

UNITED STATES INTERNATIONAL TRADE COMMISSION

ROLLER CHAIN FROM JAPAN
Investigation No. AA1921-111 (Review)

DETERMINATION AND VIEWS OF THE COMMISSION
(USITC Publication No.3203, July 1999)

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ROLLER CHAIN FROM JAPAN

DETERMINATION

On the basis of the record¹ developed in the subject five-year review, the United States International Trade Commission determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)) (the Act), that revocation of the antidumping finding on roller chain from Japan would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

BACKGROUND

The Commission instituted this review on July 6, 1998 (63 F.R. 36440), and determined on October 8, 1998, that it would conduct a full review (63 F.R. 56048, October 20, 1998). Notice of the scheduling of the Commission's review 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* on November 25, 1998 (63 F.R. 65221). Since all requests by interested parties to appear at the hearing were withdrawn before its scheduled date, no hearing was held in this review.

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

VIEWS OF THE COMMISSION

Based on the record in this five-year review, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Act”), that revocation of the antidumping finding covering roller chain from Japan would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

I. BACKGROUND

In March 1973, the Commission determined, pursuant to the Antidumping Act, 1921, that an industry in the United States was being injured by reason of imports of roller chain, other than bicycle, from Japan.¹ On April 12, 1973, the Department of the Treasury issued an antidumping finding on roller chain from Japan.² The Commission instituted this five-year review on July 6, 1998.³

In five-year reviews, the Commission initially determines whether to conduct a full review (which would generally include a public hearing, the issuance of questionnaires, and other procedures) or an expedited review, as follows. First, the Commission determines whether individual responses to the notice of institution are adequate. Second, based on those responses deemed individually adequate, the Commission determines whether the collective responses submitted by two groups of interested parties -- domestic interested parties (producers, unions, trade associations, or worker groups) and respondent interested parties (importers, exporters, foreign producers, trade associations, or subject country governments) -- demonstrate a sufficient willingness among each group to participate and provide information requested in a full review.⁴ If the Commission finds the responses from both groups of interested parties to be adequate, or if other circumstances warrant a full review, it will determine to conduct a full review.

In this review, the Commission received responses to the notice of institution from: (1) the American Chain Association (ACA), a trade association whose membership includes five domestic producers of roller chain, (2) five U.S. importers of subject merchandise, and (3) ten foreign producers or exporters of subject merchandise. On October 8, 1998, the Commission determined that all individual interested party responses to its notice of institution were adequate, that the domestic interested party group

¹ Roller Chain from Japan, Inv. No. AA1921-111, TC Pub. 552 (March 1973) (“Original Determination”).

² 38 Fed. Reg. 9226 (April 12, 1973).

³ 63 Fed. Reg. 36440 (July 6, 1998).

⁴ See 19 C.F.R. § 207.62(a); 63 Fed. Reg. 30599, 30602-05 (June 5, 1998).

response was adequate, and that the respondent interested party group response was adequate.^{5 6} The Commission consequently decided to conduct a full five-year review.⁷

Shortly after issuance of the prehearing report, ACA informed the Commission that its members “have . . . decided to withdraw from participation in the sunset review.”⁸ Consequently, no party that supports continuation of the antidumping finding filed any briefs in this review. Respondents have submitted joint briefs. After ACA’s withdrawal, respondents withdrew their request to participate at a hearing. The Commission accordingly did not conduct a hearing in this review, although respondents did submit written testimony and responses to questions from individual Commissioners.

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. Domestic Like Product

In making its determination under section 751(c), the Commission defines the “domestic like product” and the “industry.”⁹ The Act defines “domestic 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 under this subtitle.”¹⁰ In its final five-year review determination, Commerce defined the subject merchandise as

⁵ See Vote Sheet for Action Request INV-98-501 (Oct. 8, 1998). Commissioner Askey did not record a vote on whether domestic interested party and respondent interested party group responses were adequate. *Id.*

⁶ Commissioner Crawford noted in her statement on adequacy her concern about evaluating group adequacy on the basis of the response of a trade association alone, without responses from the individual member companies. She noted an intention to examine trade association responses on an *ad hoc* basis, placing particular emphasis on the transparency of the response with respect to data and individual company intentions. In this review, four of the five producers represented by the ACA submitted affidavits, seemingly exhibiting a “good faith” effort to provide the Commission with information and affording a degree of transparency.

