis in 1994.⁵⁹ The industry's unit SG&A expenses *** from 1992 to 1993, but *** in 1994 to the ***.⁶⁰

Capital expenditures by the domestic furfuryl alcohol industry fluctuated between years with a decrease from 1992 to 1994.⁶¹ Research and development expenditures by the domestic industry declined steadily over the period of investigation.^{62 63}

III. CUMULATION

In determining whether there is material injury by reason of less than fair value (LTFV) imports, the Commission is required to assess cumulatively the volume and price effects of imports from two or more countries of articles subject to investigation if such imports compete with one another and with the domestic like product in the United States market.⁶⁴ Cumulation is not required, however, when imports from a subject country are negligible and have no discernible adverse impact on the domestic industry.⁶⁵

⁵⁶ Table 7, CR at II-29, CR at II-20. The domestic industry's gross profits *** from 1992 to 1993 and by *** from 1993 to 1994, for an overall *** during the period. The domestic industry's operating income *** from 1992 to 1993, and by *** from 1993 to 1994, for an overall *** during the period of investigation.

⁵⁷ Gross *** in 1994. Moreover, operating *** in 1994. Table 7, CR at II-29, PR at II-20.

⁵⁸ Table 7, CR at II-29, PR at II-20. Thus, as a share of net sales, the domestic industry's cost of goods sold (COGS) and selling, general, and administrative (SG&A) expenses increased from 1992 to 1994. The domestic industry's COGS as a share of net sales was *** in 1992, *** in 1993, and *** in 1994. The domestic industry's SG&A expense as a share of net sales was *** in 1992, *** in 1993, and *** in 1994.

⁵⁹ The domestic industry's unit COGS increased from *** in 1992 to *** in 1994, for an *** for the period. The domestic industry's unit sales value decreased from *** in 1992 to *** in 1994, for a *** from 1992 to 1994. Table 8, CR at II-31, PR at II-20.

⁶⁰ Table 8, CR at II-31, PR at A-II-20. The domestic industry's unit SG&A expenses *** from 1992 to 1994. Table A-1, CR at A-5, PR at A-3.

⁶¹ Table 10, CR at II-34, PR at II-22. Capital expenditures *** from 1992 to 1993 and then *** from 1993 to 1994, for an overall *** from 1992 to 1994.

⁶² Table 11, CR at II-34, PR at II-22. Research and development expenditures *** from 1992 to 1993 and by *** from 1993 to 1994, for an overall *** during the period of investigation.

⁶³ Based on examination of the relevant statutory factors, Commissioner Rohr and Commissioner Newquist conclude that the domestic furfuryl alcohol industry is experiencing material injury.

⁶⁴ 19 U.S.C. § 1677(7)(C)(iv); Chaparral Steel Co. v. United States, 901 F.2d 1097, 1105 (Fed. Cir. 1990).

⁶⁵ 19 U.S.C. § 1677(7)(C)(v).

Imports of furfuryl alcohol from Thailand, as well as from China and South Africa, are subject to investigation.⁶⁶ We determine that there is a reasonable overlap of competition between the subject imports and the domestic like product, as well as between the Chinese, South African, and Thai products. We further determine that none of the subject imports are negligible.

A. Competition Among the Imports and Between the Imports and the Like Product

In assessing whether 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.⁶⁷

While no single factor is determinative, and the list of factors is not exclusive, these factors provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.⁶⁸ Only a "reasonable overlap" of competition is required.⁶⁹

While the parties appear to be in agreement that furfuryl alcohol is a fungible commodity,⁷⁰ the respondents allege that subject imports from China are, or are perceived to be, of inconsistent quality, and, thus, do not compete with South African and Thai

⁶⁶ As noted above, Commerce made a negative preliminary determination with respect to Thailand and then made an affirmative final determination. We shall make our determination with respect to imports of furfuryl alcohol from Thailand on or before July 18, 1995.

⁶⁷ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), *aff'd*, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), *aff'd*, 859 F.2d 915 (Fed. Cir. 1988).

⁶⁸ See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

⁶⁹ See e.g., United States Steel Group v. United States, Slip Op. 94-201 (Ct. Int'l Trade Dec. 30, 1994).

⁷⁰ Furfuryl alcohol marketed by all world producers is a fungible commodity chemical. CR at II-5, PR at II-5. Respondents have not argued 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.

product.⁷¹ Respondents also allege that the Chinese product does not compete with other subject imports because of captive consumption of ***.⁷² The parties did not dispute that subject imports and the domestic product compete or that South African and Thai imports compete with one another.⁷³

The majority of producer and importer questionnaire responses reported that quality differences between the U.S. produced and imported Chinese, South African, and Thai furfuryl alcohol are not significant.⁷⁴ Moreover, 11 of the 12 responding purchasers reported no significant differences among the furfuryl alcohol that they purchased from various suppliers.⁷⁵

The record indicates that both the domestic and imported products compete directly for sales in the same geographic markets.⁷⁶ Seven of 10 responding purchasers reported that there were no suppliers from which their firms would not purchase furfuryl alcohol because of inferior quality or other reasons.⁷⁷ Moreover, respondents' argument that Chinese product does not compete with other subject imports due to captive consumption *** is incorrect. There has been an overlap of competition for *** between Chinese and South African imports in 1994, and between the domestic product and those subject imports in 1993.⁷⁸ Moreover, ***
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The domestic and imported products share similar channels of distribution since sales are made almost exclusively to end users, almost all of which are producers of foundry resins.⁸¹ Both the domestic and the imported product from South Africa were present in the market

⁷¹ Respondents' (China) Posthearing Brief at 9 and 10; Respondent's (South Africa) Posthearing Brief at 7 and 8; Respondents' (Thailand) Postconference Brief at 7 and 8. Compare Petitioner's Prehearing Brief at 9-12.

⁷² Respondents' (China) Posthearing Brief at 10; Respondent's (South Africa) Posthearing Brief at 8.

⁷³ See generally, Respondents' Briefs and Preliminary Conference Transcript at 80 and 81.

⁷⁴ CR at II-55, PR at II-35. *** Id. *** CR at II-55, n.68, PR at II-35, n.68.

⁷⁵ CR at II-55, PR at II-35. In comparing the domestic product to subject imports, purchasers responded by country as follows: *** Id.

⁷⁶ CR at II-52 and II-53, PR at II-34. Of the 14 purchasers responding to the Commission questionnaires, 11 indicated that they had purchased from *** CR at II-52, n.59, PR at II-52, n.59. Given the concentrated nature of the furfuryl alcohol market, purchasers are able to solicit price quotations from virtually all of the suppliers to the furfuryl alcohol market and make their decisions based on the quotes received. CR at II-53, PR at II-53; see also Purchasers' Questionnaire responses to question IV.11.

⁷⁷ *** CR at II-55 and II-56, PR at II-35.

⁷⁸ CR at II-54, PR at II-34. In 1994, ***. In 1993, *** Prior to 1993, *** Id.

⁷⁹ In 1994, *** CR at II-53 and n.64, PR at II-34 and n.64.

⁸⁰ CR at II-54, PR at II-34. *** Id.

⁸¹ CR at II-19 and II-53, PR at II-15 and II-34. The bulk of furfuryl alcohol is sold to a very limited number of users (fewer than 20) with *** accounting for *** of total furfuryl alcohol purchases in 1994. CR at II-19, PR at II-15.

throughout the period of investigation.⁸² Imports of furfuryl alcohol from China and Thailand, while *** were consistently present in the U.S. market *** for China and the *** for Thailand.⁸³

For the above reasons, we find that there is a reasonable overlap of competition among subject imports from China, South Africa and Thailand, as well as between subject imports and the domestic like product.

B. Negligible Imports Exception

The Act provides that the Commission is not required to cumulate imports from a particular country if it determines that imports of the subject merchandise from that country "are negligible and have no discernable adverse impact on the domestic industry."⁸⁴

None of the parties offered any argument regarding negligibility, nor do the facts warrant a negligibility finding for imports from any of the three countries subject to investigation. In 1994, the market shares and absolute volumes and values of imports from China, South Africa and Thailand were at levels well above those that the Commission has considered to be negligible in prior investigations.⁸⁵ Imports from China, South Africa and Thailand were not isolated and sporadic and were present in the U.S. market for most of the period of investigation.⁸⁶ Subject imports were sold throughout the United States, as was the domestic product.⁸⁷ Accordingly, we find that neither the imports from China, the imports from South Africa, nor the imports from Thailand are negligible.

In view of the above, we determine to assess cumulatively the volume and price effects of imports from China, South Africa and Thailand.

IV. MATERIAL INJURY BY REASON OF LTFV IMPORTS

In final antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the imports subject to investigation that Commerce has determined to be sold at LTFV.⁸⁸ In making this

⁸² Tables 18 and 19, CR at II-59 and II-62, PR at II-37 and II-38.

⁸³ Tables 18 and 19, CR at II-59 and II-62, PR at II-37 and II-38.

⁸⁴ 19 U.S.C. § 1677(7)(C)(v).

⁸⁵ Table 17, CR at II-49, PR at II-32. Imports of furfuryl alcohol from China, as a share of the quantity of U.S. consumption, were *** in 1992, *** in 1993, and *** in 1994. Imports of furfuryl alcohol from South Africa, as a share of the quantity of U.S. consumption, were *** in 1992, *** in 1993, and *** in 1994. Imports of furfuryl alcohol from Thailand, as a share of the quantity of U.S. consumption, were *** in 1992, *** in 1993, and *** in 1994. *Id.*

⁸⁶ CR at II-18 and II-19; Tables 18 and 19, CR at II-59 and II-62, PR at II-37 and II-38.

⁸⁷ CR at II-18, II-19, and II-53, PR at II-14, II-15, and II-33.

⁸⁸ 19 U.S.C. § 1673d(b). The statute defines "material injury" as "harm which is not
(continued...)

determination, 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, but only in the context of U.S. production operations.⁸⁹ Although the Commission may consider alternative causes of injury to the domestic industry other than the LTFV imports, it is not to weigh causes.^{90 91 92 93}

⁸⁸(...continued)

inconsequential, immaterial or unimportant." 19 U.S.C. § 1677(7)(A).

⁸⁹ 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

⁹⁰ See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988). Alternative causes may include the following:

[T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

⁹¹ For Chairman Watson's interpretation of the statutory requirement regarding causation, see Certain Calcium Aluminate Cement Clinker from France, Inv. No. 731-TA-645 (Final), USITC Pub. 2772 at I-14 n.68 (May 1994).

⁹² Commissioner Rohr and Commissioner Newquist further 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, at 57, 74. Rather, a finding that imports are a cause of material injury is sufficient. See e.g., Metallwerken Nederland B.V. v. United States, 728 F. Supp. 730, 741 (CIT 1989); Citrosuco Paulista, 704 F. Supp. at 1101.

⁹³ Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the LTFV imports. She finds that the clear meaning of the statute is to require a determination of 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 are 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 75. However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. *Id.* at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the 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 allegedly subsidized and 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).

For the reasons discussed below, we find that the domestic industry producing furfuryl alcohol is materially injured by reason of cumulated LTFV imports from China and South Africa.

A. Volume of Imports

The volume and market share of cumulated subject imports increased substantially throughout the period of investigation.⁹⁴ Increases in the volume of cumulated imports significantly outpaced the increase in demand for furfuryl alcohol.⁹⁵ Thus, cumulated imports captured a substantially increasing share of the U.S. market by quantity and by value over the period of investigation, primarily at the expense of the domestic industry.⁹⁶

Based on the foregoing, we conclude that the volume of cumulated subject imports and their market share, as well as the increases in those imports, are significant.

B. Price Effects of Imports

Evidence on the record indicates that subject imports and the domestic like product are generally interchangeable and serve as good substitutes.⁹⁷ Producers, importers, and purchasers generally considered the domestic product and the subject imports to be comparable with regard to most factors, such as product quality and availability.⁹⁸

Price, therefore, is an important factor in the purchasing decisions for this fungible commodity. More than two-thirds of the purchasers responding to the Commission's questionnaire ranked price as one of the three most important factors in their furfuryl alcohol purchasing decisions.⁹⁹

⁹⁴ Subject imports of furfuryl alcohol by quantity were *** pounds in 1992, *** pounds in 1993, and 13.52 million pounds in 1994. Increases in subject imports of furfuryl alcohol by value followed a similar overall trend. Table 16, CR at II-44, PR at II-29.

⁹⁵ Apparent U.S. consumption by quantity ***. Table A-1, CR at A-3, PR at A-3. In contrast, cumulated imports of furfuryl alcohol by quantity ***. *Id.*

⁹⁶ The market share held by cumulated subject imports by quantity was: *** in 1992; *** in 1993; and *** in 1994. Market share by value for subject imports was: *** in 1992; *** in 1993; and *** in 1994. Table 17, CR at II-49, PR at II-32. The U.S. market share held by the domestic industry, by quantity, was: *** in 1992; *** in 1993; and *** in 1994. The domestic industry's market share by value was: *** in 1992; *** in 1993; and *** in 1994. Non-subject imports by quantity accounted for a minor share of the market, ranging from *** in 1994. Tables 1 and D-2, CR at II-13 and D-4, PR at II-11 and D-3.

⁹⁷ CR at II-5, PR at II-5; EC-S-059 at 33.

⁹⁸ CR at II-55 - II-57, PR at II-35 and II-36.

⁹⁹ EC-S-059 at 19. *** purchasers responding to the Commission's questionnaire ranked price as one of the three most important factors in their furfuryl alcohol purchasing decisions, with *** respondents ranking price as the second most important factor. Quality was ranked the most important factor by the largest number of purchasers, ***. Eleven of the 12 responding purchasers, however, reported that there were no significant differences among the furfuryl alcohol that they
(continued...)

The small number of suppliers of furfuryl alcohol (one domestic producer and three primary foreign suppliers) allows purchasers to solicit price quotations from all suppliers and in some cases negotiate for better prices after initial quotations have been received.¹⁰⁰ Moreover, while contracts usually are one year in duration, ***.¹⁰¹ Thus, for the major purchasers that buy large volumes annually, a price differential of as little as one cent per pound can affect their purchasing decisions.¹⁰²

The pricing information in the record demonstrates that cumulated subject imports have suppressed or depressed prices in the domestic industry to a significant degree. Prices of both the subject imports and the domestic product generally declined over the period of investigation.^{103 104} The domestic industry's ***¹⁰⁵ supporting petitioner's contention that it was forced to reduce prices as a defensive measure to retain market share.¹⁰⁶ Further supporting this argument is the fact that prices for the domestic product and subject imports generally were within a narrow range.¹⁰⁷

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purchased from various suppliers. CR at II-55, PR at II-35.

¹⁰⁰ CR at II-53, PR at II-34.

¹⁰¹ CR at II-52, PR at II-34. According to ***. *Id.* According to the *** *Id.* at n.61.

¹⁰² CR at II-53, PR at II-34.

¹⁰³ Weighted-average prices reported by purchasers for subject imports from China, South Africa, and Thailand were ***, respectively, in the fourth quarter of 1994 than in their first quarter in the U.S. market during the period of investigation. Table 19, CR at II-62, PR at II-38. Weighted-average prices reported by producers and importers for subject imports from South Africa and Thailand were ***, in the fourth quarter of 1994 compared to their first quarter in the U.S. market. Table 18, CR at II-59, PR at II-37.

Weighted-average prices for the domestic product reported by purchasers and by the U.S. producer were ***, respectively in the fourth quarter of 1994 than in the first quarter of 1992. CR at II-57 and II-61, PR at II-38.

¹⁰⁴ While prices for furfural, the primary raw material for production of furfuryl alcohol, also declined over the period of investigation, evidence in the record demonstrates that the decline in furfural prices was outpaced by the rate of decline in domestic prices of furfuryl alcohol. Prices for domestically-produced furfuryl alcohol declined annually by *** from 1992 to 1994 based on U.S. producer and purchasers' questionnaire responses, respectively. Tables 18 and 19, CR at II-59 and II-62, PR at II-37 and II-38. Furfural prices *** for the same period. Figure 9, CR at II-66, PR at II-39.

¹⁰⁵ Tables 18 and 19, CR at II-59 and II-62, PR at II-37 and II-38. We note that most of the volume effect of the cumulated imports was from 1992 to 1993, whereas the price effect of the subject imports was primarily from 1993 to 1994, as the domestic industry attempted to meet import pricing.

¹⁰⁶ Petitioner's Prehearing Brief at 17 and 18. Petitioner contends that it "had no alternative but to take such action in an attempt *** to prevent the further loss of market share to the subject imports." *Id.* at 18.

¹⁰⁷ Tables 18 and 19, CR at II-59 and II-62, PR at II-37 and II-38.

The record also indicates that the domestic industry was not able to raise prices commensurate with increases in production costs during the period of investigation. In fact, unit sales values for domestic furfuryl alcohol decreased while unit cost of goods sold increased for the 1992-1994 period.¹⁰⁸

While the evidence is mixed regarding the underselling of the domestic product by the subject imports, it provides further support for our finding of adverse price effects by the subject imports.^{109 110} Moreover, unit values for subject imports were consistently *** than the unit values for the domestic product over the period of investigation.¹¹¹ Declines in unit values for subject imports also outpaced declines in domestic unit values throughout the period of investigation.¹¹² Given the importance of price to purchasers¹¹³ and the lowering of price by QO to meet import competition, we find that the evidence of underselling supports a finding that subject imports have depressed or suppressed prices in the domestic industry to a significant degree.¹¹⁴

Evidence of lost sales and lost revenues confirms that purchasers shifted from domestic product to subject imports and that price played a role in their decisions to switch sources of supply.^{115 116} Non-price factors such as a desire to seek alternative sources of supply and cross-marketing relationships also may have played a role in some of their purchasing decisions.¹¹⁷ However, given the importance of price to purchasers, the decline in prices for the domestic product and subject imports, and the evidence of underselling by subject

¹⁰⁸ The domestic industry's unit sales value decreased by *** for the same period. Table A-1, CR at A-5, PR at A-5.

¹⁰⁹ Tables 18 and 19, CR at II-59 and II-62, PR at II-37 and II-38. Responses to purchasers questionnaires showed underselling by subject imports in *** where price comparisons between subject imports and domestic product were possible. Table 19, CR at II-62, PR at II-38. Responses to U.S. producer and importers questionnaires showed underselling by subject imports in *** where price comparisons were possible. Table 18, CR at II-59, PR at II-37. The margins of underselling ranged between ***. Tables 18 and 19, CR at II-59 and II-62, PR at II-37 and II-38. See Florex v. United States, 705 F. Supp. 582, 593 (Ct. Int'l Trade 1989).

¹¹⁰ 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.

¹¹¹ The subject imports' unit values decreased from *** in 1992 to *** in 1994. The domestic industry's unit values decreased from *** in 1992 to *** in 1994. Table A-1, CR at A-4, PR at A-4.

¹¹² The subject imports' unit values *** from 1992 to 1994 whereas the domestic industry's unit values *** for the same period. Table A-1, CR at A-4, PR at A-4.

¹¹³ See conditions of competition discussion supra.

¹¹⁴ We note that many of the instances of underselling involve ***. See Tables 18 and 19, CR at II-59 and II-62, PR at II-37 and II-38.

¹¹⁵ CR at II-68 - II-70, PR at II-40. *** CR at II-68, PR at II-40. *** CR at II-69, PR at II-40.

¹¹⁶ Commissioner Crawford does not rely on anecdotal evidence of lost sales and revenues showing that competition from the subject imports caused domestic producers to lose particular sales or forced them to reduce their prices on other sales in reaching her determinations.

¹¹⁷ CR at II-68 - II-70, PR at II-40. See Respondent's (South Africa) Prehearing Brief at 1; Respondents' (China) Posthearing Brief at 6.

imports, we conclude that the prices of the subject imports have had a significant depressing or suppressing effect on the prices of domestic furfuryl alcohol.¹¹⁸

¹¹⁸ To evaluate the effects of the dumping on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were dumped with what domestic prices would have been if the imports had been fairly traded. In most cases, if the subject imports had not been traded unfairly, their prices in the U.S. market would have increased. In these investigations, if subject imports had been fairly traded, the price of Chinese product would have increased significantly and imports from China likely would have been substantially priced out of the market. Imports from South Africa and Thailand, however, would not have increased significantly in price. It is likely that a significant portion of imports from South Africa and Thailand still would have been sold in the U.S. market at fairly traded prices. The ability of QO to have raised prices under these circumstances depends on competitive conditions in the market for furfuryl alcohol involving both supply and demand side considerations.

A significant factor in determining what the effects of higher subject import prices would have been on domestic prices is the overall demand elasticity for furfuryl alcohol in the U.S. market. This elasticity is determined primarily by the availability of alternative products and the share of downstream product cost that furfuryl alcohol represents. As noted above, there are no substitutes for furfuryl alcohol in the production of furan resins. There are alternative resins that compete with furan resins. The record shows, however, that the demand for furan resins has increased and that furan and phenolic resin prices have been relatively constant over the period of investigation. Also, although furfuryl alcohol accounts for a significant portion of the final product cost of furan resins, furan resins account for a minor portion of the cost of producing foundry castings. When the price of an input is a small part of the cost of the total product cost, changes in the price of the input are less likely to alter demand for the downstream product, and by extension, for the input product. On balance, the evidence indicates that the furfuryl alcohol market is characterized by a relatively low elasticity of demand. That is, purchasers will not change their consumption as rapidly, in response to changes in price.