⁷ See 63 Fed. Reg. 56048 (Oct. 20, 1998).

⁸ Letter from David R. Grace to Donna R. Koehnke (April 22, 1999).

⁹ 19 U.S.C. § 1677(4)(A).

¹⁰ 19 U.S.C. § 1677(10). See Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996); Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991). See also S. Rep. No. 96-249 at 90-91 (1979).

“roller chain, other than bicycle” from Japan.¹¹ Roller chain is “articulated chain” characterized by connected segments of link (side) plates which ride between sprocket teeth.¹²

The starting point of our like product analysis in a five-year review is the like product definition in the Commission’s original determination. Because the Antidumping Act, 1921, did not contain a “like product” provision, the Commission did not make a like product determination *per se* in its original determination. Instead, it stated that the “domestic industry” at issue “consists of all facilities in the United States used in the production of roller chain.”¹³ Thus, in the context of current statutory terminology, the Commission effectively treated all roller chain within the scope of the investigation as a single domestic like product.

In this review, we have considered respondents’ arguments that we should define the domestic like product differently. Specifically, respondents argue that roller chain other than motorcycle chain (which this opinion will refer to as “industrial chain”) should be considered to be a distinct like product from motorcycle chain. Respondents further argue that motorcycle chain should be divided into two distinct domestic like products: “performance” motorcycle chain and “nonperformance” motorcycle chain. Motorcycle power transmission chain is a subset of roller chain for motor vehicles and is specifically designed for motorcycle drives.¹⁴

¹¹ 63 Fed. Reg. 63026, 63027 (Nov. 10, 1998). According to Commerce:

The term “roller chain, other than bicycle” includes chain, with or without attachments, whether or not plated or coated, and whether or not manufactured to American or British standards, which is used for power transmissions and/or conveyance. This chain consists of a series of alternately-assembled roller links and pin links in which the pins articulate inside from the bushings and the rollers are free to turn on the bushings. Pins and bushings are press fit in their respective link plates. Chain may be single strand, having one row of roller links, or multiple strand, having more than one row of roller links. The center plates are located between the strands of roller links. Such chain may be either single or double pitch and may be used as power transmission or conveyor chain. This finding also covers leaf chain, which consists of a series of link plates alternately assembled with pins in such a way that the joint is free to articulate between adjoining pitches.

Id. Treasury and Commerce have made several scope rulings since issuance of the original antidumping finding that are applicable for purposes of this review. For a summary of the scope rulings, *see* Confidential Report (“CR”) at I-13 & n.24, Public Report (“PR”) at I-11 & n.24.

¹² CR at I-14, PR at I-11.

¹³ Original Determination, TC Pub. 552 at 2 n.2.

¹⁴ Because this possible like product is defined by its specific end use, it would not include power transmission chain for other motor vehicles, such as mopeds, all-terrain vehicles (ATVs), and snowmobiles. About *** percent of 1998 commercial shipments of motorcycle chain produced in the United States is “performance” chain that, by definition, incorporates internal seal technology and/or is manufactured from “specialty” alloy steel, and has special bushings, rollers, and pins. However, “nonperformance” chain, which accounts for the remaining *** percent of motorcycle chain, incorporates neither internal seals nor alloy steel, and/or has no special bushings, rollers, or pins. *See* CR at I-22, C-13, PR at I-17, C-3.

We first consider whether motorcycle chain and industrial chain should be treated as distinct domestic like products. Our analysis, in contrast to respondents' arguments, focuses on the characteristics of *domestically produced* roller chain.¹⁵

Physical Characteristics and End Use. A domestic producer that manufactures both industrial and motorcycle chain reports that the physical appearance of these two types of roller chain is indistinguishable to the naked eye.¹⁶ Their physical distinctions are relatively minor. Motorcycle chain sprockets are thinner and bushings and rollers shorter than their industrial chain counterparts. Some types of motorcycle chain have larger pins and thicker sideplates. While motorcycle chain is more likely than industrial chain to use internal seal technology, industrial chain using such technology is available. However, *** of domestically produced motorcycle chain does not use such technology.¹⁷ There are typically three sets of roller chains on a motorcycle: the rear wheel drive chain, the primary drive chain, and the secondary timing chain; each performs a power transmission function.¹⁸ Industrial chain has several applications, including use in power transmission.¹⁹