Even in a market characterized by relatively low demand elasticity, the composition of overall demand can be sensitive to the relative prices of the alternative sources of the product. If subject imports had been fairly priced, they would have become more expensive relative to domestic products and nonsubject imports. In such case, there would have been a shift in the composition in demand toward the relatively cheaper products. The magnitude of this shift depends on the substitutability of subject imports for products from alternative sources. Because subject imports and the domestic product are reasonably good substitutes, it is likely that a significant portion of total subject imports, primarily imports from China, would not have been sold in the domestic market. Many purchasers, primarily purchasers of imports from China, that were unwilling to pay higher prices for the subject imports would have switched to the relatively less expensive domestic product. Some purchasers also would have sought to switch to relatively less expensive nonsubject imports. Nonsubject imports, however, had a limited presence in the market over the period of investigation, and there is no information to suggest that they would have increased significantly if subject imports had been priced fairly. Therefore, it is likely that if subject imports had been fairly priced, a significant portion of the demand for subject imports would have shifted to the relatively cheaper domestic product.

The low demand elasticity and the shift in demand to the domestic product suggest that QO, the sole domestic producer, could have increased prices if subject imports had been fairly priced. Whether QO would have been able to increase prices if subject imports had been priced fairly is also affected by supply side considerations, including the amount of QO's available production capacity and inventories, and the level of competition in the market. QO's available production capacity was more than double the quantity of subject imports. QO also maintained significant inventories of furfuryl alcohol that could have been used to meet increased demand for the domestic product. Also, as noted above, the low margins for South Africa and Thailand indicate that significant quantities of those imports still would have entered the U.S. market at fairly

(continued...)

C. Impact of Imports on the Domestic Industry

Finally, we consider the impact of subject imports on the domestic industry producing furfuryl alcohol. In this case, we find that the large and increasing volume and market share of the subject imports have had an adverse impact on the domestic industry. As discussed earlier, subject imports captured an increasing and substantial share of the U.S. market at the expense of the domestic industry. Moreover, declining domestic and import prices and underselling by subject imports over the period of investigation indicate that the subject imports have depressed or suppressed domestic prices to a significant degree.¹¹⁹

The impact of the subject imports on the domestic industry is demonstrated by the declines in all key domestic industry indicators.¹²⁰ Despite increases in U.S. demand for furfuryl alcohol, the domestic industry's U.S. shipments of furfuryl alcohol declined significantly from 1992 to 1994.¹²¹ The financial performance indicators for the industry also declined substantially from 1992 to 1994. The domestic industry reported declining profits and operating income throughout this period, with ***. Moreover, there is a correlation between the substantial increase in subject imports from 1992 to 1993 and the decline in domestic shipments for the same period. These events resulted in a decrease in domestic production for the 1993-1994 period which, due to high fixed costs of this industry,¹²² increased production costs at the same time that the domestic industry was forced to lower prices to prevent further volume losses. These factors caused further deterioration of the financial condition of the industry for the 1993-1994 period.¹²³

¹¹⁸(...continued)

traded prices. Petitioner's substantial excess production capacity and inventories, the significant volume of subject imports that would have continued to enter the market, and the presence of nonsubject imports together indicate that QO would not have been able to exercise monopoly pricing power if subject imports had been fairly traded. QO, however, likely would have been able to sustain a limited price increase, but only within a range competitive to the fairly traded prices for imports from South Africa and Thailand. Accordingly, Commissioner Crawford finds that subject imports did not have significant price effects on the domestic industry.

¹¹⁹ CR at II-57 and II-61, PR at II-36 and II-38.

¹²⁰ Data referred to in this paragraph are summarized in Table A-1, CR at A-3 - A-5, PR at A-3 - A-5.

¹²¹ Apparent U.S. consumption by quantity increased by *** from 1992 to 1994. Table A-1, CR at A-3, PR at A-3. In contrast, the domestic industry's U.S. shipments by quantity decreased by *** from 1992 to 1994. Table D-2, CR at D-4, PR at D-3.

¹²² CR at II-28, PR at II-. See also Hearing Transcript at 51; Petitioner's Posthearing Brief at 4.

¹²³ In her analysis of material injury by reason of subject imports, Commissioner Crawford evaluates the impact on the domestic industry by comparing the state of the industry when the imports were dumped with what the state of the industry would have been had imports been fairly traded. In assessing the impact of subject imports on the domestic industry, she considers, among other relevant 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 as required by 19 U.S.C. § 1677(C)(iii). These factors either encompass or reflect the volume and price effects of the dumped imports, and so she gauges the impact of the dumping through those effects.

(continued...)

CONCLUSION

For the foregoing reasons, we determine that the domestic furfuryl alcohol industry is materially injured by reason of cumulated LTFV imports from China and South Africa.

¹²³(...continued)

In this regard, the impact on the domestic industry's prices and sales is critical, because the impact on other industry indicators (e.g., employment, wages, etc.) is derived from this impact.

As she noted earlier, Commissioner Crawford finds that if the subject imports had been fairly priced, it is likely that a significant portion of total subject imports, primarily imports from China, would not have been sold in the domestic market. Substantially all of the demand formerly supplied by subject imports would have been captured by QO. QO had ample unused production capacity and inventories and would have been able to increase significantly the quantity of its production and sales, and thus its revenues. This increase in sales standing alone, or combined with the limited price increase that QO could have sustained, clearly would have significantly increased QO's revenues, and thus QO would have been materially better off if the subject imports had been fairly traded. Accordingly, Commissioner Crawford concludes that the domestic furfuryl alcohol industry is materially injured by reason of cumulated LTFV imports from China and South Africa.

FURFURYL ALCOHOL FROM
CHINA AND SOUTH AFRICA

INVS NOS. 731-TA-703-704 (FINAL)

PART II

INFORMATION OBTAINED IN THE INVESTIGATIONS

INTRODUCTION

These investigations result from a petition filed on May 31, 1994, by counsel on behalf of QO, West Lafayette, IN, alleging that an industry in the United States is materially injured, and threatened with material injury, by reason of LTFV imports of furfuryl alcohol¹ from China, South Africa, and Thailand. Information relating to the background of the investigations is provided below:

Date	Action
<hr/>	
May 31, 1994.....	Petition filed at the Commission and Commerce; institution of Commission preliminary investigations
June 27, 1994.....	Commerce's notices of initiation (59 FR 32953)
July 27, 1994	Commission's affirmative preliminary determinations (59 FR 38201)
December 16, 1994.....	Commerce's affirmative preliminary determinations: - China (59 FR 65009) - South Africa (59 FR 65012) Commerce's negative preliminary determination: - Thailand (59 FR 65014)
January 19, 1995.....	Commission's institution of final investigations: - China (60 FR 3874) - South Africa (60 FR 3874)
May 3, 1995.....	Commission's hearing on imports from China and South Africa
May 8, 1995.....	Commerce's affirmative final determinations: - China (60 FR 22544) - South Africa (60 FR 22550) - Thailand (60 FR 22557)
May 24, 1995.....	Commission's institution of final investigation: - Thailand (60 FR 27554) - South Africa (60 FR 3874)
June 6, 1995.....	Commission's affirmative final determinations on China and South Africa
June 14, 1995.....	Commission's notification of China and South Africa determinations to Commerce
July 11, 1995	Scheduled date of Commission's vote on Thailand
July 18, 1995	Commission's notification of Thailand determination to Commerce

¹ Furfuryl alcohol (C₄H₇OCH₂OH), also called furyl carbinol, is a primary alcohol that is colorless or pale yellow in appearance. It is used in the manufacture of resins and as a wetting agent and solvent for coating resins, nitrocellulose, cellulose acetate, and other soluble dyes. It is classifiable under subheading 2932.13.00 of the HTS. The chemical has an assigned Chemical Abstracts Service registry number of CAS 98-00-0.

A summary of the data collected in these investigations is presented in appendix A. Copies of *Federal Register* notices are presented in appendix B. A list of participants at the hearing regarding China and South Africa, held on May 3, 1995, 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.² 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.

Manufacturing Processes

Furfuryl alcohol is produced by the addition of hydrogen to the precursor chemical, furfural,³ 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

² 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.

³ 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 uses 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.

liquid phase process.⁴ 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 and Illovo, the South African producer, are both back-integrated to the production of furfural from biomass and hydrogen from either methanol, natural gas, or natural gas products. These two producers obtain hydrogen either by production from natural gas or natural gas products (QO) or from methanol (Illovo) or by open-market purchases.

Liquid Phase Method

In this method, used by the Chinese producers, a ***.⁵

⁴ 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 is 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.

⁵ Petition, Exhibit 12, p. 3.

Comparison of Methods of Production

According to information provided by the petitioner 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 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 pound of furfural is consumed to produce one pound of furfuryl alcohol.⁶ 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 monomer⁷ in the production of furan resins. 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), so 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 when used to produce furan resins⁸ or as an intermediate in the production of other specific chemicals.

⁶ *Chemical Conversion Factors and Yields, Commercial and Theoretical*, second edition, Chemical Information Services, Stanford Research Institute, Menlo Park, CA, 1977.

⁷ 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.

⁸ However, other resins compete with furan resins in certain foundry uses.

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-intensive 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 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, making its preparation much simpler than hot- and warm-box resins that 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.⁹

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.

⁹ Flash-over results from the explosive ignition of vapors released by a material when heated to high temperatures during a fire.

U.S. Tariff Treatment

Furfuryl alcohol enters the United States under subheading 2932.13.00 of the HTS.¹⁰ Imports of furfuryl alcohol from South Africa and Thailand are currently eligible for duty-free entry under the GSP. Imports of furfuryl alcohol from China are subject to the 3.7 percent *ad valorem* most-favored-nation rate of duty, like imports from South Africa entered prior to May 10, 1994,¹¹ and those for which GSP eligibility is not established.

NATURE AND EXTENT OF SALES AT LTFV

On May 8, 1995, Commerce published in the *Federal Register* notice of its final LTFV determinations regarding imports of furfuryl alcohol from China, South Africa, and Thailand.

China

Commerce determined that imports of furfuryl alcohol from China are being, or are likely to be, sold in the United States at LTFV, as provided in section 735 of the Act. The period of investigation was December 1, 1993, through May 31, 1994. The weighted-average dumping margins for manufacturers, producers, and exporters in China are as follows:

Manufacturer/producer/exporter	Margin (percent)
Qingdao	50.43
Sinochem Shandong	43.54
China-wide	45.27

¹⁰ Tetrahydrofurfuryl alcohol is also classified under this subheading.

¹¹ Effective May 10, 1994, entries from South Africa became eligible for duty-free treatment under the GSP.

South Africa

Commerce determined that imports of furfuryl alcohol from South Africa are being, or are likely to be, sold in the United States at LTFV. The period of investigation was December 1, 1993, through May 31, 1994. The weighted-average dumping margins for manufacturers, producers, and exporters in South Africa are as follows:

Manufacturer/producer/exporter	Margin (percent)
Illovo Sugar Limited	15.48
All Others	15.48

Thailand

Commerce determined that imports of furfuryl alcohol from Thailand are being, or are likely to be, sold in the United States at LTFV.¹² The period of investigation was December 1, 1993, through May 31, 1994. The weighted-average dumping margins for manufacturers, producers, and exporters in Thailand are as follows:

Manufacturer/producer/exporter	Margin (percent)
Indo-Rama Chemicals (Thailand)	5.94
All Others	5.94

¹² On Dec. 16, 1994, Commerce made a negative preliminary determination concerning alleged sales at LTFV of imports from Thailand.

THE U.S. MARKET

Apparent U.S. Consumption

Data on apparent consumption of furfuryl alcohol are presented in table 1 and figure 1. In terms of quantity, total U.S. consumption increased by *** percent from 1992 to 1993 and by *** percent from 1993 to 1994. In terms of value, however, U.S. consumption decreased--by *** percent from 1992 to 1993 and by *** percent from 1993 to 1994.

Table 1

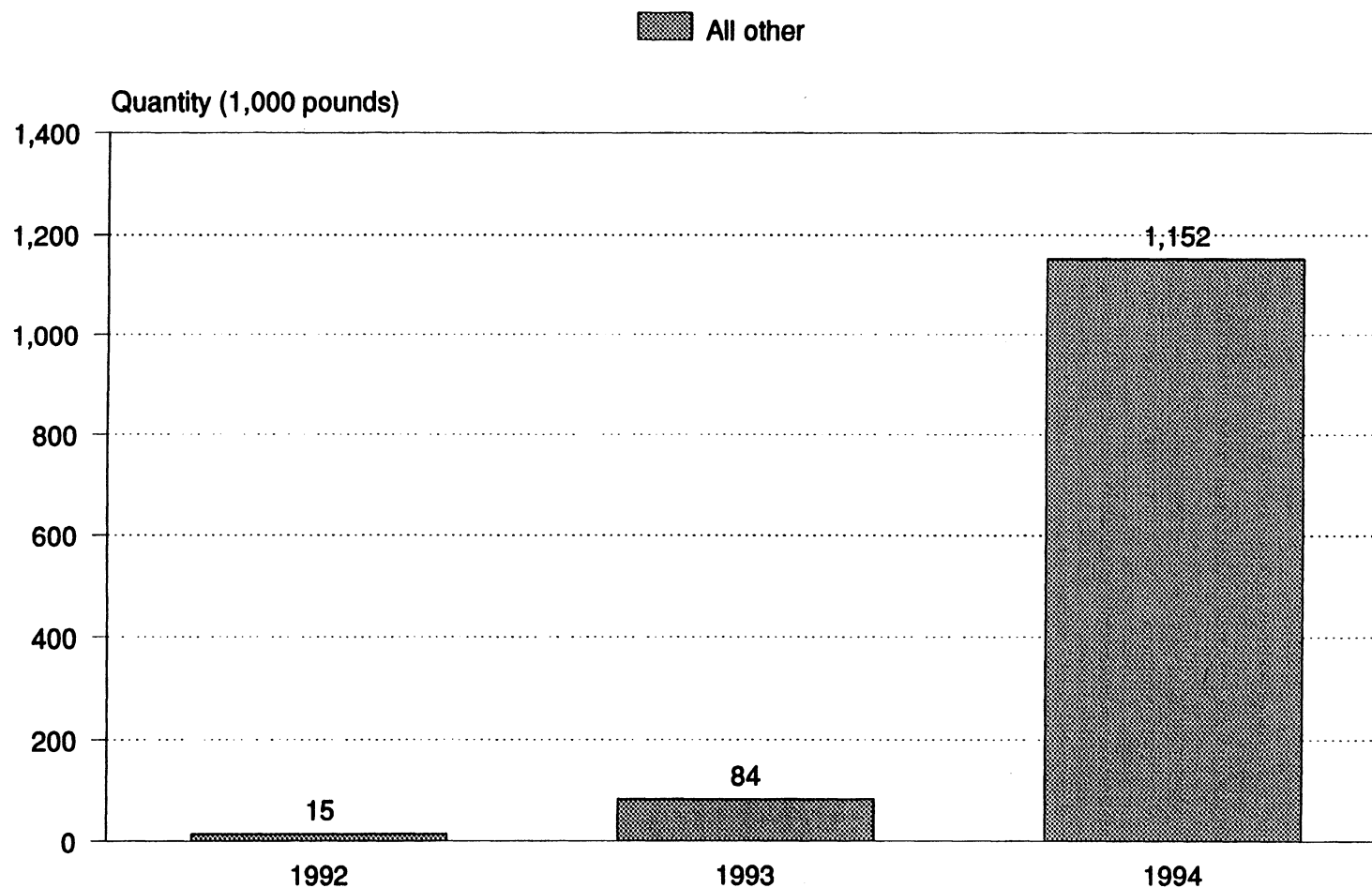
Furfuryl alcohol: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1992-94

Item	1992	1993	1994
<i>Quantity (1,000 pounds)</i>			
Producers' U.S. shipments	***	***	***
U.S. imports from--			
China	***	***	***
South Africa	***	***	***
Thailand	***	***	***
Subtotal	***	***	13,521
Other sources	15	84	1,152
Total	***	***	14,673
Apparent consumption	***	***	***
<i>Value (1,000 dollars)</i>			
Producers' U.S. shipments	***	***	***
U.S. imports from--			
China	***	***	***
South Africa	***	***	***
Thailand	***	***	***
Subtotal	***	***	7,137
Other sources	53	51	682
Total	***	***	7,819
Apparent consumption	***	***	***

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

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

Figure 1
Furfuryl alcohol: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1992-94*



Source: Table 1.

* U.S. shipments, U.S. imports (except "all other"), and apparent consumption data are confidential.

U.S. Producers

QO

QO, a subsidiary of Great Lakes Chemical Corporation¹³ 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.¹⁴ 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.¹⁵

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 which were or are located in Houston, TX. ***¹⁶ ***¹⁷ ***¹⁸ ***¹⁹

¹³ 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 13 states in the United States and 9 foreign countries.

¹⁴ ***.

¹⁵ ***.

¹⁶ ***.

¹⁷ Producer questionnaire of ARS, attachment to p. 21.

¹⁸ Id.

¹⁹ Id.

U.S. Importers

Questionnaires were mailed to seven companies identified during the preliminary investigations as importing products under HTS item 2932.13.00.²⁰ All 7 firms responded to the Commission's request for information. These companies are listed below:²¹

Importer	Country of Origin	Share of country's 1992-94 imports (percent)
----------	-------------------	--

* * * * *

¹ ***.

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 1992 through 1994. ARS began importing from China in small amounts ***.²²

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 1992 through 1994.

²⁰ Tetrahydrofurfuryl alcohol is also entered under HTS subheading 2932.13.00. Petitioner believes that other than itself, the only 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.

²¹ ***.

²² ***.

Harborchem, which has been importing furfuryl alcohol from South Africa for 15 years,²³ began importing from China in 1993. From 1992 through 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 only current producer of furfuryl alcohol in Thailand. ***. Indo-Rama began importing furfuryl alcohol from Thailand in 1992.

Channels of Distribution

In the U.S. market, other than product internally consumed by QO, 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 ***.

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

The Commission analyzes a number of factors in making injury determinations.²⁴ Information on the volume and pricing of imports of the subject merchandise is presented in the section of this report entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury." Information on the other factors specified is presented in this section and (except as noted) is based on the questionnaire responses of two U.S. producers, QO and ARS,²⁵ accounting for 100 percent of U.S. production of furfuryl alcohol during the period 1992-94.

Aggregated U.S. industry data are presented in the body of this report. Company-by-company data are presented in appendix D.

²³ 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.

²⁴ See 19 USC §§ 1677(7)(B) and 1677(7)(C).

²⁵ ***.

U.S. Capacity, Production, and Capacity Utilization

As indicated in table 2 and figure 2, average-of-period capacity *** from 1992 through 1994, to *** pounds. ***.

U.S. production dropped by *** percent from 1992 to 1994. Capacity utilization fell from *** percent in 1992 to *** percent in 1994.

Table 2

Furfuryl alcohol: U.S. capacity, production, and capacity utilization, 1992-94

* * * * *

Figure 2

Furfuryl alcohol: U.S. average-of-period capacity, production, and capacity utilization, 1992-94

* * * * *

U.S. Producers' Shipments

As shown in table 3 and figure 3, the quantity of U.S. shipments by U.S. producers dropped by *** percent during 1992-94, as ***. The value of U.S. shipments declined steadily from 1992 to 1994, falling by *** percent. The unit value of U.S. shipments dropped from *** per pound in 1992 and 1993 to *** per pound in 1994.

Table 3

Furfuryl alcohol: Shipments by U.S. producers, by types, 1992-94

* * * * *

Figure 3

Furfuryl alcohol: Shipments by U.S. producers, by types, 1992-94

* * * * *

U.S. Producers' Inventories

End-of-period inventories are presented in table 4. Inventories increased from *** million pounds in 1992 to *** million pounds in 1993, then decreased to *** million pounds in 1994, representing inventory-to-total shipments ratios of *** percent, *** percent, and *** percent, respectively.

Table 4

Furfuryl alcohol: End-of-period inventories of U.S. producers, 1992-94

* * * * *

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 1992 to 1994, ***. Hourly wages increased from 1992 to 1994 while hourly total compensation increased irregularly during the same period, ***. QO reported that it placed ***. QO uses ***.

***.

Table 5

Average number of total employees and production and related workers in U.S. establishments wherein furfuryl alcohol is produced, hours worked, wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs, by products, 1992-94

* * * * *

Financial Experience of U.S. Producers

QO, representing all U.S. production of furfuryl alcohol in 1994, supplied financial data²⁶ on overall establishment operations²⁷ and operations on furfuryl alcohol.²⁸ QO's company transfers of furfuryl alcohol were re-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 operations based on the total actual shipments and total actual related costs.

Data for QO were verified by the Commission's staff. As a result of the verification, QO made minor changes to the originally reported data for overall establishment operations, shipments, and employment.

²⁶ QO's fiscal yearend is ***.

²⁷ The overall establishment operations include ***.

²⁸ ***.

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 1994. 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 1992-94

* * * * *

Operations on Furfuryl Alcohol

Income-and-loss data for QO's operations on furfuryl alcohol are shown in table 7 and figure 4. Net sales values and quantities decreased each year. The average unit sales value, as shown in table 8, decreased in ***.

QO converts furfural to furfuryl alcohol in its plants located in Omaha and Memphis, ***,²⁹ as shown in the following tabulation:

* * * * *

²⁹ ***.

Table 7

Income-and-loss experience of QO on its U.S. operations producing furfuryl alcohol, fiscal years 1992-94

* * * * *

Figure 4

Furfuryl alcohol: Operating income, COGS and SG&A, and net sales, 1992-94

* * * * *

Table 8

Income-and-loss experience (*on a per-pound basis*) of QO on its U.S. operations producing furfuryl alcohol, fiscal years 1992-94

* * * * *

As shown, ***³⁰

³⁰ ***

QO produces furfural, the raw material for furfuryl alcohol, at its Omaha and Belle Glade, FL, plants. The Omaha and Memphis plants also both *** as shown in the following tabulation (*in dollars per pound, except as noted*):

Item	1992	1993	1994
Produced furfural:			
Omaha ³¹	***	***	***
Belle Glade	***	***	***
***.			
*** ³²	***	***	***
*** ³³	***	***	***
***.			
***	***	***	***
***	***	***	***
***	***	***	***
Transfer value of furfural ³⁴	***	***	***

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*):

* * * * *

Investment in Productive Facilities and Return on Assets

Data on investment in productive facilities are shown in table 9.