Interchangeability/Producer and Customer Perceptions. Most purchasers reported that it is not possible or not practical to substitute motorcycle chain with other types of roller chain. Although one domestic chain producer reported that motorcycle and industrial chain have no meaningful design differences and can be safely substituted for each other, a second producer disagreed.²⁰

Channels of Distribution. Domestically produced industrial chain is sold principally through industrial distributors, with a substantial minority of production being distributed directly to end users. Motorcycle chain is sold to motorcycle parts retailer/dealers through generally separate distributors.²¹

Production Facilities, Processes, and Employees. The two domestic producers of motorcycle chain also produce industrial chain at the same facilities. One states that it uses virtually the same equipment and processes to produce motorcycle chain as to produce other types of roller chain. The second

¹⁵ The use of the term "domestic" in the statutory term "domestic like product" plainly indicates that such a product is one produced *in the United States*. See also Torrington, 747 F. Supp. at 749 (in making a like product determination, the Commission is determining whether differences exist "among the domestic products, not between the domestic products and imported products").

¹⁶ CR at I-27, PR at I-22.

¹⁷ CR at I-26-27 & n.50, PR at I-21-22 & n.50.

¹⁸ The first set drives the rear wheel of the motorcycle and is located on the exterior of the vehicle, while the second and third sets are mounted within the engine-transmission case. USITC staff telephone interviews with *** (May 25 and June 1, 1999) and *** (June 2, 1999). The large majority of motorcycle chain produced in the United States is ANSI-specification primary drive chain. *Id.* Most timing chain (used in engines to drive camshafts, counterbalance shafts, or oil pumps) is considered to be industrial chain; however, because a motorcycle's secondary timing chain performs a "drive" function, it too is arguably motorcycle power transmission chain. See product definitions, CR at I-22, PR at I-17.

¹⁹ CR at I-14, PR at I-11, 13.

²⁰ CR at II-4-5, PR at II-3.

²¹ CR at I-37, PR at I-28.

dedicates some equipment to the manufacture of motorcycle chain but produces both motorcycle and industrial chain parts on the same equipment.²²

Price. The available data indicate that average unit values for U.S.-produced motorcycle chain are considerably higher than those for U.S.-produced industrial chain. Because these data are based on a very small number of motorcycle chain transactions, and because the product mix for domestically produced motorcycle chain changed significantly during the period for which we have data, we have not given this data substantial weight.²³

Conclusion. We have determined not to treat industrial chain and motorcycle chain as separate domestic like products. Motorcycle chain and industrial chain have similar physical characteristics, and serve similar functions within the products into which they are incorporated. The two products are made by very similar, if not largely identical, processes at the same facilities, often on common equipment. Industrial chain and motorcycle chain do not appear to be practically interchangeable. But this is also the case for various products within the “industrial chain” category for which respondents did not request separate like product treatment in their briefs.²⁴

Aside from the distinct channels of distribution used for motorcycle chain, the factors that distinguish motorcycle chain from industrial chain also distinguish different types of industrial chain intended for distinct end uses. Consequently, roller chain appears to encompass a continuum of different products, and we do not believe that the distinctions between motorcycle chain and industrial chain are sufficient to constitute a clear dividing line along that continuum.²⁵ We thus determine not to treat different

²² CR at I-27, PR at I-22.

²³ See CR at I-28, PR at I-22; Table C-5, CR at C-13-15, PR at C-3.

²⁴ See CR at II-5 n.10, PR II-3 n.10 (leaf chain not generally substitutable with other types of industrial chain).

²⁵ Commissioner Crawford carefully considered whether leaf chain, defined as a series of link plates alternately assembled with pins, CR at I-22, PR at I-17, should be a separate domestic like product. There is limited information on the record regarding leaf chain. Most tellingly, leaf chain lacks rollers and bushings, CR at I-14, PR at I-13; it is therefore not roller chain at all, aside from its inclusion within the scope. Its primary use is in forklift trucks, CR at I-27 n.54, PR at I-22, where it is employed in tension or lifting applications. CR at II-5, PR at II-3. Unlike chains with rollers, leaf chain is not usually applied in an endless (looped) strand. CR at I-16 n.29, PR at I-13. Producers indicate that there is limited substitutability between industrial chain and leaf chain (e.g., in certain tension applications), while importers and purchasers do not find industrial chain and leaf chain to be substitutable. CR at II-5, PR at II-3.

Leaf chain can be produced on the same equipment with other types of roller chain, as long as the chains are of the same pitch, CR at I-27 n.54, PR at I-22, and there are no separate facilities dedicated to leaf chain production. Tables I-5, I-6, CR at I-30, I-32, PR at I-24-25. There is no information about the channels of distribution used by domestic producers to sell leaf chain, although *** percent of subject imports of leaf chain are imported directly by end user ***, CR at I-35-36, PR at I-27, as opposed to the more common distributor sales of roller chain generally, as well as industrial and motorcycle chain specifically. CR at I-37, PR at I-28. Finally, the average unit value of leaf chain is below that of industrial chain and motorcycle chain. One counsel for certain Japanese manufacturers explained the inability to charge higher prices as follows: “[...]Leaf chain, which consists only of plates and pins, is a relatively simple product to manufacture. As a result, there is not a significant amount of precision work involved in the manufacturing of leaf chain.” Final Comments of Four Japanese Manufacturers at 6 (June 11, 1999). Not surprisingly, the average unit value of leaf chain *** closely resembles the average unit
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types of roller chain like those within the scope of the antidumping finding as distinct like products.²⁶ Accordingly, for purposes of this review we determine that there is a single domestic like product, consisting of all roller chain of the types described in Commerce's scope definition.

B. Domestic Industry

Section 771(4)(A) of the Act defines the relevant industry as the “domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product.”²⁷ In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States.²⁸ In defining the domestic industry in this review, we consider whether any producers of the domestic like product should be excluded from the domestic industry pursuant to the related parties provision in section 771(4)(B) of the Act.²⁹ That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise, or which are themselves importers. Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.³⁰

*** each imported subject merchandise during the period examined.³¹ Consequently, each of these producers is subject to exclusion under the related parties provision. During 1997 and 1998, each of these

²⁵ (...continued)
values of standard industrial chain *** and motorcycle non-performance chain ***. Table C-5, CR at C-15, PR at C-3.

Leaf chain's unique physical characteristics, its specific applications and apparent customer base, and its limited interchangeability, support the argument that leaf chain is a separate like product from industrial chain, notwithstanding common production facilities and not dissimilar pricing. However, when viewed more broadly, leaf chain is one of many chains used in plant equipment, and its lack of direct interchangeability is hardly unique. *See, e.g.*, the discussion of engineering class chain, Joint Respondents' Posthearing Brief at 9 n.22, as well as the discussion of engineering chain and TableTop[®] chain in the Report, CR at I-19 n.34, I-30, PR at I-16 n.34, I-24. On balance, Commissioner Crawford finds leaf chain not to be a separate like product.

²⁶ Because we do not conclude that motorcycle chain is a distinct domestic like product, we do not need to address respondents' arguments that motorcycle chain should be further subdivided into distinct domestic like products consisting of “performance” and “nonperformance” motorcycle chain.

²⁷ 19 U.S.C. § 1677(4)(A).

²⁸ *See, e.g., United States Steel Group v. United States*, 873 F. Supp. 673, 682-83 (Ct. Int'l Trade 1994), *aff'd*, 96 F.3d 1352 (Fed. Cir. 1996).

²⁹ The report prepared in connection with the original determination did not discuss or present any data pertaining to the question of related parties, inasmuch as there was no related parties provision in the Antidumping Act, 1921.

³⁰ *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); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd without opinion*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

³¹ Table I-7, CR at I-33, PR at I-26.

firms' subject imports amounted to a *** proportion of its domestic production.³² Consequently, the interest of each firm appears to lie principally in domestic production.³³ We accordingly conclude that appropriate circumstances do not exist for the exclusion of either of these producers.

A third domestic producer of roller chain, ***, imported *** pounds of roller chain from Japan in 1997.³⁴ Although full information is not available concerning the source of *** imports, it appears likely that some of these imports are from sources subject to the antidumping finding and that *** could be subject to exclusion. The available data indicate that *** imports of subject merchandise account for at most *** percent of its domestic production.³⁵ We consequently find that *** primary interest is in domestic production, rather than importation of subject merchandise. Moreover, as a practical matter, because *** the record contains little information that the Commission could "exclude" concerning the firm.³⁶ Consequently, we conclude that appropriate circumstances do not exist for the exclusion of *** from the domestic industry.