Table 9

31 ***
32 ***
33 ***
34 ***

Value of assets of QO's U.S. operations producing furfuryl alcohol, fiscal years 1992-94

* * * * *

Capital Expenditures

The capital expenditures of QO are shown in table 10.

Table 10
Capital expenditures by QO on its U.S. operations producing furfuryl alcohol, fiscal years 1992-94

* * * * *

Research and Development Expenses

The research and development expenditures are shown in table 11.

Table 11
Research and development expenses by QO on its U.S. operations producing furfuryl alcohol, fiscal years 1992-94

* * * * *

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/or Thailand on their growth, development and production efforts, investment, and ability to raise capital (including efforts to develop a derivative or improved version of their product). Comments from the companies are presented in appendix E.

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

The Commission analyzes a number of factors in making threat determinations.³⁵ Information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise is presented in the section of this report entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury." Information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts 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; foreign producers' operations, including the potential for "product-shifting;" and any other threat indicators, if applicable; follows.

U.S. Importers' Inventories

Importers' inventory data are presented in table 12. Of the importers of product from China, *** reported inventories totaling *** pounds on December 31, 1993, and *** pounds on December 31, 1994. *** also reported inventories of South African product of *** pounds on December 31, 1992, *** pounds on December 31, 1993, and *** pounds on December 31, 1994. *** reported inventories of *** pounds of product from Thailand in 1992, and *** inventories in 1993 or 1994.

³⁵ See 19 USC § 1677(7)(i).

Table 12

Furfuryl alcohol: End-of-period inventories of U.S. importers, by sources, 1992-94

* * * * *

U.S. Importers' Current Orders

***³⁶

Ability of Foreign Producers to Generate Exports and the Availability of Export Markets Other Than the United States

The Commission requested certain information from counsel for the South African producer,³⁷ counsel for the Chinese producers/exporters,³⁸ and directly from the Thai producer.³⁹ The information below was supplied in the petition and by counsel for the foreign producers.⁴⁰

³⁶ ***

³⁷ In response to the Commission's request for additional information from subject country producers of furfuryl alcohol, data for the South African producer were received on Apr. 10, 1995.

³⁸ ***

³⁹ Indo-Rama's (Thailand) foreign producer questionnaire was forwarded through Indo-Rama, the related U.S. importer in the United States.

⁴⁰ The Commission also requested additional information directly from U.S. embassies in Beijing, Pretoria, and Bangkok via State Department cable (State 164799, June 20, 1994). Responses were received from Pretoria and Bangkok. No response was received from Beijing.

The Industry in China

Data for one Chinese producer are presented in table 13. Petitioner believes there are at least 16 facilities producing furfuryl alcohol in China.⁴¹ ARS ***.

Table 13

Furfuryl alcohol: China's production capacity, production, capacity utilization, home-market shipments, and exports, 1992-94, and projections for 1995

* * * * *

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."⁴² 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."⁴³

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. Data for Illovo are presented in table 14.

As shown in table 14, Illovo's annual capacity to produce furfuryl alcohol has *** pounds since 1992. Production *** from *** pounds in 1992 to *** pounds in 1994, with a corresponding *** in capacity utilization from *** percent to *** percent. Illovo projects its full-year 1995 production at *** pounds. Illovo's total sales of furfuryl alcohol in its most recent fiscal year accounted for *** percent of its total operations.

⁴¹ Petition, p. 7.

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

⁴³ QO's postconference brief, June 24, 1994, p. 18 and Exhibit F.

Home-market shipments accounted for *** percent of total shipments in 1992, *** percent in 1993, and *** percent in 1994. Exports to the United States accounted for *** percent of total shipments in 1992, *** percent in 1993, and *** percent in 1994.

Table 14

Furfuryl alcohol: South Africa's production capacity, production, capacity utilization, home-market shipments, and exports, 1992-94, and projections for 1995

* * * * *

Petitioner argues that ***.⁴⁴ ***.⁴⁵

On the other hand, counsel for Illovo argues that capacity has ***, that 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

The Industry in Thailand

Indo-Rama (Thailand), the sole Thai producer, began commercial production in 1991. As shown in table 15, by 1993 it was operating *** reported capacity and it ***. Indo-Rama (Thailand) said it has ***.⁴⁹ The share of total shipments of its product going to the U.S. market increased from *** percent in 1992 to *** percent in 1993, and increased further to *** percent in 1994. The projection for 1995 is *** percent. Its other markets include ***.

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 Id., pp. 14-15; Conference TR, p. 41.

⁴⁹ Foreign producer questionnaire of Indo-Rama (Thailand), Annex A, submitted in the preliminary investigation.

Table 15

Furfuryl alcohol: Thailand's production capacity, production, capacity utilization, home-market shipments, and exports, 1992-94, and projections for 1995

* * * * *

Mexican Antidumping Duties

According to petitioner, Mexico imposed antidumping duties of 208 percent on imports of furfural from China as of April 14, 1993.⁵⁰

European Union Antidumping Investigations

On April 19, 1995, the European Union initiated antidumping investigations on imports of furfural from China and Thailand,⁵¹ following a complaint filed on November 7, 1994, by QO's European subsidiary.⁵²

⁵⁰ *Diario Oficial de la Federacion*, Oct. 1, 1993, p. 81. See also petitioner's prehearing brief at Exhibit C.

⁵¹ See *Official Journal of the European Communities*, Apr. 19, 1995, No. C 95/4. Also see petitioner's prehearing brief at p. 33 and Exhibit D.

⁵² *Id.* QO's production facilities in Europe account for more than 80 percent of the European Union's production of furfuryl alcohol.

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

U.S. Imports

Table 16 and figure 5 present U.S. import data compiled from information submitted in response to questionnaires of the Commission and official statistics of Commerce.⁵³ Quarterly U.S. import data, based on official statistics, are presented in appendix F.

China

Imports of furfuryl alcohol from China increased from *** pounds in 1992 to *** pounds in 1993. In 1994, imports totaled *** pounds. A roughly commensurate change in the value of imports is also seen, although the unit value of imports from China declined by *** percent from 1992 to 1993 and by *** percent from 1993 to 1994.

South Africa

Based on quantity, imports of furfuryl alcohol from South Africa declined by *** percent from 1992 to 1993 but increased by *** percent from 1993 to 1994. Based on value, imports declined by *** percent from 1992 to 1993 but increased by *** percent from 1993 to 1994. The unit value of such imports declined by *** percent from 1992 to 1993 and by *** percent from 1993 to 1994.

Thailand

Based on quantity, imports of furfuryl alcohol from Thailand increased by *** percent from 1992 to 1993 and increased by *** percent from 1993 to 1994. Based on value, imports increased by *** percent from 1992 to 1993 and increased by *** percent from 1993 to 1994. The unit value of such imports declined by *** percent from 1992 to 1993 and by *** percent from 1993 to 1994.

⁵³ Import data for China, South Africa, and Thailand are based on questionnaire responses by U.S. importers. Data for all other countries are based on official Commerce statistics.

Table 16
Furfuryl alcohol: U.S. imports, by sources, 1992-94¹

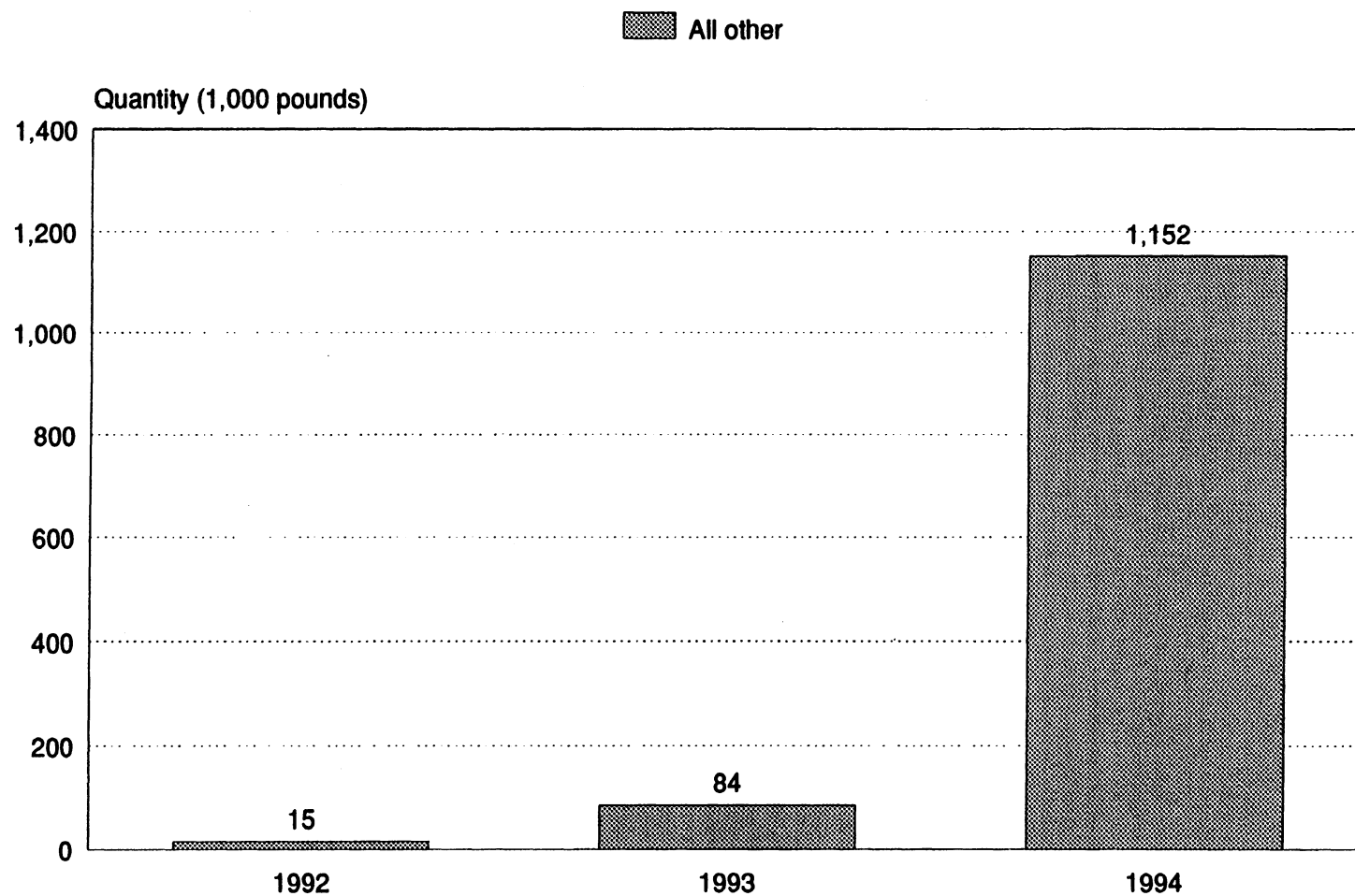
Item	1992	1993	1994
<i>Quantity (1,000 pounds)</i>			
China	***	***	***
South Africa	***	***	***
Thailand	***	***	***
Subtotal.....	***	***	13,521
Other sources.....	15	84	1,152
Total.....	***	***	14,673
<i>Value (1,000 dollars)</i>			
China	***	***	***
South Africa	***	***	***
Thailand	***	***	***
Subtotal.....	***	***	7,137
Other sources.....	53	51	682
Total.....	***	***	7,819
<i>Unit value (per pound)</i>			
China	***	***	***
South Africa	***	***	***
Thailand	***	***	***
Average	***	***	\$0.53
Other sources.....	\$3.45	\$0.61	.59
Total.....	***	***	.53

¹ Import data for China, South Africa, and Thailand are based on imports reported by U.S. importers. Import data for "other sources" are based on official statistics of the U.S. Department of Commerce. Official statistics presented for "other sources" exclude China, Singapore, South Africa, and Thailand.

Note.—Because of rounding, figures may not add to the totals shown. Unit values are calculated from the unrounded figures.

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

Figure 5
Furfuryl alcohol: U.S. imports, by sources, 1992-94*



Source: Table 16.

* Import data for China, South Africa, and Thailand are confidential.

Total Subject Imports

Based on quantity, imports of furfuryl alcohol from China, South Africa, and Thailand increased by *** percent from 1992 to 1993 and by *** percent from 1993 to 1994. Based on value, subject country imports increased by *** percent from 1992 to 1993 but decreased by *** percent from 1993 to 1994. The unit value of such imports declined by *** percent from 1992 to 1993 and by *** percent from 1993 to 1994.

All Other Imports

Based on quantity, imports of furfuryl alcohol from all other sources⁵⁴ increased by 460.0 percent from 1992 to 1993 (from a very small base) and by more than 1,000 percent from 1993 to 1994 (again from a small base). Based on value, imports from all other sources decreased by 3.8 percent from 1992 to 1993 but increased more than 1,000 percent from 1993 to 1994. The unit value of these imports declined by 82.4 percent from 1992 to 1993 and by 2.6 percent from 1993 to 1994.

Market Penetration by the Subject Imports

U.S. producers' and importers' market shares based on U.S. producers' shipments, U.S. importers' U.S. shipments for China, South Africa, and Thailand, and Commerce's official import statistics for all other countries, are presented in table 17 and figure 6.

U.S. producers' U.S. market share (based on quantity) declined by *** percentage points from 1992 to 1993, falling from a market share of *** percent to *** percent. Market share declined an additional *** percentage points from 1993 to 1994.

The import penetration of imports of furfuryl alcohol from China increased from *** percent of the market in 1992 to *** percent in 1993. From 1993 to 1994, Chinese imports' market share declined *** percentage points to *** percent.

The import penetration of imports from South Africa declined from a U.S. market share of *** percent in 1992 to *** percent in 1993. South Africa's market share increased to *** percent from 1993 to 1994.

⁵⁴ Imports of furfuryl alcohol from Singapore have been excluded from the "all other imports" data in order to avoid double-counting of imports from China. According to petitioner, there is no production of furfuryl alcohol in Singapore. Therefore, all imports from Singapore are actually transshipped Chinese product.

The import penetration of imports from Thailand increased from a U.S. market share of *** percent in 1992 to *** percent in 1993. Thailand's market share increased to *** percent from 1993 to 1994.

Table 17

Furfuryl alcohol: Apparent U.S. consumption and market penetration, 1992-94¹

* * * * *

Figure 6

Furfuryl alcohol: Share of the quantity of U.S. consumption, by sources, 1992-94

* * * * *

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, U.S. consumption of furfural alcohol rose from *** million pounds in 1992 to *** million pounds in 1994, an increase of *** percent, with more than 90 percent being sold to furan resin producers. Petitioner and respondents differ on the extent to which the U.S. demand for furfuryl alcohol responds to changes in price. Petitioner, respondents, and responding purchasers agree that there are no known substitutes for furfuryl alcohol in the production of furan resins. However, respondents maintain that other foundry binder technologies (e.g., phenolic urethane, new urethane, ester-cured phenolics, phenolic resins, and oil urethanes) compete with furan resins,⁵⁵ making the demand for furfural alcohol more price sensitive.⁵⁶ Petitioner maintains that competition from non-furfuryl alcohol-based foundry resins has not adversely affected the demand for furfuryl alcohol, citing the increasing U.S. consumption of furan resins and unchanged furan and phenolic resin prices during 1992-94.⁵⁷ Respondents counter that, although sales of furan resins increased on an absolute basis within an expanding binders' market, furan resins' market share declined each year between 1992 and 1994, while phenolic binders' market share grew.⁵⁸

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 1994.⁵⁹

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

⁵⁵ The three largest furfural alcohol purchasers, ***, stated that other resin processes may provide competing foundry binder technologies.

⁵⁶ South African respondent's posthearing brief, pp. 6-7, Exhibits 3-5. Chinese respondent's posthearing brief, pp. 2-5, appendix 3.

⁵⁷ Petitioner's posthearing brief, p. 8, Exhibit E.

⁵⁸ Chinese respondent's posthearing brief, pp. 4-5, appendix 4.

⁵⁹ The 14 purchasers responding to Commission questionnaires were responsible for *** percent of total purchases during 1994. Of the 14, 11 had purchased from ***.

purchase their requirements on a spot basis. Contracts are usually 1 year in duration, with a few instances of sales on a 2-month contract basis. According to ***.⁶⁰ ***.⁶¹

Purchaser questionnaires yielded 14 responses on questions pertaining to transport costs. *** of these purchasers indicated that they received most of their furfuryl alcohol by tank truck. Two of the largest purchasers, *** and ***, reportedly received most of their furfuryl alcohol by rail car tank and the remaining two small purchasers received all of their shipments in drums. The two most important factors affecting transport costs cited by purchasers were the size of the order 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.

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.⁶² 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.⁶³

As noted earlier, the *** largest purchasers of furfuryl alcohol, ***, accounted for more than *** percent of total product purchases during 1994. ***.⁶⁴ In its questionnaire submission, *** explained its purchasing strategy as follows:

*	*	*	*	*	*	* ⁶⁵
*	*	*	*	*	*	* ⁶⁶
*	*	*	*	*	*	* ⁶⁷

⁶⁰ ***.

⁶¹ ***.

⁶² ***.

⁶³ ***.

⁶⁴ ***.

⁶⁵ ***.

⁶⁶ ***.

⁶⁷ ***.

Product Comparisons

Factors that might differentiate sales of U.S.-produced furfuryl alcohol from sales of the imported Chinese, South African, and Thai subject product include price, quality, delivery lead times, reliability of supply, standard minimum quantity requirements, availability of product, and product service.

***.⁶⁸ Eleven of 12 responding purchasers reported that there are no significant differences between the furfuryl alcohol that they buy from the various suppliers. ***. Nine of 14 responding purchasers reported that they always know the manufacturer of the furfuryl alcohol that they purchase, but 8 of 13 reported that their customers are not aware of or interested in the country of origin of the furfuryl alcohol that they buy. When asked if there were suppliers from which their firm would not purchase furfuryl alcohol because of inferior quality or other reasons, 7 of the 10 responding purchasers reported no.⁶⁹ ***.

QO reported average lead times from order of *** and immediate pickup from inventory. QO does not have standard minimum quantity requirements and does not charge premiums for sub-minimum shipments. Importers of Chinese furfuryl alcohol reported lead times from order of 6-17 weeks, and lead times for pickup from their U.S. warehouses of 1-5 days. Importers of South African furfuryl alcohol reported lead times for pickup from their U.S. warehouses of 1-2 days. Importers of Thai furfuryl alcohol reported lead times from order of 60 days and lead times for pickup from their U.S. warehouse of 5 days. Importers of the Chinese and South African products do not have standard minimum quantity requirements and do not charge premiums for sub-minimum shipments. Importers of the Thai product require a minimum order of 1 million pounds per year or one container load (42,000 pounds) for a 2-month contract.

Purchasers that reported buying higher-priced U.S.-produced furfuryl alcohol cited reasons such as reliability of supply, shorter delivery lead times, need for multiple supply sources, inability to qualify a vendor besides QO, and loyalty to QO. Purchasers that reported buying higher-priced imported South African, Chinese, and/or Thai furfuryl alcohol cited reasons such as the need for multiple supply sources, availability, and a desire to establish a trade relationship with a foreign company.

When asked to list the advantages of each country in terms of supplying furfuryl alcohol, purchasers cited QO's technical support, quality, and delivery lead times. Reported advantages of buying imported South African subject product include quality, delivery lead times, price, willingness to supply partial loads, and back-haul

⁶⁸ ***.

⁶⁹ ***.

potential. Reported advantages of buying imported Chinese subject product include price, credit terms, and an opportunity to establish a market position in China. None of the responding importers reported advantages of buying imported Thai subject product.

When asked to list the disadvantages of each country in terms of supplying furfuryl alcohol, purchasers cited QO's inflated prices and unwillingness to supply partial loads. Purchasers cited South African suppliers' lack of technical support as a disadvantage. Reported disadvantages of buying imported Chinese subject product include perceived inferior quality, lack of technical support, and length of delivery chain. None of the responding importers reported disadvantages of buying imported Thai subject product.

Producer and Importer Prices

Weighted-average delivered prices for quarterly sales of furfuryl alcohol by U.S. producers and importers of subject imports are presented in table 18 and figure 7.⁷⁰ Prices of domestic furfuryl alcohol *** during 1992-94.⁷¹

China

Importers of Chinese furfuryl alcohol did not report any sales during 1992. Delivered prices for Chinese furfuryl alcohol ***. In *** of the *** instances where price comparisons were possible, the Chinese product was priced *** the domestic product by an average of *** percent. ***, the Chinese product was priced *** the comparable U.S. product by an average of *** percent.⁷²

South Africa

Delivered prices for imported South African furfuryl *** to a *** of *** cents in the third quarter of 1992. Prices then ***. Overall, prices were *** percent *** at the end of the period than they were at the beginning. In *** of the *** instances where price comparisons were possible, the South African product was priced *** the domestic

⁷⁰ Reported prices for U.S.-produced furfuryl alcohol accounted for approximately *** percent of U.S. producers' domestic shipments in 1994. Pricing data for the imported products accounted for approximately *** percent of shipments of imports from China, *** of the imports from South Africa, and *** percent of imports from Thailand in 1994.

⁷¹ Sales of domestic furfuryl alcohol for which price data were reported were all bulk sales.