Another domestic roller chain producer, ***, purchased *** pounds of subject imports in 1998 and *** pounds of subject imports in 1997.³⁷ The Commission has previously stated that the related parties provision can cover purchasers that purchase large volumes of subject imports in certain circumstances.³⁸ *** purchased subject merchandise from ***, a Japanese manufacturer and exporter that also served as the importer of the merchandise.³⁹ We find that these purchases are not a large enough share of *** total exports to the United States that they can be deemed to constitute direct or indirect control of *** by ***.⁴⁰ Accordingly, we conclude that *** is not covered by the related parties provision.

³² CR at I-34, PR at I-26. In 1998, subject imports amounted to *** domestic production. Tables I-6, I-7, CR at I-32-33, PR at I-25-26.

³³ See Sorbitol from France, Inv. No. 731-TA-44 (Review), USITC Pub. 3165 at 6 (March 1999).

³⁴ Table I-7, CR at I-33, PR at I-26.

³⁵ See Tables I-5, I-7, CR at I-30, 33, PR at I-24, 26.

³⁶ See Elemental Sulfur from Canada, Inv. No. AA1921-127 (Review), USITC Pub. 3152 at 10 (Jan. 1999).

³⁷ Table I-7, CR at I-33.

³⁸ See Certain Cut-to-Length Steel Plate from the Czech Republic, France, India, Indonesia, Italy, Japan, Korea, and Macedonia, Inv. Nos. 701-TA-387-392, 731-TA-815-822 (Preliminary), USITC Pub. 3181 at 12 (April 1999); Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, Inv. Nos. 731-TA-520-521 (Final), USITC Pub. 2528 at 12 (June 1992). The threshold question is whether the purchases establish that the purchaser is "related" for purposes of the statute by directly or indirectly controlling an exporter or importer. The Commission has found direct or indirect control to exist where a domestic purchaser was responsible for a predominant share of the imports of the entity arguably within its control, and these purchases were substantial. Compare Cut-to-Length Plate, USITC Pub. 3181 at 12 (imports not found to be sufficiently substantial to warrant treating purchaser as related party) with Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Preliminary), USITC Pub. 2957 at 11 & n.55 (April 1996) (purchaser treated as related party).

³⁹ *** Producer's Questionnaire Response.

⁴⁰ *** is *** largest American purchaser in terms of units purchased, but not its sole purchaser. In 1998, *** was responsible for *** of all *** U.S. exports by quantity and *** of all *** U.S. exports by value. See *** Producer's Questionnaire Response; *** Foreign Producer's Questionnaire Response. Moreover, one of *** other principal U.S. purchasers, ***, is in fact owned by ***. *** Importer's Questionnaire Response.

We consequently find one domestic industry in this review. That industry consists of all domestic producers of roller chain as defined by the scope of the antidumping finding.

III. REVOCATION OF THE FINDING ON ROLLER CHAIN IS NOT LIKELY TO LEAD TO CONTINUATION OR RECURRENCE OF MATERIAL INJURY WITHIN A REASONABLY FORESEEABLE TIME

A. Legal Standard

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping finding unless: (1) it makes a determination that dumping is likely to continue or recur, and (2) the Commission makes a determination that revocation of the finding “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”⁴¹ The Uruguay Round Agreements Act (“URAA”) Statement of Administrative Action (“SAA”) states that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo -- the revocation [of the finding] . . . and the elimination of its restraining effects on volumes and prices of imports.”⁴² Thus, the likelihood standard is prospective in nature.⁴³ The statute states that “the Commission shall consider that the effects of revocation . . . may not be imminent, but may manifest themselves only over a longer period of time.”⁴⁴ According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ time frame applicable in a threat of injury analysis [in antidumping and countervailing duty investigations].”^{45 46}

⁴¹ 19 U.S.C. § 1675a(a).

⁴² SAA, H.R. Rep. No. 103-316, Vol. I, at 883-84 (1994). The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry).” SAA at 883.

⁴³ While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

⁴⁴ 19 U.S.C. § 1675a(a)(5).

⁴⁵ SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

⁴⁶ In analyzing what constitutes a reasonably foreseeable time, Commissioners Crawford and Koplan examine all the current and likely conditions of competition in the relevant industry. They define “reasonably foreseeable time” as the length of time it is likely to take for the market to adjust to a revocation. In making this assessment, they consider all factors that may accelerate or delay the market adjustment process including any lags in response by foreign producers, importers, consumers, domestic producers, or others due to: lead times; methods of contracting; the need to establish channels of distribution; product differentiation; and any other factors that may only manifest themselves in the longer term. In other words, their analysis seeks to define “reasonably foreseeable time” by reference to current and likely conditions of competition, but also seeks to avoid unwarranted speculation
(continued...)

Although the standard in five-year reviews is not the same as the standard applied in original antidumping or countervailing duty investigations, it contains some of the same elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked.” It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order under review, and whether the industry is vulnerable to material injury if the order is revoked.^{47 48}

For the reasons stated below, we determine that revocation of the antidumping finding on roller chain from Japan would not be likely to lead to continuation or recurrence of material injury to the domestic roller chain industry within a reasonably foreseeable time.

B. Conditions of Competition

In evaluating the likely impact of the subject imports on the domestic industry if an order is revoked, the statute directs the Commission to evaluate all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”⁴⁹ In performing our analysis under the statute, we have taken into account the following conditions of competition in the U.S. market for roller chain.

The end uses of, and demand for, roller chain in the U.S. market have remained stable since the time of the original determination and are likely to remain so in the reasonably foreseeable future. All U.S. producers and all but two importers reported that there have not been any changes in the end uses of roller chain since 1973, the time of the original determination.⁵⁰ All U.S. producers and most importers stated that demand for roller chain generally has remained relatively constant since the time of the original determination.⁵¹ All U.S. producers and most importers further stated that they did not anticipate any changes in terms of the end uses of roller chain in the future.⁵² Additionally, U.S. producers and importers stated that they do not anticipate any significant changes in the demand for roller chain.⁵³

⁴⁶ (...continued)

that may occur in predicting events into the more distant future.

⁴⁷ 19 U.S.C. § 1675a(a)(1). The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

⁴⁸ Section 752(a)(1)(D) of the Act directs the Commission to take into account in five-year reviews involving antidumping proceedings “the findings of the administrative authority regarding duty absorption.” 19 U.S.C. § 1675a(a)(1)(D). Commerce stated in its five-year review determination that it has not issued any duty absorption findings in this matter. *See* 63 Fed. Reg. at 63029.

⁴⁹ 19 U.S.C. § 1675a(a)(4).

⁵⁰ CR at II-12, PR at II-8.

⁵¹ CR at II-13, PR at II-9.

⁵² CR at II-13, PR at II-9.

⁵³ CR at II-14, PR at II-9.

Further evidence of the stability in the U.S. roller chain market is that the composition of the U.S. roller chain industry today is very similar to that in 1973, although several producers have merged or changed names or ownership. One producer that produced roller chain at the time of the original determination has ceased operations and one new producer has begun operations since the time of the original determination.⁵⁴

Nevertheless, there have been some developments in the U.S. market for roller chain since the time of the original determination. The parties agree that the U.S. market for roller chain is currently a segmented, two-tier market, with chain from the United States and Japan occupying the top tier and lower-priced, lower-quality chain from China and Taiwan occupying the lower tier.⁵⁵ By contrast, at the time of the original investigation, imports from Japan served principally the commodity portion of the market.⁵⁶ Moreover, at the time of the original investigation, imports from China and Taiwan had a very small presence in the U.S. market.⁵⁷

Additionally, the domestic industry has incorporated roller chain imports into its current sales strategy. Domestic producers directly imported or purchased from imported sources over *** pounds of roller chain in 1998.⁵⁸ The majority of this chain was from sources not subject to the antidumping finding. Producers indicate that they import roller chain from nonsubject sources outside Japan to enable them to compete in the “lower tier” market.⁵⁹

Finally, as previously discussed, roller chain consists of a continuum of products. Thus, competition between the subject imports and the domestic like products in various types of product lines varies. For example, both domestically produced roller chain and the subject merchandise compete in a meaningful way in the market for specialty industrial chain.⁶⁰ By contrast, U.S. producers control almost *** percent of the U.S. market for industrial timing chain, a product for which there is only a very small volume of subject imports.⁶¹ In addition, U.S. producers and importers from nonsubject sources dominate sales of standard industrial chain, a segment in which subject imports constitute a very small share of the market.⁶² On the other hand, U.S.-produced motorcycle chain does not compete for sales in the “performance” market where there is significant presence by the subject imports.⁶³

Based on the record evidence, we find that these conditions of competition in the U.S. roller chain market are not likely to change significantly in the reasonably foreseeable future. Accordingly, we find that

⁵⁴ CR at I-29-31, PR at I-23-25.