⁷² The majority of the Chinese pricing data were for sales of imported Chinese furfuryl alcohol in drums, as opposed to bulk sales. ***.

product by *** percent. ***, the South African product was priced *** the comparable U.S. product by an average of *** percent.⁷³

Table 18

Furfuryl alcohol: Weighted-average delivered 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. 1992-Dec. 1994

* * * * *

Figure 7

Furfuryl alcohol: Weighted-average delivered selling prices for largest sales to end users, by quarters, Jan. 1992-Dec. 1994

* * * * *

Thailand

Available delivered price data for sales of imported Thai furfuryl alcohol *** by *** percent to their ***, then *** by *** percent during the rest of the period. Overall, prices for the imported Thai product were *** percent *** at the beginning of the period than they were at the end. In *** of the *** instances where price comparisons were possible, the Thai product was priced *** the domestic product by an average of *** percent and in *** instances the Thai product was priced *** the domestic product by an

⁷³ Sales of imported South African furfuryl alcohol for which price data were reported were all bulk sales.

average of *** percent. ***, the Thai product was priced *** the comparable U.S. product by less than *** percent.⁷⁴

Trends in Purchaser Prices

Twenty purchasers of furfuryl alcohol received questionnaires requesting price information. Of those, 12 firms, accounting for 79.8 percent of 1994 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 19 and figure 8. Purchasers' weighted-average delivered prices displayed trends that were similar to those seen in producer and importer prices. Prices of U.S.-produced furfuryl alcohol *** percent during 1992-93, then *** percent during 1994. Overall, prices *** by *** percent during 1992-94.

Table 19

Furfuryl alcohol: Weighted-average delivered prices paid by U.S. end users for the subject product, and margins of underselling/(overselling), by quarters, Jan. 1992-Dec. 1994

* * * * *

Figure 8

Furfuryl alcohol: Weighted-average delivered prices for largest purchases by end users, by quarters, Jan. 1992-Dec. 1994

* * * * *

⁷⁴ Reported price data for 1993 sales of imported Thai furfuryl alcohol were for drum sales. Reported price data for 1994 sales of the imported Thai subject product were for bulk sales.

Delivered purchase prices for Chinese furfuryl alcohol ***. These prices *** percent to their high point in the fourth quarter of 1993, then *** by *** percent during 1994. Overall, prices were *** percent *** at the end of the period than they were at the beginning. In *** of the *** instances where price comparisons were possible, the Chinese product was priced *** the domestic product by an average of *** percent. ***, the Chinese product was priced *** the comparable U.S. product by *** percent.

Delivered purchase prices for South African furfuryl alcohol *** by *** percent during 1992-93 and the first quarter of 1994. Prices remained at the same level during the rest of the period. In *** of the *** instances where price comparisons were possible, the South African product was priced *** the domestic product by an average of *** percent. ***, the South African product was priced *** the comparable U.S. product by an average of *** percent.

Available delivered purchase price data of imported Thai furfuryl alcohol ***. In *** of the *** instances where price comparisons were possible, the Thai product was priced *** the domestic product by an average of *** percent. ***, the Thai product was priced *** the comparable U.S. product by an average of *** percent.

Input Costs

Respondents argue that the decline in prices for domestic furfuryl alcohol can be traced to the decline in prices for furfural, the primary raw material input.⁷⁵ Petitioner maintains that furfuryl alcohol and furfural prices are not linked.⁷⁶ Quarterly delivered prices for QO's sales of furfuryl alcohol and furfural, and QO's annual costs of producing furfural are presented in figure 9.

Figure 9

Delivered prices for QO's sales of furfuryl alcohol, furfural, and QO's annual costs of producing furfural, by quarters, Jan. 1992-Dec. 1994

* * * * *

⁷⁵ South African respondent's posthearing brief, p. 5, Exhibit 2. Chinese respondent's posthearing brief, p. 2.

⁷⁶ Petitioner's posthearing brief, pp. 5 and 6, Exhibit D.

Exchange Rates

Quarterly exchange rate data for the currencies of the three countries subject to these investigations are presented in figure 10.⁷⁷ During the period 1992-94, the nominal value of the South African rand appreciated by 25.2 percent, whereas the nominal value of the Chinese yuan depreciated by 35.8 percent.⁷⁸ When adjusted for movements in producer price indices in the United States and South Africa, the value of the South African rand appreciated 50.3 percent during January 1992-September 1994.⁷⁹

Lost Sales and Lost Revenues

QO submitted *** instances of lost sales involving *** firms in which *** million pounds of furfuryl alcohol valued at *** were lost in various months between June of 1992 and July of 1994 as a result of competition from imports of furfuryl alcohol from the subject sources. All *** of the firms are ***. The staff was able to contact *** of the firms. *** of the firms, *** and ***, accounted for *** percent of these alleged lost sales.

***⁸⁰ ***.

***⁸¹ ***.

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

* * * * *

* * * * *

⁷⁷ *International Financial Statistics*, February 1995.

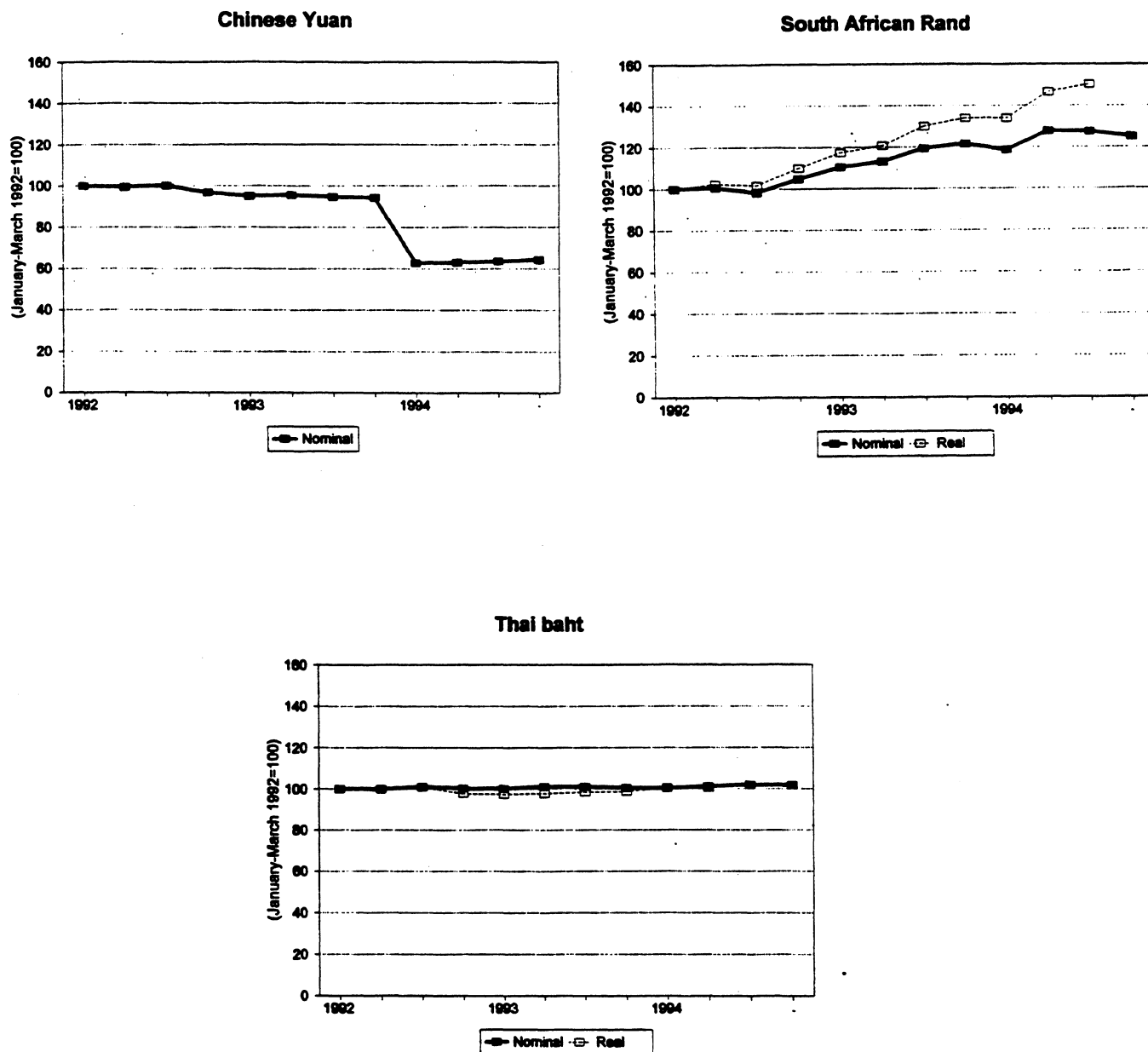
⁷⁸ Beginning Jan. 1, 1994, the People's Bank of China changed the manner in which the official exchange rate was determined.

⁷⁹ Reliable producer price data for China are unavailable; therefore, an accurate analysis of movements in the real Chinese exchange rate cannot be presented.

⁸⁰ ***.

⁸¹ ***.

Figure 10
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. 1992-Dec. 1994



Source: International Monetary Fund, *International Financial Statistics*, February 1995.

APPENDIX A

SUMMARY DATA CONCERNING THE U.S. MARKET

Table A-1

Furfuryl alcohol: Summary data concerning the U.S. market, 1992-94

(Quantity=1,000 pounds; value=1,000 dollars; unit values and unit labor costs are per pound; period changes=percent, except where noted)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
U.S. consumption quantity:						
Amount.....	***	***	***	***	***	***
Producers' share ¹	***	***	***	***	***	***
Importers' share: ¹						
China.....	***	***	***	***	***	***
South Africa.....	***	***	***	***	***	***
Thailand	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***
Other sources	***	***	***	***	***	***
Total	***	***	***	***	***	***
U.S. consumption value:						
Amount.....	***	***	***	***	***	***
Producers' share ¹	***	***	***	***	***	***
Importers' share: ¹						
China.....	***	***	***	***	***	***
South Africa.....	***	***	***	***	***	***
Thailand	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***
Other sources	***	***	***	***	***	***
Total	***	***	***	***	***	***
U.S. imports from--						
China:						
Imports quantity.....	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
South Africa:						
Imports quantity.....	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Thailand:						
Imports quantity.....	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***

Table continued...

Table A-1--continued

Furfuryl alcohol: Summary data concerning the U.S. market, 1992-94

(Quantity=1,000 pounds; value=1,000 dollars; unit values and unit labor costs are per pound; period changes=percent, except where noted)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
U.S. imports from--						
Subject sources:						
Imports quantity	***	***	13,521	***	***	***
Imports value	***	***	7,137	***	***	***
Unit value	***	***	\$0.53	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Other sources:						
Imports quantity	15	84	1,152	()	+460.0	()
Imports value	53	51	682	()	-3.8	()
Unit value	\$3.45	\$0.61	\$0.59	-82.8	-82.4	-2.6
Ending inventory quantity	0	0	***	()	0	()
All sources:						
Imports quantity	***	***	14,673	***	***	***
Imports value	***	***	7,819	***	***	***
Unit value	***	***	\$0.53	***	***	***
U.S. producers'--						
Average capacity quantity	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***
Capacity utilization ¹	***	***	***	***	***	***
U.S. shipments:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Export shipments:						
Quantity	***	***	***	***	***	***
Exports/shipments ¹	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Inventory/shipments ¹	***	***	***	***	***	***
Production workers	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***
Total compensation (\$1,000)	***	***	***	***	***	***
Hourly total compensation	***	***	***	***	***	***
Productivity (lbs/hour)	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***

Table continued...

Table A-1--continued

Furfuryl alcohol: Summary data concerning the U.S. market, 1992-94

(Quantity=1,000 pounds; value=1,000 dollars; unit values and unit labor costs are per pound; period changes=percent, except where noted)

Item	Reported data			Period changes		
	1992	1993	1994	1992-94	1992-93	1993-94
U.S. producers'--						
Net sales--						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit sales value.....	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***
Gross profit (loss).....	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***
COGS/sales ¹	***	***	***	***	***	***
Operating income or (loss)/sales ¹	***	***	***	***	***	***

¹ "Reported data" are in percent and "period changes" are in percentage points.² Positive figure, but less than significant digits displayed.³ A decrease of less than 0.05 percentage points.⁴ An increase of 1,000 percent or more.⁵ Not applicable.

Note.—Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information.

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

APPENDIX B

FEDERAL REGISTER NOTICES

[Investigations Nos. 731-TA-703 and 704 (Final)]

Furfuryl Alcohol From China and South Africa

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of final antidumping investigations.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigations Nos. 731-TA-703 and 704 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China and South Africa of furfuryl alcohol, provided for in subheading 2932.13.00 of the Harmonized Tariff Schedule of the United States.

For further information concerning the conduct of these investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

EFFECTIVE DATE: December 16, 1994.

FOR FURTHER INFORMATION CONTACT: Fred H. Fischer (202-205-3179), 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 as a result of affirmative preliminary determinations by the Department of Commerce that imports of furfuryl alcohol from China and South Africa are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. § 1673b). The investigations were requested in a petition filed on May 31, 1994, by counsel on behalf of QO Chemicals, Inc., West Lafayette, IN.

Participation in the investigations and public service list.—Persons wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, not later than twenty-one (21) 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 section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these final investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than twenty-one (21) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report.—The prehearing staff report in these investigations will be placed in the nonpublic record on April 18, 1995, and a public version will be issued thereafter, pursuant to section 207.21 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on May 3, 1995, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before April 21, 1995. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the

hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on April 26, 1995, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), and 207.23(b) of the Commission's rules. Parties are strongly encouraged to submit as early in the investigation as possible any requests to present a portion of their hearing testimony *in camera*.

Written submissions.—Each party is encouraged to submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.22 of the Commission's rules; the deadline for filing is April 28, 1995. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.23(b) of the Commission's rules; and posthearing briefs, which must conform with the provisions of section 207.24 of the Commission's rules. The deadline for filing posthearing briefs is May 11, 1995, witness testimony must be filed no later than three (3) days before the hearing. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before May 11, 1995. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with sections 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 section 207.20 of the Commission's rules.

Issued: January 12, 1995.

By order of the Commission.

Donna R. Koehnke,
Secretary.

[FR Doc. 95-1334 Filed 1-18-95; 8:45 am]
BILLING CODE 7020-02-P

remote bulletin board system for personal computers at 202-205-1895 (N,8,1).

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted as a result of an affirmative final determination by the Department of Commerce that imports of furfuryl alcohol from Thailand are being sold in the United States at less than fair value within the meaning of section 735 of the Act (19 U.S.C. § 1673d). This investigation was requested in a petition filed on May 31, 1994, by counsel on behalf of QO Chemicals, Inc., West Lafayette, IN.

Participation in the Investigation and Public Service List

Persons wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules, not later than twenty-one (21) 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 this investigation 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 this final investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than twenty-one (21) days after the publication of this notice in the *Federal Register*. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff Report

The prehearing staff report in this investigation will be placed in the nonpublic record on May 25, 1995, and a public version will be issued thereafter, pursuant to § 207.21 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with this investigation beginning at 9:30 a.m. on June 13, 1995, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the

Commission on or before June 5, 1995. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on June 6, 1995, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.23(b) of the Commission's rules. Parties are strongly encouraged to submit as early in the investigation as possible any requests to present a portion of their hearing testimony *in camera*.

Written Submissions

Each party is encouraged to submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.22 of the Commission's rules; the deadline for filing is June 6, 1995. Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.23(b) of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.24 of the Commission's rules. The deadline for filing posthearing briefs is June 21, 1995; witness testimony must be filed no later than three (3) days before the hearing. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before June 21, 1995. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (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: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules.

Issued: May 17, 1995.

Investigation No. 731-TA-705 (Final)

Furfuryl Alcohol From Thailand

AGENCY: International Trade Commission.

ACTION: Institution and scheduling of final antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-705 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Thailand of furfuryl alcohol, provided for in subheading 2932.13.00 of the Harmonized Tariff Schedule of the United States.

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

EFFECTIVE DATE: May 5, 1995.

FOR FURTHER INFORMATION CONTACT: Fred H. Fischer (phone: 202-205-3179; e-mail: fred.fischer@itc.sprint.com), 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'

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 95-12727 Filed 5-23-95; 8:45 am]

BILLING CODE 7020-02-P

International Trade Administration

[A-570-835]

Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People's Republic of China

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

EFFECTIVE DATE: May 8, 1995.

FOR FURTHER INFORMATION CONTACT: John Brinkmann or Greg Thompson, 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; telephone: (202) 482-5288 or (202) 482-2336, respectively

Final Determination

We determine that furfuryl alcohol from the People's Republic of China (PRC) is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The estimated margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

Since the preliminary determination of sales at LTFV on December 9, 1994, 59 FR 65009, December 16, 1994), the following events have occurred:

Verification of the questionnaire responses was conducted in February 1995. Reports concerning these verifications were issued in March 1995.

QO Chemicals, Inc. (the petitioner) as well as Qingdao Chemicals & Medicines & Health Products Import & Export Company (Qingdao) and Sinochem Shandong Import & Export Company (Sinochem Shandong) (together referred to as respondents) submitted case and rebuttal briefs on March 27 and 30, 1995, respectively. A public hearing was held on April 3, 1995. Inasmuch as the submitted briefs contained certain untimely, new information, the Department of Commerce (the Department) issued letters to the

petitioner and the respondents concerning the redaction from the record of this new information on April 10, 1994.

Scope of Investigation

The product covered by this investigation is furfuryl alcohol ($C_4H_7OCH_2OH$). Furfuryl alcohol is a primary alcohol, and is colorless or pale yellow in appearance. It is used in the manufacture of resins and as a wetting agent and solvent for coating resins, nitrocellulose, cellulose acetate, and other soluble dyes.

The product subject to this investigation 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 this proceeding is dispositive.

Period of Investigation

The period of investigation (POI) is December 1, 1993 through May 31, 1994.

Separate Rates

Both of the participating exporters, Qingdao and Sinochem Shandong have requested a separate, company-specific dumping margin. Their respective business licenses indicate that they are owned "by all the people." In the *Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China*, 59 FR 22585, (May 2, 1994) (*Silicon Carbide*) and the *Final Determination of Sales at Less Than Fair Value: Coumarin from the People's Republic of China*, 59 FR 66895 (December 28, 1994) (*Coumarin*), we found that the PRC central government had devolved control of state-owned enterprises, i.e., enterprises "owned by all the people." As a result, we determined that companies owned "by all the people" were eligible for individual rates, if they met the criteria developed in the *Final Determination of Sales at Less Than Fair Value: Sparklers from the People's Republic of China* 56 FR 20588 (May 6, 1991) (*Sparklers*) and amplified in *Silicon Carbide*. Under this analysis, the Department assigns a separate rate only when an exporter can demonstrate the absence of both *de jure* and *de facto* governmental control over export activities.

De Jure Analysis¹

The PRC laws placed on the record of this investigation establish that the

¹ Evidence supporting, though not requiring, a finding of *de jure* absence of central control

responsibility for managing companies owned by "all the people," including the respondent companies, has been transferred from the government to the enterprises themselves. These laws include: "Law of the People's Republic of China on Industrial Enterprises Owned by the Whole People," adopted on April 13, 1988 (1988 Law); "Regulations for Transformation of Operational Mechanism of State-Owned Industrial Enterprises," approved on August 23, 1992 (1992 Regulations); and the "Temporary Provisions for Administration of Export Commodities," approved on December 21, 1992 (1992 Export Provisions). In particular, the 1988 Law states that enterprises have the right to set their own prices (see Article 26). This principle was restated in the 1992 Regulations (see Article IX).

The 1992 Export Provisions list includes those products subject to direct government control. In April 1994, the "Emergent Notice of Changes in Issuing Authority for Export Licenses Regarding Public Quota Bidding for Certain Commodities" (1994 Quota Measure) entered into force, superseding earlier laws that had listed the subject merchandise. Although furfuryl alcohol was on the 1992 version of the Export Provisions list, it has since been removed. (See discussion in Comment 1.)

Consistent with *Silicon Carbide*, we determine that the existence of these laws demonstrates that Qingdao and Sinochem Shandong, companies owned by "all the people," are not subject to *de jure* control.

In light of reports² indicating that laws shifting control from the government to the enterprises themselves have not been implemented uniformly, our analysis of *de facto* control becomes critical in determining whether respondents are, in fact, subject to governmental control.

De Facto Control Analysis³

In the course of verification, we confirmed that export prices for both

includes: (1) An absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; or (3) any other formal measure by the government decentralizing control of companies.

² See "PRC Government Findings on Enterprise Autonomy," in Foreign Broadcast Information Service-China-83-133 (July 14, 1993) and 1992 Central Intelligence Agency Report to the Joint Economic Committee, Hearings on Global Economic and Technological Change: Former Soviet Union and Eastern Europe and China, Pt. 2 (102 Cong., 2d Sess.).

³ The factors considered include: (1) Whether the export prices are set by or subject to the approval of a governmental authority; (2) whether the

Qingdao and Sinochem Shandong are not set by, nor subject to approval of, any government authority. This point was supported by the companies' sales documentation and customer correspondence. We also confirmed, based on examination of documents related to sales negotiations, written agreements and other correspondence, that respondents have the authority to negotiate and sign contracts and other agreements independent of government intervention. Moreover, the respondents' financial statements, accounting records, and bank statements support the conclusion that these companies retain the proceeds of their export sales and finance their losses.

Based on our examination of company records during verification, we have determined that both Qingdao and Sinochem Shandong had autonomy from the central government in making decisions regarding the selection of management. Qingdao's general manager is selected for a three-year term by worker elections. Sinochem Shandong's general manager is selected by worker elections for a term of five years. We found no involvement by any government entity in the selection of management or of hiring for either company. See the verification reports for Qingdao (March 3, 1995) and Sinochem Shandong (March 22, 1995).

Conclusion

For both Sinochem Shandong and Qingdao, the record demonstrates an absence of *de jure* and *de facto* government control. Accordingly, we determine that each of these exporters should receive a separate rate. (For further discussion, see Comment 1 below and the concurrence memorandum, dated May 1, 1995, on file in Room B-099 of the main Department of Commerce Building.)

Nonmarket Economy

The PRC has been treated as a nonmarket economy country (NME) in all past antidumping investigations. Given that no information has been provided in this proceeding that would lead us to conclude otherwise, in accordance with section 771(18)(c) of the Act, we continue to treat the PRC as an NME for purposes of this investigation.

respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding disposition of profits or financing of losses (see, *Silicon Carbide*).

Surrogate Country

Section 773(c)(4) of the Act requires the Department to value the NME producers' factors of production, to the extent possible, in one or more market economy countries that are (1) at a level of economic development comparable to that of the NME country, and (2) significant producers of comparable merchandise. As stated in our preliminary determination, the Department has determined that Indonesia is the most suitable surrogate for purposes of this investigation. Based on available statistical information, Indonesia is at a level of economic development comparable to that of the PRC. Further, Indonesian government statistics and other data indicate that the country is a significant producer of furfuryl alcohol. Based on available information, Indonesia is the only surrogate country, of those identified by our Office of Policy, that meets both of these criteria.

For those adjustments to United States price that we have been unable to value using information from Indonesia, we have used India as the surrogate. India is economically comparable to the PRC and is a significant producer of furfuryl, which is comparable to furfuryl alcohol within the meaning of section 773(c)(1). Furfuryl is the feedstock, and the major input, in the production of furfuryl alcohol. (See memoranda to the file, dated November 22, 1994 and March 23, 1995, and memorandum from David Mueller, Director, Office of Policy to Gary Taverman, Acting Director, Office of Antidumping Investigations, dated August 2, 1994, furfuryl alcohol from the People's Republic of China, Non-Market Economy Status and Surrogate Country Selection.)

Fair Value Comparisons

To determine whether sales of furfuryl alcohol from the PRC to the United States by Sinochem Shandong and Qingdao were made at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the "United States Price" and "Foreign Market Value" sections of this notice.

United States Price

United States price was calculated on the basis of purchase price, as described in the preliminary determination, in accordance with section 772(b) of the Act. Pursuant to findings at verification, we made minor adjustments to foreign inland freight, sales quantities and the date of payment for certain sales reported by Sinochem Shandong. We also made an adjustment for Sinochem

Shandong's iso-tanker rental expense (see Comment 11). In the case of Qingdao, we adjusted its reported amounts for ocean freight. (See calculation memorandum, attached to the Department's concurrence memorandum of May 1, 1995).

Foreign Market Value

In accordance with section 773(c) of the Act, we calculated FMV based on the factors of production reported by the factories in the PRC which produced the subject merchandise for the two participating exporters. We calculated FMV for this final determination as discussed in the preliminary determination, making adjustments for specific verification findings and certain revisions to surrogate values, discussed below (see, also, calculation memorandum attached to the concurrence memorandum of May 1, 1995).

In our December 9, 1994, preliminary determination, we had valued individually the energy inputs used to produce the subject merchandise. We subsequently received additional information from the U.S. Embassy in Jakarta indicating that energy costs and indirect labor were included in the factory overhead rate used in our margin calculations (see memorandum to the file, dated March 23, 1995). Therefore, to avoid double-counting costs, we no longer have applied individual values for energy inputs in the final determination.

The Indonesian labor rates used in our preliminary determination were those that the Department had relied upon in the *Preliminary Determination of Sales at Less Than Fair Value: Disposable Pocket Lighters from the PRC*, 59 FR 64191, December 13, 1994 (*Lighters*). In the *Final Determination of Sales at Less Than Fair Value: Disposable Pocket Lighters from the PRC*, signed on April 27, 1995 (*Lighters Final*), the Department found that these labor rates were not appropriate for valuing labor factors. Therefore, for the *Lighters Final*, the Department relied on updated labor figures for skilled and unskilled labor obtained from *Doing Business in Indonesia* (1991) and the International Labor Office's 1994 *Special Supplement to the Bulletin of Labor Statistics*. We have adopted the revised labor rates for this investigation as well.

Additionally, we revised the surrogate values for the material inputs of sulfuric acid and ammonia water because we determined that the 1993 Indonesian import values used in the preliminary determination were inappropriate. (For the details of our analysis of these

values, see the calculation memorandum attached to the concurrence memorandum of May 1, 1995). Since the Indonesian import values for both sulfuric acid and ammonia water were found to be inappropriate, we based our calculations on the export values derived from the Indonesian *Foreign Trade Statistical Bulletin—Exports*, November 1993.

For the primary material input, furfuryl, we continued to rely on the Indonesian selling price supplied by the U.S. Embassy in Jakarta because it was the information on the record most contemporaneous to the POI. We applied this value to furfuryl that was purchased and used in the production of furfuryl alcohol. For those factories that also produced their own furfuryl, we constructed a surrogate value from verified factor data for this input. This surrogate value was then applied to the amount of self-produced furfuryl used to make furfuryl alcohol during the POI (see Comment 4).

China-Wide Rate

The Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the China Chamber of Metals, Minerals & Chemical Importers & Exporters identified what we believe to be the only two PRC exporters of furfuryl alcohol to the United States during the POI. Both have responded in this investigation. We compared the respondents' sales data with U.S. import statistics for the period of investigation and found no inconsistencies. Accordingly, we have based the China-wide rate on the weighted-average of the margins calculated in this proceeding.

Verification

As provided in section 776(b) of the Act, we verified all the information relied upon for this final determination.

Interested Party Comments

Comment 1: Separate Rates Eligibility

The respondents contend that the Department should uphold its preliminary determination and issue separate rates to both Qingdao and Sinochem Shandong. They argue that the information on the record, as verified by the Department, supports their claims regarding the lack of central government ownership and the absence of *de jure* and *de facto* governmental control. Therefore, respondents assert, they are eligible for receiving separate, calculated margins in the final determination.

The petitioner argues that the respondents are subject to significant

control by the PRC government and are, thus, ineligible to receive separate rates in the final determination. According to the petitioner, governmental control is evidenced by several factors that apply both generally and selectively to the respondents in this investigation.

First, the petitioner argues that the 1988 Law provides an example of *de jure* control by the central government. Petitioner points to chapter VI, article 55, of the 1988 Law, which states that the PRC government has the authority to "issue mandatory plans" to enterprises.

Second, the petitioner makes reference to a 1994 World Bank report, "China Foreign Trade Reform," that was cited with approval in the Department's determination in *Coumarin*. This report states that the foreign contract system in the PRC has "the effect of holding local authorities and FTCs [foreign trade companies] to what are in effect mandatory export targets."

Third, the petitioner refers to the 1992 Export Provisions which indicate that furfuryl alcohol is subject to quotas on exports to Japan and the European Community (EC). According to the petitioner, the imposition of these export quotas had an indirect effect on exports of furfuryl alcohol to the U.S. market.

Fourth, the petitioner contends that the Department has determined that if a product is included on the 1992 Export Provisions list, then it is subject to mandatory plans and export targets (see *Coumarin*).

Focusing specifically on Sinochem Shandong, the petitioner alleges that this exporter is a subsidiary of the national trading company, China National Chemicals Import and Export Corporation (commonly known as Sinochem Import & Export Corporation) which, in turn, is under the control of the State Council. The petitioner argues that the linkage between these entities is established by (a) the 1994 company catalog of Sinochem Shandong, and (b) the 1992 "Directory of Chinese Enterprises for Foreign Economic Relations and Trade" which suggests that Sinochem Shandong is under the control of the State Council.

In response, Qingdao and Sinochem Shandong assert that the provisions of the 1988 Law concerning mandatory plans are not applicable to the furfuryl alcohol industry. Furthermore, the 1992 Regulations, indicate that the responsibility for managing enterprises "owned by all of the people" is with the enterprises themselves and not with the government.

On the subject of furfuryl alcohol export quotas, the respondents agree with the Department's preliminary

determination that such quotas are not applicable to PRC exports to the United States. According to the respondents, any suggestion that the quotas on exports to the EC and Japan might have had some distortive effect on pricing of furfuryl alcohol exports to the United States is "pure speculation."

Regarding the specific allegation against Sinochem Shandong, that company states that the national trading company was dismantled during the 1992 decentralization and its former branches made independent. It notes, moreover, that the Department had granted Sinochem Shandong a separate rate in past investigations.

DOC Position

We disagree with the petitioner. Regarding petitioner's argument that the 1988 Law allows for the imposition of mandatory plans, we note that (1) the 1992 Regulations, which further devolved control from the government to the enterprises, provides that "enterprises have the right to reject mandatory plan targets" (Article VIII), and (2) we confirmed at verification that these exporters (a) establish their own export prices; (b) negotiate their own sales without guidance from any government entities; (c) select their own management without interference from any government entities; and d) retain the proceeds from the sales of the subject merchandise.

Regarding the petitioner's argument about the 1992 Export Provisions, we recognize that furfuryl alcohol was included on the list of commodities that were subject to export quotas. However, as stated in the preliminary determination, these quotas were confined to exports to Japan and the countries of the European Community and were not applicable to PRC exports to the United States. Petitioner did not offer any explanation as to how the quotas on exports to the EC countries and Japan might have affected the pricing of the PRC sales of furfuryl alcohol to the United States. Moreover, furfuryl alcohol is not included in the more recent 1994 Quota Measure.

With regard to the specific allegation concerning Sinochem Shandong, the Department found Sinochem Shandong eligible for a separate rate, on a *de jure* basis, on the ground that the national trading company was dismantled and its former branches became independent (see *Sparklers and Final Determination of Sales at Less Than Fair Value: Sulfur Dyes From the People's Republic of China*, 58 FR 7537-38 (February 8, 1993)). The 1992 "Directory of Chinese Enterprises for Foreign Economic Relations and Trade" referenced by the

petitioner is outdated; the Sinochem national trading company was dismantled after the directory was compiled. As stated in the "Separate Rates" section of this notice, we therefore find that the administrative record in this investigation supports a final determination that there is the *de jure* and *de facto* absence of governmental control over the export activities of both respondents. Consequently, we find that these exporters have met the criteria for application of separate rates.

Comment 2: Assigning Separate Rates for Different Suppliers

The respondents urge the Department to determine separate rates for each manufacturing respondent and to establish dual rates for trading companies sourcing from two manufacturers. In support of this request, the respondents cite to the *Final Determination of Sales at Less Than Fair Value: Certain Cased Pencils from the PRC*, 59 FR 55625 (November 8, 1994) (*Pencils*).

The petitioner argues that respondents' reliance on *Pencils* is misplaced, noting that the Department established factory-specific rates in that case to prevent investigated producer/exporter combinations with no dumping margin from becoming conduits for merchandise produced by producers that had been found to have positive dumping margins. Accordingly, the petitioner urges that respondents' request be rejected.

DOC Position

We agree with the petitioner. The Department's practice is to apply separate rates only to those exporters of the subject merchandise who responded to the Department's questionnaire, whose responses were verified on this issue, and who satisfy the criteria of our separate rates test. For those exporters that have multiple suppliers, margins are based on weighted-average FMVs (see, *Coumarin*, 59 FR 66895, 66899).

In *Pencils*, the Department found no dumping margin for one exporter based upon the factors of production provided by the suppliers of that exporter. The Department determined that, for purposes of exclusion from the order, the exclusion applied only to the exporter's sales of merchandise produced by those suppliers. If the exporter sold merchandise produced by other suppliers, that merchandise would be subject to the order at the "China-wide" rate. The Department assigned a margin based on the weighted-average FMV of all suppliers to other exporters that did not qualify for exclusion. In this

investigation, because none of the exporter-supplier combinations are without a dumping margin, the Department assigned each exporter a rate based on the respective weight-average FMV of the exporter/producer combinations.

Comment 3: Market-Oriented Treatment for Certain Inputs

At the preliminary determination, respondents requested market-oriented industry (MOI) treatment and the use of domestic PRC prices for major inputs in the production of furfuryl alcohol (furfuryl) and its primary material input, corn cobs. The Department rejected respondents' claim. In its subsequent briefs, the respondents argued that MOI treatment and the use of domestic PRC prices was appropriate for the furfuryl alcohol itself.

The petitioner cites the *Final Determination of Less Than Fair Value: Sulfanilic Acid from the PRC*, 57 FR 29705 (July 6, 1992) (*Sulfanilic Acid*), for the proposition that the MOI test is not and should not be applied on an input-by-input basis.

DOC Position

The Department's practice with MOI claims has been to require the respondents to show that the subject merchandise is produced within an MOI. Showing that a respondent purchases one input at a market-determined price (which we have not concluded in this investigation) is relevant but, alone, not sufficient to find an MOI for the subject merchandise (*Sulfanilic Acid*, 57 FR 29705). Respondents failed to show that the other inputs were available at market-determined prices. Accordingly, respondents have not demonstrated eligibility for MOI treatment and, in accordance with the statute, we must determine FMV on the basis of surrogate market economy values for inputs produced or purchased within the PRC.

Comment 4: Constructed Surrogate Value for All Furfuryl

The respondents urge the Department to use the reported factors of production to value both self-produced and purchased furfuryl during the POI. They argue that, according to the *Omnibus Trade and Competitiveness Act of 1988* (1988 Act), the Department's first preference in determining FMV in an NME investigation is the calculation of the value of factors of production. Since the Department has verified the factors of production in the PRC, using the actual factor inputs and surrogate values for those inputs is the most accurate way to value furfuryl. The respondents assert that, at a minimum, the factors of

production of furfuryl should be used to value both the furfuryl produced and the furfuryl purchased for the producers that did both during the POI.

The petitioner contends that the respondents' reference to the change to using factor inputs and surrogate values for NME investigations in the 1988 Act is both factually and legally incorrect. To support its assertion, the petitioner states: (1) The Department has not constructed a surrogate value for furfuryl produced in the PRC as claimed by the respondents—the factors of production for furfuryl, based on the few responding producers in this investigation, are not necessarily applicable to all furfuryl producers in the PRC; (2) the 1988 Act requires merely that the Department value in a surrogate country input factors of production of the subject merchandise; and (3) no statutory support exists for applying one NME producer's factors of production to another NME manufacturer's product.

DOC Position

We agree with the petitioner that the 1988 Act does not support the respondents' proposal. In accordance with the statute's direction to measure and value "the factors of production utilized in the production of the merchandise," we valued the inputs for furfuryl for the factories producing furfuryl. For those factories that purchased furfuryl for their production of furfuryl alcohol, we continued to treat the purchased furfuryl as the input to be valued on the basis of a surrogate.

Comment 5: Corn Cob Value

The petitioner argues that corn cobs, a primary direct material of furfuryl and, therefore, furfuryl alcohol, should be assigned a value based on a price in one of the surrogate countries. In the preliminary determination the Department, based on information provided in a cable from the U.S. Embassy in Indonesia, treated corn cobs as an agricultural waste product and only assigned corn cobs the costs applicable to transporting corn cobs to the factory. The petitioner contends that it is inapposite to treat corn cobs as agricultural waste because the respondents have to pay for corn cobs. If a price for corn cobs is unavailable in Indonesia, the petitioner urges the Department to use a price from another surrogate country.

The respondents argue that if furfuryl production is based on the use of market factors, including corn cobs, then home market prices should be used for these factors. If, however, the Department continues to value furfuryl production

using the factor methodology, the respondents contend that corn cobs should be valued at Indonesian prices, as established in the preliminary determination.

DOC Position

We agree with the petitioner that corn cobs should be assigned a value based on a price in one of the surrogate countries. However, we disagree with the petitioner that it is inappropriate to treat corn cobs as agricultural waste because the respondents pay for corn cobs. In this investigation, we obtained information relating to the value of corn cobs in the surrogate country, Indonesia. In Indonesia, corn cobs are treated as agricultural waste and have no commercial value. Inasmuch as we valued these corn cobs on the basis of our surrogate country methodology, the surrogate value is appropriate.

Comment 6: Inappropriate Import Value for Furfuryl

The petitioner contends that the Department should rely on publicly available information from 1982 Indonesian import statistics rather than a price quote received from a factory in Indonesia to value furfuryl.

DOC Position

As in the preliminary determination, we used the respective factors of production in our calculation of FMV for the furfuryl that was produced by the respondents; however, for the furfuryl that was purchased, we based the value on cable information received from the U.S. Embassy in Indonesia. As stated in the calculation memorandum attached to the concurrence memorandum, dated December 9, 1984, the 1982 value that the petitioner is referring to is publicly available, but it is less contemporaneous with the POI than the cable information, and therefore, was rejected.

Comment 7: Zhucheng's Claimed By-Product Credit

The petitioner urges the Department to reject Shuangong Zhucheng Chemical Company Limited's (Zhucheng) claimed by-product credit for a factor of production because the information was submitted during verification and, therefore, constitutes an untimely submission of data.

The respondents argue that the record in this investigation indicates that the petitioner improperly characterized Zhucheng's claimed credit as untimely. Zhucheng indicates that it had reported the credit in its original response to Section D of the Department's questionnaire. While the respondents

acknowledge that they provided a correction and calculation worksheet on this topic at verification, they argue that the documentation is fully in line with that which the Department normally accepts or requires at verification. Accordingly, the respondents request that the Department use the verified credit information in the final margin calculations.

DOC Position

While we agree with the respondents that this information was not untimely, we did not include this credit in our final margin calculations because, as noted in our verification report, Zhucheng was unable to provide documentation to support its worksheet calculations for the credit amount of this factor. (For a further discussion of this issue, see our calculation memorandum attached to the May 1, 1985, concurrence memorandum and Zhucheng's verification report at page 17, dated March 22, 1985).

Comment 8: Zhucheng's Underreported Usage of Corn Cobs

The petitioner argues that the Department's verification revealed that Zhucheng underreported its consumption of corn cobs, and that the Department should base its final margin calculations on the verified amounts.

According to the respondents, the petitioner has mischaracterized the Department's verification findings. The respondents suggest that the understatement was related to impurities, not corn cobs. The respondents also suggest that Zhucheng quite properly reported corn cob consumption, not the consumption of both the factor corn cobs and the impurities. However, the respondents view petitioner's argument as irrelevant because corn cobs are considered an agricultural waste in the surrogate, Indonesia.

DOC Position

We agree with the petitioner that Zhucheng underreported its consumption of corn cobs. Our questionnaire requests respondents to report the gross, not net, amount of materials consumed in the production of the subject merchandise. Therefore, we have increased Zhucheng's consumption of this input, as verified, inasmuch as the surrogate information in Indonesia assigns no monetary value to corn cobs, this increase in consumption will have an affect only on the expenses to transport the corn cobs to the furfuryl alcohol factory.

Comment 9: Zhucheng's Reallocation of Labor Hours

The petitioner contends that the Department should reject Zhucheng's reallocation of labor hours presented at verification because the information is both untimely and without merit.

According to the respondents, the petitioner has misinterpreted the record in arguing that Zhucheng submitted new data on labor hours in the middle of verification. The respondents emphasize that Zhucheng had reported labor hours in its original questionnaire responses to the Department. At verification, the respondents contend that the Department was able to review Zhucheng's records on labor and assess the proper division of direct, indirect and unrelated labor. Inasmuch as Zhucheng's reallocation verified without discrepancy, the respondents request that the Department include its verification findings on labor in its final margin calculations.

DOC Position

We agree with the respondents. As noted in our verification report, Zhucheng had overstated the amount of labor used for producing the input furfuryl because the reported amounts included both indirect and unrelated labor. Since our surrogate value for factory overhead includes indirect labor and it is the Department's practice to only include the production labor related to the subject merchandise, we have revised our final calculations on labor to avoid double counting indirect labor.

Comment 10: Zhucheng's Self-Produced Input, Hydrogen

Zhucheng requests that the Department revise its valuation of hydrogen for the final determination by not valuing it separately. The company argues that the costs associated with the manufacture of this input are included in the surrogate value for factory overhead and that the Department's separate valuation of this input constitutes double counting.

The petitioner argues that the Department should reject Zhucheng's attempt to disregard hydrogen as a direct material and assign a factor value to the process used to produce this input. Moreover, inasmuch as the respondent failed to report usage rates for this process, the petitioner urges that the Department assign a value based upon the best information otherwise available.

DOC Position

We confirmed that the process necessary to produce hydrogen is

accounted for in the surrogate value for factory overhead and that to value the company's input separately would involve double counting. Therefore, we have not assigned a separate value to hydrogen in our calculations for the final determination. (For a further discussion of this issue, see our calculation memorandum attached to the concurrence memorandum of May 1, 1995).

Comment 11: Iso-Tanker Rental Expense

The petitioner asserts that, in computing movement expenses, the Department should include a rental expense for iso-tankers used by Sinochem Shandong because the Department verified that these expenses were incurred. The petitioner argues that it is appropriate to rely on the public information provided in the petition for the valuation of these expenses in the final margin calculations.

DOC Position

We agree with the petitioner that Sinochem Shandong incurred a rental expense for transporting the subject merchandise in iso-tanker trucks during the POI. Given that we were unable to obtain any publicly available data, or other information, regarding this expense in any of our surrogate countries, we relied on the publicly available information in the petition for the rental of iso-tanker trucks from Thailand for shipments to the United States to derive a MT per kilometer cost. We applied this figure to the distance between the factory and the port for each PRC supplier of Sinochem Shandong.

Comment 12: BIA for Sinochem Shandong

The petitioner argues that the Department should use BIA to calculate a margin for Sinochem Shandong because it failed to furnish a complete list of suppliers that provided the furfuryl alcohol it sold to the United States during the POI. The petitioner states that the reported suppliers did not deliver furfuryl alcohol from a total of five invoices in time for one of Sinochem Shandong's shipments. Accordingly, the petitioner asserts that Sinochem Shandong must have purchased the furfuryl alcohol elsewhere, and has failed to disclose that supplier to the Department.

The respondents contend that the petitioner's allegation regarding Sinochem Shandong's sourcing is unfounded. The respondents argue that the integrity of Sinochem Shandong and

its suppliers are demonstrated in the Department's verification reports and, therefore, there is no reason to use BIA. To support their argument, the respondents cite to the Department's verification reports.

DOC Position

We agree with the respondents that the sales reported by Sinochem Shandong and by its suppliers did, in fact, correspond, and that the discrepancy was only a result of differences in the bookkeeping practices of these different entities. For these reasons, we relied on Sinochem Shandong's verified data and did not resort to using BIA to calculate its margin.

Comment 13: Additional Movement Expenses for Qingdao

The petitioner asserts that the Department should deduct from the USP the additional expenses incurred for the movement of Qingdao's furfuryl alcohol from the point of shipment to the point of delivery. At verification, Qingdao indicated that it received partial payment for certain invoices and that the difference between the invoiced amounts and the actual payments represents movement expenses. The petitioner argues that these movement expenses must be accounted for in the Department's calculations.

The respondents indicate that the record demonstrates that these additional charges are not those of Qingdao and that this was affirmed at verification. Accordingly, it would be inappropriate to charge these additional movement expenses to Qingdao.

DOC Position

We agree with the respondents. The Department verified that only partial payments for three U.S. sales had been forwarded by the customer to Qingdao because of a dispute over shipping charges between the shipper and Qingdao's customer. Both Qingdao and its customer acknowledge that these charges are not the responsibility of Qingdao. The customer stated that it will complete payment to Qingdao as soon as the issue with the shipper is resolved (see Qingdao verification report, dated March 20, 1995). Accordingly, the Department is satisfied that a third party, not Qingdao, is liable for the additional movement expenses.

Comment 14: Ministerial Error on Packing

The respondents state that the Department should correct the multiplication errors made in calculating packing expenses in the

preliminary determination. Specifically, they state that for the producers Zibo Gaintact Chemical Company Limited and Zhucheng, the Department incorrectly multiplied the drum cost per metric ton by the number of drums in a metric ton. In addition, the respondents state that with respect to the producers Linzi Organic Chemicals Co. Ltd. and Zibo, the Department confirmed that shipment of products by Sinochem Shandong was by iso-tanker. Accordingly, the respondents assert that packing material costs for these shipments should be zero.

The petitioner notes that although the Department's preliminary calculation has a mathematical error, it is not the error alleged by the respondent. In fact, the petitioner postulates that the packing figures used in the preliminary determination were partially correct. The petitioner makes the assumption that the Department charged all sales of furfuryl alcohol with packing cost to account for the packing that would be needed for the purchased furfuryl. Therefore, the petitioner states that all sales should include packing cost, and that the drum sales should have packing cost included twice.

DOC Position

We agree with the respondents. These were ministerial errors and have been corrected (see calculation memorandum attached to the concurrence memorandum, dated May 1, 1995).

Comment 15: Labor Rates

The respondents state that, in the preliminary determination, the Department used unrealistically high labor rates for both skilled and unskilled labor, and such rates did not accurately reflect the actual wage rates in Indonesia.

The petitioner argues that the Department should continue to rely on the U.S. Department of Labor statistics for Indonesian labor that were used in the preliminary determination.

DOC Position

We agree with the respondents. The labor rates used in the preliminary and final determinations are discussed above in the section on Foreign Market Value.

Comment 16: Indirect Labor & Energy

The respondents state that, based on the March 23, 1995, memorandum to the file, the calculations for all three manufacturers should be corrected to eliminate indirect labor, coal, steam, and electricity because the memorandum states that the costs of indirect labor and energy are included

in the Indonesian surrogate value for factory overhead.

The petitioner urges the Department not to eliminate indirect labor and energy, and instead use a surrogate valuation based on a percentage of direct materials, all labor and energy costs. In any event, the petitioner states that the Department should not ignore the respondent's energy costs.

DOC Position

We agree with the respondents. Based on the Department's surrogate value methodology, Indonesia is our preferred surrogate, and since the factory overhead percentage for Indonesia includes the above-mentioned items, we have not separately valued those items in our calculations for the final determination.

Comment 17: Salt

The respondents state that the Department verified that salt, not the originally reported factor, was used by two of the factories. To value this factor, the respondents suggest using either the Indonesian price, if available, or the U.S. price. Alternatively, the respondents state that the Department should consider disregarding the cost of salt altogether because it was not used in the production process. They point to the verification report for one of the factories, wherein salt was referred to as "a low cost consumable" used for equipment maintenance.

The petitioner argues that the Department's calculations of surrogate values in the preliminary determination were correct and should not be changed.

DOC Position

We agree with both parties, in part. For the factory that treats salt as a "low cost consumable," we have treated these costs as part of factory overhead and have not valued them separately as a factor of production. For the other factory, there is no evidence concerning how salt was used in the production process or what kind of salt was used. Therefore, we have treated salt as a factor of production, and have continued to use the surrogate value that was used in the preliminary determination.

Comment 18: Sulfuric Acid

The respondents state that the surrogate value used for sulfuric acid in the preliminary determination is either erroneous or aberrational and should be corrected. They state that a more realistic value for sulfuric acid has been established in the Pencils investigation, where an Indian price was used.

The petitioner contends that the Department should follow the surrogate country hierarchy established in this case.

DOC Position

We agree with both parties, in part. We agree with the petitioner that the Department should use the established hierarchy. Based on our analysis, we also agree with the respondents that a more accurate value should be used. Because furfuryl alcohol is not produced in India, we based our calculations on the export values derived from the November 1993 Indonesian Foreign Trade Statistical Bulletin—Exports. Because this was a contemporaneous value, no adjustment for inflation was needed (see calculation memorandum attached to the concurrence memorandum, dated May 1, 1995).

Comment 19: Valuation of Ammonia Water

The respondents state that the surrogate value used for ammonia water in the preliminary determination was aberrational and should be corrected. The respondent cites to the Department's publication of an "Index of Factor Values for Use in Antidumping Duty Investigations Involving Products from the People's Republic of China" which lists a price for ammonia water in another approved surrogate, India.

The petitioner alleges that the respondents misuse the terms "erroneous" and "aberrational" and completely disregard the Department's factor valuation hierarchy. The petitioner urges the Department not to change its surrogate value for this factor.

DOC Position

We agree with the respondents in part. Based on our analysis, we determined that the surrogate value used in the preliminary determination was inappropriate. (For the details of our analysis of this value, see the calculation memorandum attached to the concurrence memorandum, dated May 1, 1995.) Since the Indonesian import value for ammonia water was found to be inappropriate, we based our calculations on the export values derived from the November 1993 Indonesian Foreign Trade Statistical Bulletin—Exports. Because this was a contemporaneous value, no adjustment for inflation was needed.

Continuation of Suspension of Liquidation

In accordance with sections 733(d)(1) and 735(c)(4)(B) of the Act, we are

directing the Customs Service to continue to suspend liquidation of all entries of furfuryl alcohol from the PRC that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or posting of a bond equal to the estimated amount by which the FAV exceeds the USP as shown below. These suspension of liquidation instructions will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Manufacturer/producer/exporter	Weighted-Average Margin Percentage
Sinochem Shandong	43.54
Qingdao	50.43
China-Wide	45.27

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will determine whether these imports are causing material injury, or threat of material injury, to the industry in the United States, within 45 days. If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted will be refunded or cancelled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 735(d) of the Act and 19 CFR 353.20(a)(4).

Dated: May 1, 1995.

Susan G. Eschenman,
Assistant Secretary for Import
Administration.
[FR Doc. 95-11262 Filed 5-5-95; 8:45 am]
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[A-791-802]

Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From South Africa

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

EFFECTIVE DATE: May 8, 1995.

FOR FURTHER INFORMATION CONTACT: John Brinkmann or Donna Berg, Office of Antidumping Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482-5288 or 482-0114, respectively

Final Determination

We determine that furfuryl alcohol from South Africa is being sold in the United States at less than fair value (LTFV), as provided in section 735 of the Tariff Act of 1930, as amended ("the Act"). The estimated margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the preliminary determination of sales at LTFV on December 9, 1994, (59 FR 65012, December 16, 1994), the following events have occurred:

On January 25, 1995, ISL submitted its response to Section D of the Department's questionnaire which requests information on the COP and constructed value (CV). The Department issued a supplemental cost questionnaire on January 30, 1995. ISL submitted its response to this supplemental questionnaire on February 8, 1995. QO Chemicals, Inc. (the petitioner) submitted comments concerning the respondent's Section D responses on February 14, 1995.

On January 17, 1995, the respondent submitted relevant audited financial statements for 1994. On January 20, 1995, ISL and Harborchem submitted revisions to its U.S. sales data.

The Department issued its verification outline to the respondent on January 24, 1995. Verifications of the respondent's sales and cost questionnaire responses were conducted during the months of January, February, and March 1995. The Department issued reports concerning these verifications in March 1995.

The respondent and the petitioner submitted case briefs on March 30, 1994, and rebuttal briefs on April 4, 1995. At the request of both the respondent and the petitioner, we held a public hearing on April 6, 1995.

Scope of Investigation

The product covered by this investigation is furfuryl alcohol ($C_4H_7OCH_2OH$). Furfuryl alcohol is a primary alcohol, and is colorless or pale yellow in appearance. It is used in the manufacture of resins and as a wetting agent and solvent for coating resins, nitrocellulose, cellulose acetate, and other soluble dyes.

The product subject to this investigation 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 this proceeding is dispositive.

Period of Investigation

The period of investigation (POI) is December 1, 1993, through May 31, 1994.

Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute and to the Department's regulations are in reference to the provisions as they existed on December 31, 1994.

Such or Similar Comparisons

For purposes of the final determination, we have determined that furfuryl alcohol constitutes a single "such or similar" category of merchandise. Further, because the respondent had sales in the home market of merchandise identical to that sold to the United States, similar comparisons were not necessary.

Fair Value Comparisons

To determine whether sales of furfuryl alcohol from South Africa to the United States were made at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the "United States Price" and "Foreign Market Value" sections of this notice. In accordance with 19 CFR 353.58, we made comparisons at the same level of trade, where possible.

United States Price

We have found that ISL and its exclusive selling agent, Harborchem, are related parties pursuant to section 771(13)(A) of the Act (see Comment 1 and the concurrence memorandum, dated May 1, 1995, on file in Room B-099 of the Main Commerce Department building), and that all of ISL's U.S. sales to the first unrelated purchaser took place after importation into the United States. Therefore, we based USP on exporter's sales price (ESP), in accordance with section 772(c) of the Act.

We calculated ESP based on FOB U.S. storage facility or delivered prices to unrelated customers in the United States. We made deductions, where appropriate, for the following movement charges in accordance with section 772(e) of the Act: foreign loading on ship, foreign inland freight, ocean

freight, marine insurance, tank car rental, U.S. inland freight, U.S. inland insurance, U.S. brokerage and handling, and U.S. duty. We also made deductions, where appropriate, for credit expenses, indirect selling expenses incurred in South Africa, and indirect selling expenses incurred in the United States, including quality control testing, inventory carrying expenses, warehousing expenses, and U.S. storage insurance. We also increased U.S. price, as appropriate, to account for additional freight revenue (see Comment 8).

In accordance with our standard practice, and pursuant to the decision of the U.S. Court of International Trade in *Federal-Mogul Corp. v. United States*, 834 F. Supp. 1391 (CIT 1993), our calculations include an adjustment to U.S. price for the consumption tax levied on comparison sales in South Africa. See *Preliminary Antidumping Duty Determination, Color Negative Photographic Paper and Chemical Components from Japan*, 59 FR 16177, 16179 (April 6, 1994), for an explanation of this methodology.

Cost of Production

As indicated in the preliminary determination, the Department initiated an investigation of sales below the COP in the home market on December 9, 1994. In order to determine whether home market sales prices were below COP within the meaning of section 773(b) of the Act, we calculated COP based on the sum of the respondent's cost of materials, fabrication, general, and packing expenses, in accordance with 19 CFR 353.51(c). We made the following adjustments to respondent's reported COP data:

1. We recalculated the cost of furfuryl, the primary material input into FA, used in the production of furfuryl alcohol during the POI based on ISL's normal first-in first-out inventory valuation method;

2. We removed selling, general and administrative costs from the cost of sales figure used in the denominator of the submitted general and administrative rate calculation;

3. We increased ISL's reported furfuryl steam overhead expenses by the amount actual steam costs exceeded budgeted costs; and

4. We disallowed ISL's reduction of furfuryl production costs for a certain proprietary item.

After computing COP, we added the sales-specific VAT to the COP figure. We compared product-specific COP to reported prices that were net of movement charges, direct and indirect selling expenses, and inclusive of VAT. In accordance with section 773(b) of the

Act, we followed our standard methodology to determine whether the home market sales of each product were made at prices below their COP in substantial quantities over an extended period of time, and whether such sales were made at prices that would permit recovery of all costs within a reasonable period of time in the normal course of trade.

To satisfy the requirement of section 773(b)(1) that below-cost sales be disregarded only if made in substantial quantities, we apply the following methodology. Where we find that over 90 percent of a respondent's sales were at prices above the COP, we do not disregard any below-cost sales because we determine that a respondent's below-cost sales are not made in substantial quantities. If between ten and 90 percent of a respondent's sales were at prices above the COP, we disregard only the below-cost sales if made over an extended period of time. Where we find that more than 90 percent of a respondent's sales were at prices below the COP and were sold over an extended period of time, we disregard all sales and calculate FMV based on CV, in accordance with section 773(b) of the Act.

In accordance with section 773(b)(1) of the Act, in order to determine whether below-cost sales had been made over an extended period of time, we compare the number of months in which below-cost sales occurred to the number of months in the POI in which the product was sold. If a product is sold in three or more months of the POI, we do not exclude below-cost sales unless there are below-cost sales in at least three months during the POI. When we find that sales occur in one or two months, the number of months in which the sales occur constitutes the extended period of time; i.e., where sales are made in only two months, the extended period of time is two months, where sales are made in only one month, the extended period of time is one month. (See *Final Determination of Sales at Less Than Fair Value: Certain Carbon Steel Butt-Weld Pipe Fittings from the United Kingdom* (60 FR 10558, 10560, February 27, 1995)).

In this case, we found that none of the respondent's sales of furfuryl alcohol were at prices below the COP. As a result, we did not need to test whether below-cost sales had been made over an extended period of time. Therefore, we included all home market sales in calculating a weighted-average FMV.

Foreign Market Value

As stated in the preliminary determination, we found that the home

market was viable for sales of FA, in accordance with 19 CFR 353.48(a).

We calculated FMV based on FOB storage facility or delivered prices to unrelated customers. We treated both pre-sale home market movement expenses and pre-sale home market warehousing expenses as indirect expenses because these expenses could not be tied directly to specific sales. We also treated ISL's home market rebate as an indirect, rather than direct, expense because ISL did not adequately tie the rebate to specific home market sales (see Comment 4). We deducted these indirect selling expenses along with inventory carrying costs, capped by the sum of U.S. indirect selling expenses, in accordance with 19 CFR 353.56(b)(1) and (2).

FMV was reduced by home market packing costs and increased by U.S. packing costs in accordance with section 773(a)(1) of the Act. We deducted post-sale home market inland freight from FMV under the circumstance-of-sale provision of 19 CFR 353.56(a). The Department also made other circumstance-of-sale adjustments for home market direct selling expenses, which included imputed credit expenses, as recalculated by the Department, in accordance with 19 CFR 353.56(a)(2). The Department recalculated home market credit expenses based on gross prices exclusive of imputed valued added tax expenses.

We adjusted for the consumption tax in accordance with our practice (see "United States Price" section of this notice).

No deduction was made for the claimed quantity discount because ISL failed to place adequate information on the record to demonstrate that the discount met the criteria for quantity discounts set forth in 19 CFR 353.55(b) (see Comment 5). We did not exclude home market sales of furfuryl alcohol packed in drums from the base of home market sales used for comparison to U.S. sales, as requested by ISL, because ISL did not demonstrate that these sales were outside the ordinary course of trade (see Comment 7).

Currency Conversion

We have made currency conversions based on the official exchange rates, as certified by the Federal Reserve Bank of New York, in effect on the dates of the U.S. sales, pursuant to 19 CFR 353.60.

Verification

As provided in section 776(b) of the Act, we verified the information used in making our final determination.

Interested Party Comments

Comment 1. Purchase Price versus Exporter's Sales Price

In the preliminary determination, the Department relied on ESP methodology to calculate USP because we found that Harborchem was ISL's agent and thus, a related party within the meaning of section 771(13)(A) of the Act.

The petitioner argues that the Department should revise its methodology and base USP on purchase price because Harborchem failed to meet the criteria for an agent under either the law of agency or the Department's four-part test.

ISL asserts that reliance on ESP is appropriate in the final determination, maintaining that the information on the record, which the Department verified, confirms that ISL and Harborchem are related parties.

DOC Position

We agree with the respondent. Based on the findings at verification, the Department has determined that ISL and its exclusive U.S. selling agent, Harborchem, constitute the "exporter" pursuant to section 771(13)(A) of the Act (see concurrence memorandum, dated May 1, 1995), and that all of ISL's U.S. sales to the first unrelated purchaser took place after importation into the United States. Therefore, it is appropriate to base USP on exporter's sales prices, in accordance with section 772(c) of the Act.

In evaluating related party claims based on agency, the Department examines: (1) Whether the foreign manufacturer participates in the marketing of the product to the U.S. customers; (2) whether the foreign manufacturer participates in setting prices and in the negotiation of other terms of sales to U.S. customers; (3) whether U.S. customers look to the U.S. importer or the foreign manufacturer for product testing and quality control; and (4) whether the foreign manufacturer interacts directly with U.S. customers. See *Electrolytic Manganese Dioxide from Japan: Final Results of Antidumping Duty Administrative Review*, 58 FR 28551, 28555 (May 14, 1993), and *Final Determination of Sales at Not Less Than Fair Value: Certain Forged Steel Crankshafts from Japan*, 52 FR 36984, 36985 (October 2, 1987) (*Crankshafts*).

During verification, we were able to confirm that ISL and Harborchem view their relationship as one of principal and agent and communicate continually on matters related to U.S. customer marketing and sales of furfuryl alcohol. Based on our examination of

correspondence files and interviews with company personnel we also determined that ISL: (1) Participates directly with Harborchem in marketing furfuryl alcohol to U.S. customers; (2) participates directly in pricing and sales negotiations with U.S. customers; (3) interacts directly, as well as through Harborchem, with U.S. customers on product testing and quality control matters; and (4) interacts with U.S. customers directly.

Therefore, because Harborchem meets the criteria established in *Crankshafts*, we determine that Harborchem is ISL's agent for sales made in the U.S. during the POI.

**Comment 2: Related Party
"Commission" Paid to Harborchem**

Should the Department employ its ESP methodology in the final determination, the petitioner urges the Department to adjust USP to reflect the commission received by Harborchem. The adjustment is necessary, argues the petitioner, because the Department's practice is to deduct commissions paid to related parties from USP under the ESP methodology. Specifically, section 772(e)(1) of the Act provides that the exporter's sales price shall be reduced by the amount of "commission for selling in the United States the particular merchandise under consideration." See also 19 CFR 353.41(e)(1).

ISL maintains that its compensation arrangement with Harborchem does not fit the traditional definition of commission for antidumping calculations, and, as such, an adjustment to USP is not appropriate.

DOC Position

We disagree with the petitioner. The petitioner's characterization of Departmental practice is misleading. Under the ESP methodology, the foreign exporter and its related importer are effectively treated as one unit. Thus, any compensation paid by ISL to its agent Harborchem, whether or not specifically called a commission, is considered a related party transfer and ignored for the purposes of the margin calculation. Instead, the Department deducts the amount of the related importer's (i.e., Harborchem's) U.S. indirect and direct selling expenses pursuant to section 772(e)(2) of the Act. This methodology avoids double-counting the same expenses (i.e., the commission which includes an amount for the related importer's selling expenses, and indirect selling expenses) and avoids deducting any profit of the related importer as established in *Timken Co. v. United*

States, 630 F. Supp. 1327, 1343 (CIT 1986) (*Timken*).

These practices are fully described in the notice of the *Final Determination of Sales at Less Than Fair Value: Fresh Cut Roses from Colombia and Ecuador* 60 FR 7019, 7028 (February 6, 1995) (*Roses*), and are consistent with the Department's past practice on this issue (see e.g., *Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof*, 56 FR 39729 (July 28, 1993); *LMI—La Metall Industriale, S.p.A. v. United States*, 912 F.2d 455, 459 (Fed. Cir. 1990); *Certain Fresh Cut Flowers from Colombia: Final Results of Administrative Review*, 55 FR 20491 (May 17, 1990); and *Porcelain-on-Steel Cooking Ware from Mexico*, 51 FR 36438 (October 10, 1986)).

Comment 3: Misreported Ocean Freight, Marine Insurance, and U.S. Duty

The petitioner contends that the respondent vastly underreported its ocean freight and marine insurance costs to the Department. It alleges that the underreporting is discernible from the official U.S. Customs entry documents for ISL's U.S. shipments, which indicate a difference between the CIF and FOB values greater than ISL's reported freight and insurance costs. Furthermore, contends the petitioner, this underreporting is also discernible from the responses which indicate that ISL reported the ocean freight and insurance charges for only one of the shipments corresponding to U.S. sales of furfuryl alcohol during the POI. Based on these contentions, the petitioner argues that the Department should reject the respondent's information and apply the amount deduced from the official Customs documents for ocean freight and marine insurance costs as the best information available.

According to the respondent, the Department should rely on the actual ocean freight, marine insurance, and U.S. duty charges as verified, not unverified estimates deduced from customs forms. The respondent argues that if the Department believes an adjustment is necessary, it should revise the amount of U.S. duty applicable to U.S. sales during the POI. ISL suggests that the adjustment to U.S. duty should equal the amount which would have been paid had the deductions to calculate FOB price been correctly calculated and applied in the customs entry documents.

DOC Position

Consistent with our treatment of minor changes to submitted data, the Department has used verified data for

ocean freight and marine insurance (see *Roses*, 60 FR at 7035; and *Final Determination of Sales at Less Than Fair Value: New Minivans from Japan*, 57 FR 21937, 21952 (May 26, 1992)). Inasmuch as the Department has the necessary information to determine the actual ocean freight and insurance charges applicable to U.S. sales during the POI, it is appropriate to apply this information to the final margin calculations.

With respect to U.S. duty, we determined that it was appropriate to recalculate the amount applicable to the respondent's U.S. sales during the POI. This recalculation was necessary because we verified that the entry documents for the respondent's U.S. shipments incorrectly reflected the FOB value which was used to calculate U.S. duty and therefore, the actual duty paid by ISL was understated.

Comment 4: Home Market Rebate

ISL claims the rebates granted to one customer during the POI are related to POI sales and thus should be taken into account in the Department's final margin calculations. ISL reports that it granted rebates to a home market customer that manufactures and exports resins using furfuryl alcohol purchased from ISL. According to ISL, this rebate was granted based on the customer's providing documentation concerning the actual amount of furfuryl alcohol used in the resins exported from South Africa.

The petitioner alleges that ISL's claimed rebate should be rejected because there is no information on the record that ties ISL's rebate to specific sales in the POI.

DOC Position

We agree with the petitioner that ISL was unable to demonstrate that the reported rebates were directly linked to POI sales. However, it is the Department's practice in such instances to reclassify the adjustment as an indirect selling expense (see e.g., *Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, From Japan: Final Results of Antidumping Duty Administrative Review*, 57 FR 4976, 4982-83 (February 11, 1992)). Accordingly, we have treated ISL's home market rebate as an indirect expense in the calculations for the final determination.

Comment 5: Home Market Quantity Discount

The respondent contends that it has met the criterion established by section 353.55(b)(1) of the Department's

regulations to qualify for a quantity discount adjustment insofar as the quantity discount was granted to one home market customer that accounts for over 20 percent of home market sales of the same magnitude during the POI. ISL submits that no other home market customer receives the discount because no other home market customer regularly places orders of the same size as the customer in question.

According to the petitioner, the respondent's claim is defective because the quantity discount at issue was available to only one customer and not, as the Department requires, to any prospective purchasers. Furthermore, the petitioner argues that ISL failed to establish the necessary linkage between the discount in question and the volume of individual sales, as required by 19 CFR 353.55(b)(1). For these reasons, the petitioner argues that the Department should reject this claimed adjustment.

DOC Position

We agree with the petitioner. The Department requires that (1) quantity discounts are available to any prospective purchaser; (2) and that the discount is based on the quantity of the sale in question. This policy was articulated in *Circular Welded Non-Alloy Steel Pipe from Mexico: Final Determination*, 57 FR 42953, 42955, (September 17, 1992) and *Color Television Receivers from the Republic of Korea*, 55 FR 26225 (June 27, 1990). ISL was unable to establish that the discount was available to any prospective home market customer. ISL also was unable to sufficiently support its claim that the discount is linked to the volume of individual sales. Therefore, we have determined, pursuant to section 353.55(b) of the Department's regulations, that the information on the record does not justify granting ISL's claimed adjustment for quantity discounts.

Comment 6: Home Market Export Incentive Payments

ISL reports that it receives export incentive payments from the South African government for all of its exports of FA. ISL argues that the amount earned from the subsidy payments during the POI should be added to the gross unit price of each U.S. sale for the purpose of calculating dumping margins.

The petitioner argues that the Department abandoned its former practice of making circumstance of sale adjustments to account for payments from export programs. The Department's current practice is to make no adjustments to either FMV or to USP for

payments received pursuant to export subsidy programs. Moreover, the petitioner contends that the Department has concluded that it does not have the statutory authority to adjust USP for the payments received from an export subsidy program. See *Oil Country Tubular Goods from Israel: Final Determination of Sales At Less Than Fair Value*, 52 FR 1511 (January 14, 1987) (OCTG).

DOC Position

We agree with the petitioner and reject the respondent's request for this adjustment to USP. Section 772(d)(1) of the Act permits the Department to increase U.S. price for purposes of fair value comparisons only under four specific circumstances: by the amount of the packing, if not included in the U.S. price; by the amount of import duties imposed and rebated upon export; by the amount of any taxes imposed on the merchandise that are rebated upon export; and by the amount of countervailing duties levied to offset an export subsidy. The Department does not make adjustments to the USP for export subsidy payments because payments of this type are not enumerated within section 772(d)(1) of the Act (see OCTG, 52 FR 1513).

There is no CVD investigation or order on the subject merchandise, thus, as required by section 772(d)(1)(D), we cannot adjust USP for an export subsidy.

Comment 7: Exclusion of Sales of Furfuryl Alcohol in Drums

ISL requests that the Department exclude its home market sales of furfuryl alcohol in drums in the pool of home market sales used for comparison to U.S. sales. ISL argues that exclusion of the drummed furfuryl alcohol sales is appropriate because they are not representative of home market sales in terms of price and quantity and because of the small amount of total sales involved.

The petitioner argues that the Department should uphold its decision in the preliminary determination to reject ISL's request. The petitioner maintains that there are two primary reasons for rejecting ISL's request. First, the petitioner argues that furfuryl alcohol is physically identical, whether sold on a drummed or semi-bulk basis. And second, the petitioner contends that ISL's sales listing indicates the drummed sales are comparable to ISL's bulk transactions.

DOC Position

We agree with the petitioner. There is no physical difference between furfuryl

alcohol that is sold in drums and that sold on a semi-bulk basis. Furthermore, the quantities of these drum sales are comparable to many of ISL's sales on a semi-bulk basis. Accordingly, the Department has included these sales in the pool of home market sales used for comparison to U.S. sales.

Comment 8: U.S. Freight Charges

The respondent requests that the Department include the adjustment for U.S. freight cost reimbursement claimed by Harborchem. Although the Department disallowed the adjustment in the preliminary determination based on the lack of adequate information, ISL indicates that the Department specifically reviewed data on customer reimbursement of these freight expenses at verification. Inasmuch as the reported data verified, ISL requests that the Department include an adjustment to USP in the final margin calculations.

DOC Position

We agree with the respondent. The Department fully verified the respondent's information concerning the freight cost reimbursement. Accordingly, this information was included in the calculation of USP for the final determination.

Comment 9: Untimely Data

The petitioner alleges that ISL submitted new factual information in Exhibit 1 of its case brief concerning the COPs for furfuryl and FA. According to the petitioner, the Department should strike this information from the record.

DOC Position

We disagree with the petitioner. Careful examination of this information revealed Exhibit 1 to be a reconfiguration of information already on the record in this investigation. The majority of information contained in Exhibit 1 was submitted by ISL in its original and supplemental response to Section D of the questionnaire. Other data was derived from exhibits to the cost verification (see cost verification exhibits 4 and 13). Accordingly, this information is not new factual information, and the Department has allowed this information to remain on the record of this investigation.

Comment 10: Rescinding the COP Investigation

The respondent contends that the information on the record does not support the Department's finding that there are reasonable grounds to believe or suspect that sales below COP have been made. Rather, ISL argues that the information used to support the COP

investigation should properly be viewed as amounting to statistical aberrations in the data reported. Therefore, ISL requests that the Department rescind the COP investigation in this case.

According to the petitioner, the Department properly initiated the COP investigation after it conducted a thorough examination of the petitioner's allegation. Based on this examination, the Department determined that there were reasonable grounds to believe or suspect that sales were made at prices which were less than ISL's COP. Accordingly, the petitioner argues that ISL's request should be rejected.

DOC Position

We agree with the petitioner that the COP investigation should not be rescinded. Based on our analysis of the petitioner's COP allegations at the time they were made, we determined, in accordance with section 773(b) of the Act, that there was a reasonable basis to believe or suspect that home market sales of ISL were made at less than the COP. (For a description of the Department's analysis, see concurrence memorandum, dated December 9, 1994). As a result, initiation of the COP investigation was appropriate.

Comment 11: Use of Best Information Available (BIA)

The petitioner asserts that ISL has purposely impeded this investigation by failing to provide all of the costs for furfuryl used in furfuryl alcohol production during the POI. The petitioner contends that the Department has repeatedly asked ISL to submit actual cost data for all of the furfuryl used to produce furfuryl alcohol during the POI. In response to these requests, however, the petitioner maintains that ISL submitted two flawed furfuryl costing methodologies. Accordingly, pursuant to section 776(c) of the Act, the petitioner urges the Department to use noncooperative BIA to determine ISL's antidumping duty margin.

According to ISL, the petitioner's claim that ISL has significantly impeded the investigation by failing to provide sufficient furfuryl cost information is totally without merit. ISL maintains that it has complied with all of the Department's requests regarding the actual cost of furfuryl consumed during the POI. ISL submitted furfuryl cost data covering an eighteen-month period, including the six months of the POI. Moreover, ISL notes that it has submitted furfuryl costs using three different methodologies.

DOC Position

We have not found that ISL has impeded this investigation. Rather, ISL has cooperated in every aspect of this investigation. Therefore, we have determined that it is appropriate to use ISL's information in our margin calculation.

Comment 12: Furfuryl Costs

The petitioner argues that all three of ISL's submitted furfuryl costing methodologies fail to accurately reflect the cost of furfuryl used in production during the POI. The petitioner therefore contends that the Department should reject these methodologies and resort to BIA as the basis for computing ISL's antidumping margin.

ISL maintains that each of the methodologies used in the questionnaire responses to calculate furfuryl production costs are reasonable and should be accepted by the Department. However, ISL contends that its fiscal year furfuryl cost calculation is most appropriate because it represents all costs normally incurred during a full seasonal cycle.

DOC Position

We agree with the petitioner that none of the three methodologies ISL has proposed properly values the cost of furfuryl consumed in the furfuryl alcohol process during the POI. ISL's first methodology included the cost of furfuryl produced after the POI, June through September 1994. ISL's second methodology reflected furfuryl production costs for only part of the furfuryl consumed during the POI. Lastly, the furfuryl costs computed by the company under the third methodology were based on a weighted-average cost rather than on ISL's normal first-in first-out (FIFO) inventory valuation method. However, the information on the record is sufficient to allow the Department to recalculate the furfuryl cost.

We have recalculated the cost of furfuryl used to produce furfuryl alcohol during the POI based on ISL's normal FIFO inventory valuation method. The Department normally follows the respondent's inventory valuation method unless it fails to reasonably reflect the costs associated with producing the merchandise. There is no information on the record to indicate that ISL's FIFO method distorts per-unit furfuryl costs.

Comment 13: Accounting Adjustment

The petitioner argues that ISL's submission methodology for a particular proprietary adjustment distorts the COP. The respondent argues that its

submission methodology provides a reasonable basis for the calculation of the effect of this item on the COP.

DOC Position

Because of the business proprietary nature of this item, we have addressed the parties comments and analyzed the issue in detail in the proprietary concurrence memorandum dated May 1, 1995. But, our determination was not to allow respondent's submitted methodology but rather to rely on respondent's normal accounting practice with respect to this adjustment.

Comment 14: Bagasse

The petitioner asserts that ISL failed to properly account for the value of its bagasse used to produce furfuryl and that the value should be included in ISL's COP. The petitioner notes that during the POI, ISL sold bagasse generated from one of its sugar mills to an unrelated paper producer located near the mill. It argues that the Department should utilize this sales value in assigning a cost to bagasse consumed during the POI.

The respondent maintains that its submission methodology of assigning no cost to bagasse usage is reasonable and consistent with its financial and cost accounting systems. The respondent contends that its methodology considers the value of bagasse based on its energy content. Additionally, respondent argues that there is no market for bagasse from its Sezela mill where the company produced the subject merchandise. Furthermore, respondent notes that the sale of bagasse from one of ISL's other mills was possible only because of the close proximity of this mill to the purchaser's manufacturing plant.

DOC Position

ISL's furfuryl and furfuryl alcohol plant is located adjacent to its sugar cane processing plant. Bagasse is generated from the processing of sugar cane. Bagasse generated at the sugar mill is transferred to the furfural plant. In the first stage of the furfural process, ISL extracts a chemical from bagasse called pentosan. After the furfural plant performs the extraction, the remaining bagasse residue is transferred to the boiler as an energy source. The bagasse loses a minimal amount of its energy content from the extraction process. ISL has one boiler which generates high pressure steam for both its sugar mill and furfural process. ISL uses coal, bagasse and bagasse residue to fuel this boiler.

In its normal accounting system, ISL assigns no costs to the bagasse used to

extract pentosan and as a fuel source for the boiler. All coal costs incurred for the boiler are charged to furfural production.

During verification, we noted that the energy content of the coal charged to the furfural process exceeded the sum of the energy content of steam used in the furfural process plus the net energy loss from bagasse used in furfural production. Consequently, we found that ISL's actual reported coal costs charged to furfural exceeded the value of the bagasse and steam used in the furfural production process. We therefore consider it reasonable for ISL to assign no cost to the bagasse consumed in the furfural production process.

We believe that the circumstances surrounding ISL's bagasse sales during the POI do not reflect the operations of the Sezela mill where ISL produces the subject merchandise. The Sezela sugar mill has no bagasse customers located within its vicinity, whereas the bagasse customer of ISL's other mill is located next to that mill. Thus, unlike the Sezela mill, sales between the other ISL sugar mill and the unrelated company were economically feasible because transportation of bagasse between seller and customer was reasonably available and relatively inexpensive.

Comment 15: General and Administrative (G&A)

The petitioner maintains ISL's G&A calculation methodology is flawed for numerous reasons and urges the Department to reject it. Specifically, the petitioner maintains that ISL's G&A expense calculation methodology failed to compute G&A on a company-wide basis and included both G&A and selling expenses in the denominator.

ISL contends its reported G&A expense methodology is appropriate. The G&A expenses were based on amounts recorded in separate general ledger accounts for the chemical division G&A departments and were properly allocated to the operations receiving the benefit. However, respondent agrees that the denominator incorrectly included both G&A and selling expenses.

DOC Position

To compute G&A expenses for COP, ISL calculated a company-wide G&A rate for G&A expenses that related to the operations of the company as a whole. In addition, ISL calculated separate G&A rates for its chemical operations and the operations of its Sezela furfuryl alcohol plant. These rates excluded G&A expenses relating to the company's

sugar operations (i.e., non-subject merchandise).

During verification, ISL demonstrated that it normally records certain G&A expenses by product line for chemical operations (including furfuryl and furfuryl alcohol) and sugar. The company showed that it recorded these product-line expenses in specific G&A accounts maintained in its general ledger. Since ISL demonstrated that some of its G&A expenses relate exclusively to the company's non-subject sugar operation, we consider respondent's submitted G&A expense methodology reasonable.

We further note that because we are applying the G&A rate to cost of manufacturing exclusive of selling, general and administrative (SG&A) expenses, we recalculated ISL's G&A rate by excluding SG&A from the cost of sales figure used as the denominator in the calculation.

Comment 16: Decentralization Incentive

ISL claims its decentralization incentive payments were approved by and received from the South African government during fiscal year 1994. Since the revenue was recorded in its audited financial statements, ISL maintains that it appropriately included this amount in its submitted G&A rate calculation.

The petitioner argues the Department should exclude ISL's decentralization incentive revenue as the revenue relates to expenses incurred before the POI. Additionally, the petitioner argues this revenue is not linked to the sales made during the POI.

DOC Position

According to both South African and U.S. generally accepted accounting principles (GAAP), companies do not normally recognize revenue in the income statement unless they are relatively certain that the amount will be collected. In ISL's case, even though the government approved ISL's grant application in 1993, the company did not record the revenue for financial statement purposes until the money was received in 1994. We consider ISL's conservative treatment of not recording the grant revenue for financial statement purposes until the year of receipt a reasonable approach. Accordingly, we included the grant revenue in ISL's G&A calculation.

Comment 17: Overhead Expense Allocation

ISL contends that the method used to allocate overhead costs for submission purposes is the same as that applied in its normal accounting records.

The petitioner contends ISL's overhead allocation method distorts costs. According to the petitioner, ISL understated furfuryl costs by allocating an excessive amount of overhead expenses to the furfuryl alcohol process.

ISL maintains that, contrary to the petitioner's arguments, its normal overhead allocation methodology is reasonable. Moreover, ISL asserts that the method of allocation between furfuryl and furfuryl alcohol does not significantly effect the overall furfuryl alcohol costs.

DOC Position

The Department normally relies on the respondent's books and records prepared in accordance with the home country GAAP unless these accounting principles do not reasonably reflect the COP of the merchandise. ISL's reported overhead costs were based on its normal accounting books and records. We have found no evidence on the record to indicate ISL's allocation of overhead costs between furfuryl and furfuryl alcohol distorts the production costs. Accordingly, we accepted ISL's submission methodology for allocating overhead costs.

Comment 18: Steam Costs

The petitioner asserts the Department should increase ISL's steam costs by the amount suggested in the cost verification report. The respondent agrees with this adjustment to steam costs.

DOC Position

We increased ISL's reported steam cost.

Continuation of Suspension of Liquidation

In accordance with section 735(d) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of furfuryl alcohol from South Africa, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after December 16, 1994, the date of publication of our preliminary determination notice in the Federal Register.

The Customs Service shall require a cash deposit or posting of a bond on all entries equal to the estimated dumping margin, as shown below. The suspension of liquidation will remain in effect until further notice.

Producer/manufacturer/exporter	Margin percentage
Ilvo Sugar Limited	15.48
All Others	15.48

TTC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. The ITC will make its determination whether these imports materially injure, or threaten injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or canceled.

However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing the Customs Service officers to assess an antidumping duty on furfuryl alcohol from South Africa, that are entered, or withdrawn from warehouse, for consumption on or after the date of suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the United States price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)) and 19 CFR 353.20.

Dated: May 1, 1995.

Susan G. Esserman,
Assistant Secretary for Import
Administration.

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BILLING CODE 2610-05-P

[A-549-812]

Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From Thailand

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

EFFECTIVE DATE: May 8, 1995.

FOR FURTHER INFORMATION CONTACT: John Brinkmann or Greg Thompson, Office of Antidumping Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482-5288 or 482-2336, respectively.

Final Determination

We determine that furfuryl alcohol from Thailand is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 735 of the Tariff Act of 1930, as

amended (the Act). The estimated margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the preliminary determination of sales at LTFV on December 9, 1994 (59 FR 85014, December 16, 1994), the following events have occurred:

At the request of the petitioner, QO Chemicals, the Department postponed the final determination until May 1, 1995 (59 FR 66901, December 28, 1994). Pursuant to the Department's request, on January 17, 1995, the respondent, Indo-Rama Chemicals (Thailand) Ltd. (IRCT), submitted additional information pertaining to its potential exports sales price (ESP) transactions. In addition, IRCT submitted its response to Section D of the questionnaire, which requests information on the cost of production (COP) and constructed value (CV). The petitioner commented on this response, which IRCT later supplemented pursuant to our request on February 6, 1995.

Verification of IRCT's sales and COP/CV questionnaire responses was conducted during the months of February and March, 1995. The Department issued reports concerning these verifications on March 21, 1995.

IRCT and the petitioner submitted case briefs on March 29, 1995, and rebuttal briefs on March 31, 1995. At the petitioner's request, the Department held a hearing on April 4, 1995.

Scope of Investigation

The product covered by this investigation is furfuryl alcohol (C₄H₆OCH₂OH). Furfuryl alcohol is a primary alcohol, and is colorless or pale yellow in appearance. It is used in the manufacture of resins and as a wetting agent and solvent for coating resins, nitrocellulose, cellulose acetate, and other soluble dyes.

The product subject to this investigation 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 this proceeding is dispositive.

Period of Investigation

The period of investigation (POI) is December 1, 1993, through May 31, 1994.

Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute and to the Department's regulations are in

reference to the provisions as they existed on December 31, 1994.

Such or Similar Comparisons

For purposes of the final determination, we have determined that furfuryl alcohol constitutes a single "such or similar" category of merchandise. Since the respondent sold merchandise in the home market identical to that sold in the United States during the POI, we made identical merchandise comparisons.

Fair Value Comparisons

To determine whether sales of furfuryl alcohol from Thailand to the United States were made at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the "United States Price" and "Foreign Market Value" sections of this notice. In accordance with 19 CFR 353.58 (1994), we made comparisons at the same level of trade, where possible.

United States Price

We based USP on purchase price, in accordance with section 772(b) of the Act, because the subject merchandise was sold to an unrelated purchaser before importation into the United States and because exporter's sales price methodology was not otherwise indicated (see Comment 2 below).

With regard to the calculation of movement expenses, we made deductions from the U.S. sales price, where appropriate, for foreign brokerage, foreign inland freight, ocean freight, and marine insurance in accordance with section 772(d)(2)(A) of the Act.

Since IRCT discounts all account receivables pertaining to its U.S. sales, we calculated U.S. credit expenses based on IRCT's average short-term interest rate. In accordance with section 772(d)(1)(B) of the Act, we added to USP the amount of the Thai import duties, not collected on material inputs by reason of exportation of the subject merchandise to the United States.

In accordance with our standard practice, pursuant to the decision of the U.S. Court of International Trade (CIT) in *Federal-Mogul Corporation and The Torrington Company v. United States*, 834 F. Supp. 1391 (CIT 1993), our calculations include an adjustment to U.S. price for the consumption tax levied on comparison sales in Thailand (See *Preliminary Antidumping Duty Determination: Color Negative Photographic Paper and Chemical Components from Japan*, 59 FR 16177, 16179 (April 6, 1994), for an explanation of this methodology).

Cost of Production

As we indicated in our preliminary determination, the Department initiated an investigation of potential below-cost home market sales on November 21, 1994. In order to determine whether home market sales prices were below COP within the meaning of section 773(b) of the Act, we calculated COP based on the sum of the respondent's cost of materials, fabrication, general expenses and packing, in accordance with 19 CFR 353.51(c). We made the following adjustments to the respondent's reported COP data:

1. We recalculated IRCT's corn cob consumption based on the weighted-average cost of corn cobs used in the production of furfuryl alcohol during the POI;

2. We recalculated depreciation expense based on the fixed asset lives reported in IRCT's 1993 audited financial statements; and

3. We allocated annual general and administrative expenses based on annual cost of sales.

After computing COP, we added the sales-specific VAT and home market packing to the COP figure. We compared COP to reported prices that were net of movement charges, direct and indirect selling expenses, and inclusive of VAT and home market packing. In accordance with section 773(b) of the Act, we followed our standard methodology to determine whether the home market sales of each product were made at prices below COP in substantial quantities over an extended period of time, and whether such sales were made at prices that would permit recovery of all costs within a reasonable period of time in the normal course of trade.

To satisfy the requirement of section 773(b)(1) that below-cost sales be disregarded only if made in substantial quantities, we apply the following methodology. Where we find that over 90 percent of a respondent's sales were at prices above the COP, we do not disregard any below-cost sales because we determine that a respondent's below-cost sales are not made in substantial quantities. If between ten and 90 percent of a respondent's sales were at prices above the COP, we disregard only the below-cost sales if made over an extended period of time. Where we find that more than 90 percent of a respondent's sales were at prices below the COP and were sold over an extended period of time, we disregard all sales and calculate FMV based on CV, in accordance with section 773(b) of the Act. In this case, we found that between ten and 90 percent of the sales were made below the COP. As a result, we

tested whether those below cost sales had been made over an extended period of time.

In accordance with section 773(b)(1) of the Act, in order to determine whether below-cost sales had been made over an extended period of time, we compare the number of months in which below-cost sales occurred to the number of months in the POI in which the product was sold. If a product was sold in three or more months of the POI, we do not exclude below-cost sales unless there were below-cost sales in at least three months during the POI. When we find that sales occurred in one or two months, the number of months in which the sales occurred constitutes the extended period of time; i.e., where sales were made in only two months, the extended period of time was two months, where sales were made in only one month, the extended period of time was one month. (See *Final Determination of Sales at Less Than Fair Value: Certain Carbon Steel Butt-Weld Pipe Fittings from the United Kingdom* (60 FR 10558, 10560, February 27, 1995)). In this case, we found that the respondent had made sales of furfuryl alcohol at prices below the COP in two of the months that sales were made. As a result, none of the sales made below the COP were disregarded.

Foreign Market Value

As stated in the preliminary determination, we found that the home market was viable for sales of furfuryl alcohol, in accordance with 19 CFR 353.48(a). We calculated FMV based on delivered prices, and deducted home market inland freight, unloading charges and insurance in accordance with 19 CFR 353.56(a).

FMV was reduced by home market packing costs and increased by U.S. packing costs in accordance with section 773(a)(1) of the Act. The Department also made circumstance-of-sale adjustments for home market direct selling expenses, which included imputed credit expenses and technical services in accordance with 19 CFR 353.56(a)(2). We also deducted commissions incurred on home market sales and added total U.S. indirect selling expenses, capped by the amount of home market commissions in accordance with 19 CFR 353.56(b). The total U.S. indirect selling expenses included U.S. inventory carrying costs, and indirect selling expenses incurred in Thailand on U.S. sales.

We adjusted for the consumption tax in accordance with our practice (see "United States Price" section of this notice).

Currency Conversion

We have made currency conversions based on the official exchange rates, as certified by the Federal Reserve Bank of New York, in effect on the dates of the U.S. sales, pursuant to 19 CFR 353.60.

Verification

As provided in section 776(b) of the Act, we verified the information used in making our final determination.

Interested Party Comments

What follows are summaries of the parties' arguments, followed by the Department's positions on each of the issues raised.

Comment 1: Using Best Information Otherwise Available (BIA)

The petitioner states that the Department should use BIA for purposes of the final determination because IRCT impeded the conduct of the investigation by failing to divulge the extent of its relationship with the U.S. importer, Indo-Rama Chemicals (America), Inc. (IRCA). The petitioner claims that IRCT should have reported its U.S. sales as ESP rather than on a purchase price basis, and only reported ESP data after the Department specifically requested it to do so.

The respondent states that it provided the Department with all the necessary ESP data in a timely manner when it was requested and, further, that it fully cooperated in the investigation regarding the relationship between IRCA and IRCT.

DOC Position

We agree with the respondent that IRCT and IRCA cooperated with the Department throughout this investigation. They submitted all requested information, and documented it during verification. Because IRCT did not impede our investigation, we have used the respondent's data for purposes of the final determination.

Comment 2: ESP or Purchase Price

IRCT contends that its categorization of IRCA as an unrelated party is consistent with the Department's definition of related parties pursuant to section 771(13), was verified by the Department, and that the U.S. price should be based upon the purchase price methodology. The respondent's argument is fully discussed in the proprietary version of its case brief.

The petitioner argues that the record evidence indicates that IRCT and IRCA are related parties and, therefore, if the Department decides not to resort to BIA, it should base USP on ESP. The petitioner's argument is fully discussed

in the proprietary version of its case brief. The following are some of the non-proprietary points that the petitioner raises: (1) The owner of IRCA is also president and director to a sister company of IRCT; and (2) the ESP response was filed on behalf of IRCT by, and the entire response was certified only by, IRCT's counsel.

DOC Position

We determined that the information on the record, as verified by the Department, does not satisfy the criteria set forth in section 771(13) of the Act for recognizing the U.S. sales as ESP transactions. An analysis of the individual criteria considered requires reference to proprietary information and is discussed in the proprietary version of the concurrence memorandum, dated May 1, 1995. Because we found that IRCA does not act as IRCT's principal or agent, under 771(13), at least one of the parties would have to own or control an interest in the other, or some other person or persons would have to own or control sufficient interest in both, for the Department to determine USP on the basis of ESP data (see *Small Business Telephone Systems from Korea*, 54 FR 53141 (1989) and/or *Certain Forged Steel Crankshafts from Japan*, 52 FR 36984 (1987)). The Department confirmed at verification that there was no ownership or controlling interest between IRCT and IRCA, and no common ownership or controlling interest by a third party. Therefore, we have based the USP on purchase price

Comment 3: Indirect Selling Expenses

The petitioner argues that, because the respondent failed to provide the Department with information concerning additional indirect selling expenses and storage charges incurred in the United States, the Department should use BIA to determine the indirect selling expenses for the POI. As BIA, the petitioner requests that the Department rely on information in the petition.

The respondent asserts that it did not understate any selling expenses incurred in the importation, storage, or sale of furfuryl alcohol. The respondent argues that the Department verified both IRCT and IRCA with respect to these expenses. Therefore, in the event the Department makes its final determination based on ESP, the respondent argues that the Department should calculate U.S. indirect selling expenses on the information provided. The respondent further states that many of the indirect selling expenses that the petitioner referenced simply do not exist.

DOC Position

Based on the Department's decision to use the purchase price methodology, this issue has been rendered moot.

Comment 4: Interest Rate

The petitioner argues that the Department should use the appropriate interest rate from IRCA's response in computing any credit expenses and inventory carrying cost. The petitioner's argument is fully discussed in the proprietary version of its March 29, 1995 case brief.

The respondent states that it is not related to IRCA. However, should the Department base its determination on ESP sales, the respondent argues that the Department should not use IRCA's interest rate. The respondent's argument is fully discussed in the proprietary version of its case brief.

DOC Position

The use of the importer's interest rate in the calculation of credit expense and inventory carrying cost for U.S. sales is not at issue because the calculation of USP is based on the purchase price methodology. Therefore, the interest rate used to calculate both expenses for U.S. sales is based on IRCT's short-term borrowing experience. Because the U.S. sales are made in U.S. dollars, the interest rate used to calculate the credit expense and inventory carrying cost is the rate that IRCT incurs for its U.S. dollar denominated short-term borrowing for the POI (see *Final Determination of Sales at Less than Fair Value: Disposable Pocket Lighters from Thailand*, 51 FR 14270, 14265 (March 16, 1995)).

Comment 5: Technical Service

IRCT contends that home market "outside" technical service expenses are directly related to specific sales, and are properly deductible as direct selling expenses.

DOC Position

This issue is moot because the expenses were incurred on sales which are not included in our final calculations, having occurred at a level of trade different than that of the U.S. sales.

Comment 6: Home Market Sale Outside the Ordinary Course of Trade

In its original sales listing, IRCT categorized one home market sale as outside of the ordinary course of trade. IRCT states that the sale was inadvertently reported as a normal sale in the revised sales listing. IRCT states that this sale was (1) a single isolated trial sale for a different application, (2)

of a quantity far smaller than the standard quantity sold for all other home market sales, and (3) at a price substantially higher than that charged to IRCT's regular customers.

DOC Position

We agree with the respondent. Section 771(15) of the Act defines "ordinary course of trade" as those conditions and practices which are "normal in the trade under consideration." The documents for this sale were verified and the sale was found to be an isolated, non-recurring sale, and at a quantity inconsistent with the standard quantity shipped. Therefore, because the sale was not normal in the trade under consideration, we found it to be made outside the ordinary course of trade under section 771(15) of the Act. Accordingly, we have not included it in our margin analysis.

Comment 7: Allocation of Indirect Selling Expenses

IRCT argues that the Department should use the revised allocation percentages for unassigned indirect selling expenses (e.g., office rental, phone, etc.) that were presented during verification because these percentages more accurately reflect the actual time spent by the sales personnel.

The petitioner contends that this revised allocation constitutes a submission of untimely, unsupported data in the middle of verification and, therefore, should not be relied upon by the Department.

DOC Position

Based on the fact that neither IRCT's original allocation nor its revised allocation of indirect selling expenses was supported by documentation, neither was used in our final determination. Instead, the Department allocated these expenses based on the quantity of furfuryl alcohol sold in the domestic and export markets. Given the lack of information, this was the most reasonable allocation methodology available (see concurrence memorandum dated, May 1, 1995).

Comment 8: Corn Cob Costs

The petitioner asserts that the cost of corn cobs, a primary direct material of furfuryl and furfuryl alcohol, should be calculated based on the respondent's actual corn cob expenses incurred during the POI, rather than on the annual weighted-average methodology submitted by IRCT. Further, the petitioner argues for the use of actual expenses because the respondent's corn cob prices vary according to competitive

market conditions, rather than the seasonality of corn production claimed by the respondent.

The respondent contends that its methodology accurately reflects corn cob consumption because it eliminates seasonal trends in pricing, availability, and purchases. Additionally, the respondent states its submission methodology is consistent with its normal accounting system. Moreover, the petitioner's proposed methodology ignores the value of corn cob in beginning inventory. Therefore, the respondent argues that the Department should reject the petitioner's claim.

DOC Position

The most appropriate cost calculation methodology for corn cobs used in the production of furfuryl alcohol should take into account the actual corn cobs used during the POI based on IRCT's normal weighted-average inventory cost flow assumption. Therefore, we have recalculated IRCT's corn cob cost based on the weighted-average cost of corn cob inventories at the beginning of the POI, plus all purchases of the input made during the POI.

Comment 9: Depreciation

The petitioner argues that the Department should reject IRCT's claimed increase in the useful lives of its buildings and machinery which was submitted in accordance with a change in IRCT's depreciation policy. According to the petitioner, IRCT's proposed change in its depreciation policy was approved after the initiation of this case. It maintains that, at a minimum, the Department should recompute depreciation expense for IRCT's buildings and machinery based on the original useful lives of the assets. However, the petitioner claims that even these useful lives, as well as the useful lives of other assets owned by IRCT, are inconsistent with U.S. generally accepted accounting principals (GAAP) and thus distort the costs associated with the production of furfuryl alcohol.

IRCT argues that its submitted depreciation expense reflects its normal record keeping for the period that most closely corresponds to the POI. It claims that it extended the useful lives of its buildings and machinery because the assets were constructed of "high-quality, long-lasting" materials. The decision to change the estimated useful lives of its assets, IRCT states, was made prior to the initiation of this investigation.

DOC Position

In computing COP for the subject merchandise, the Department generally

relies on the accounting records maintained by respondent in the normal course of its operations. These records, however, must be kept in accordance with respondent's home country GAAP if those GAAP reasonably reflect the costs associated with producing the subject merchandise.

In IRCT's case, the change in the useful lives of buildings and machinery assets, although reflected in the company's accounting records during 1994, had yet to be approved by the company's independent auditors or the Thai government as of the date of our verification. Thus, we believe that it is inappropriate for us to determine whether IRCT's change in the useful lives of these assets reasonably reflects the company's depreciation expense for the POI since it is impossible for us to conclude that the new policy is in accordance with Thai GAAP.

We disagree with the petitioner's argument that the original useful lives of IRCT's assets are not in accordance with U.S. GAAP and thus distort furfuryl alcohol production costs. U.S. GAAP allows companies to determine the useful lives of production assets based on the estimated economic lives of those assets. In IRCT's case, we have no reason to believe that the depreciable lives historically utilized by the company fail to reflect the economic lives of the underlying assets. Therefore, we have calculated depreciation expense based on the original useful lives of the assets.

Comment 10: General and Administrative Expense ("G&A") Allocation

The petitioner contends that IRCT provided no justification for deviating from the Department's normal G&A calculation methodology by allocating G&A expenses to non-productive cost centers. According to the petitioner, IRCT's methodology distorts the cost of production for furfuryl alcohol. Therefore, as BIA, the petitioner asserts the Department should allocate all G&A expenses solely to furfuryl alcohol.

IRCT argues that its G&A allocation methodology is consistent with GAAP and appropriate for this investigation. According to IRCT, the Department's normal methodology of allocating G&A, on the basis of cost of sales, overstates furfuryl alcohol production costs. IRCT contends that, its G&A allocation methodology more properly matches benefits received from G&A expenditures to the appropriate business cost centers.

DOC Position

We agree with the petitioner that IRCT did not adequately support its G&A allocation methodology. To compute G&A expense for COP, IRCT allocated its G&A expense equally among its four cost centers. Two of those cost centers did not produce any products during the POI.

During verification, IRCT provided no evidence to support its allocation methodology for G&A expenditures, nor did IRCT demonstrate that the allocation methodology was used in its normal accounting system. Instead, we found that IRCT's submitted G&A allocation methodology was based on subjective factors. We have, therefore, recalculated IRCT's G&A expenses by allocating reported fiscal year 1993 company-wide G&A expense based on the company's cost of sales for that year. This is in accordance with our normal G&A methodology, as stated in section D of the Department's questionnaire.

Comment 11: G&A Expense Calculation Period

IRCT reported G&A expenses based on the six-month POI rather than on an annual basis. IRCT contends its six-month G&A expense calculation accurately reflects the actual G&A costs incurred during the POI.

DOC Position

Ordinarily, G&A expenses are considered to be period costs for accounting purposes. As such, they differ from product costs like direct materials, labor, and overhead in that G&A expenses are not included in inventory costs but, instead, are accounted for as expenses during the period in which they are incurred. This is because, unlike product costs, G&A can neither be easily nor accurately matched to the revenues generated from the sales of an individual unit of production. Instead, G&A expenses are typically incurred in connection with a company's overall operations. Many expenses categorized as G&A, such as insurance and bonus payments, are incurred sporadically throughout the fiscal year. Moreover, G&A expenses are often accrued during the fiscal year based on estimates that are then adjusted to actual expenses at year-end. Because of their nature as period costs, and due to the irregular manner in which many companies record G&A expenses, the Department generally looks to a full-year period in computing G&A expenses for COP and CV. Such a period encompasses operating results over a longer time span than the POI and typically reports the results of a

least one business cycle. Under ordinary circumstances, the most appropriate full-year G&A period is that represented by the latest fiscal year for which the respondent has complete and audited financial statements.

IRCT provided no evidence to justify deviating from the Department's normal practice of using annual financial data for G&A. As of the last day of verification, IRCT's 1994 audited financial statements were not available. Consequently, we calculated G&A expense based on IRCT's 1993 annual audited financial statements.

Comment 12: Waste Water

The petitioner states that IRCT excluded certain waste water treatment expenses from its submitted COP. As BIA, the petitioner suggests that the Department include the accounts payable amount reported in IRCT's May 1994 Trial Balance.

The respondent asserts that it has properly included all waste water treatment costs in its submitted COP. It states that the particular account noted by the petitioner reflects costs associated with the purchase of waste water treatment equipment.

DOC Position

We agree with the respondent. The respondent included all waste water treatment expenses incurred during the POI in its COP submission. Therefore, no adjustment is required.

Comment 13: Insurance Proceeds

IRCT offset its submitted COP for furfuryl alcohol by insurance proceeds received due to an unexpected equipment failure during the POI. IRCT contends that it properly included insurance revenue received for both equipment repair costs and for the increase in per-unit costs resulting from the equipment failure.

The petitioner concedes that IRCT tied part of the insurance settlement directly to equipment repair costs and should be allowed a partial offset for these costs. According to the petitioner, however, IRCT did not show how the remaining proceeds relate to the company's claimed increase in per-unit costs.

DOC Position

We agree with the respondent that the insurance proceeds should be used to offset IRCT's furfuryl alcohol costs. During verification, we found that the insurance proceeds were paid to IRCT for equipment failure and overhead costs incurred during the period in which the equipment was under repair. Thus, these proceeds relate directly to

the equipment failure which occurred during the POI. Due to this equipment failure, IRCT incurred higher per-unit production costs in addition to the cost of repairs. Accordingly, we consider it reasonable for IRCT to offset its submitted COP by all proceeds received for the insurance claim.

Suspension of Liquidation

In accordance with section 735(d) of the Act, we are directing the Customs Service to suspend liquidation of all entries of furfuryl alcohol from Thailand, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of our final determination¹ in the Federal Register.

The Customs Service shall require a cash deposit or posting of a bond on all entries equal to the estimated amount by which the FMV exceeds the USP, as shown below. The suspension of liquidation will remain in effect until further notice.

Producer/manufacturer/exporter	Margin percentage
IRCT	5.94
All Others	5.94

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. The ITC will make its determination whether these imports materially injure, or threaten injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled.

However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing the Customs Service officers to assess an antidumping duty on furfuryl alcohol from Thailand, entered, or withdrawn from warehouse, for consumption on or after the date of suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the United States price.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)) and 19 CFR 353.20.

¹ The preliminary determination was negative in this case.

Dated: May 1, 1995

Susan G. Esserman,

Assistant Secretary for Import Administration

IFR Doc. 95-11263 Filed 5-5-95 @ 4:55 am

BILLING CODE 3010-05-P

APPENDIX C

LIST OF PARTICIPANTS AT THE HEARING ON CHINA AND SOUTH AFRICA

LIST OF PARTICIPANTS AT THE HEARING ON CHINA AND SOUTH AFRICA

Those listed below appeared as witnesses at the United States International Trade Commission's hearing concerning--

Subject: Furfuryl Alcohol From China and South Africa
Invs. Nos.: 731-TA-703 and 704 (Final)
Date and time: May 3, 1995--9:30 a.m.

In Support of the Imposition of Antidumping Duties

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

QO Chemicals, Inc.

L. Donald Simpson, President
George T. Cassidy, Vice President-Marketing and Sales
Dr. William F. Finan, Economist--Horst, Frisch, Clowery and Finan

Mark A. Monborne)
David S. Christy, Jr.)--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties

Fulbright and Jaworski
Washington, DC
on behalf of

Illovo Sugar Limited
Harborchem

Steven Maybaum, President--Harborchem

Andrew Jaxa-Debicki)
Mathew N. Nolan)--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties--(continued)

Aiken, Irvin and Lewin
Washington, DC
on behalf of

Sinochem Shandong Import and Export Group Corp.
Shandong Zhucheng Chemical Company, Ltd.
Zibo Gaintact Chemical Company, Ltd.
Linzi Organic Chemical Company, Ltd.
Quingdao Chemcials and Medicines Import and Export Corp.

Martin J. Lewin

)--OF COUNSEL

APPENDIX D

U.S. PRODUCERS' DATA BY COMPANY

CONTAINS BUSINESS PROPRIETARY INFORMATION

Table D-1

Furfuryl alcohol: U.S. capacity, production, and capacity utilization, by firms, 1992-94

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Table D-2

Furfuryl alcohol: U.S. producers' shipments, by types and by firms, 1992-94

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Table D-3

Furfuryl alcohol: End-of-period inventories of U.S. producers, by firms, 1992-94

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APPENDIX E

EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe and explain the actual and negative effects, if any, of imports of furfuryl alcohol from China, South Africa, and Thailand on their growth, investment, ability to raise capital, and the scale of capital investments. The comments of U.S. producers are presented below.

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APPENDIX F

QUARTERLY U.S. IMPORT DATA

Table F-1

(In Pounds)

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