⁵⁵ See ACA Response to Notice of Institution at 4; Joint Respondents’ Prehearing Brief at 104-08.

⁵⁶ See Joint Respondents’ Prehearing Brief at 94-96; New Holland Prehearing Brief at 2.

⁵⁷ Compare Table IV-1, CR at IV-2, PR at IV-2 with Original Investigation Staff Report (OISR) at 58.

⁵⁸ Table I-7, CR at I-33, PR at I-26.

⁵⁹ CR at I-34 nn. 63, 64, PR at I-26.

⁶⁰ See Table C-5, CR at C-11, PR at C-3.

⁶¹ See Table C-5, CR at C-11-12, PR at C-3. Subject imports accounted for less than *** percent of U.S. shipments of industrial timing chain in 1998. *Id.*

⁶² Table C-5, CR at C-11, PR at C-3.

⁶³ Declaration of John Pederson, Joint Respondents’ Prehearing Brief, attachment 1, ¶ 15; Declaration of Tim Dodd, Joint Respondents’ Prehearing Brief, attachment 2, ¶ 7.

current conditions in the U.S. roller chain market provide us with a reasonable basis for which to assess the likely effects of revocation of the antidumping finding within the reasonably foreseeable future.

C. Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if the finding under review is revoked, the statute directs the Commission to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.⁶⁴ In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.⁶⁵

Data submitted by respondents indicate that overall imports of roller chain from Japan have had a relatively stable presence in the U.S. market. Since 1988, overall import quantities from Japan -- which include imports from producers as to which the finding has been revoked -- have varied from *** pounds to *** pounds, and the market penetration of all imports from Japan, measured by value, has varied from *** to *** percent.⁶⁶ Questionnaire data indicate that subject imports amounted to *** pounds in 1997 and *** pounds in 1998.⁶⁷ By contrast, total roller chain imports from Japan were 11.2 million pounds during 1971, the last full year of the original period of investigation, and 13.6 million pounds during the first nine months of 1972.⁶⁸

Thus, import volumes have remained relatively stable at quantities larger than those during the period examined in the original investigation, indicating that the antidumping finding itself has not had a significant effect on subject import volumes. This conclusion is buttressed by examination of the effect of the revocation of the finding with respect to Tsubakimoto, the *** Japanese producer, in 1989.⁶⁹ This revocation did not result in any significant increase in the volume of overall roller chain imports from Japan.⁷⁰

⁶⁴ 19 U.S.C. § 1675a(a)(2).

⁶⁵ 19 U.S.C. § 1675a(a)(2)(A)-(D).

⁶⁶ Joint Respondents’ Prehearing Brief, attachment 5. The data furnished by respondents provide market share information only on the basis of value.

⁶⁷ Table IV-1, CR at IV-2, PR at IV-2. Because not all domestic producers furnished questionnaire responses, and because some domestic producers that did furnish responses did not include in their response all production of the domestic like product, the Commission report understates the domestic industry’s market share and overstates that for the subject imports.

⁶⁸ OISR at 55.

⁶⁹ Tsubakimoto estimates that it currently holds approximately *** percent of the Japanese market. CR at IV-3-4, PR at IV-3. It accounted for *** percent of roller chain production capacity in Japan in 1998. Table IV-3, CR at IV-4, PR at IV-3.

⁷⁰ See Joint Respondents’ Prehearing Brief, attachment 5. By contrast, during the period examined in the original investigation, the quantity of subject imports increased rapidly. OISR at 55.

In both 1997 and 1998 Japanese roller chain producers subject to the antidumping finding had considerable unused capacity.⁷¹ Based on the record of this review, however, we do not conclude that this unused capacity is likely to induce Japanese producers to expand their exports to the United States significantly should the antidumping finding be revoked in light of the historically stable (including both before and after revocation of the finding with respect to the *** Japanese producer) presence of Japanese roller chain imports in the U.S. market. Moreover, the importance of brand names, particularly in the replacement market, and established business relationships in purchasing decisions, indicate that substantial shifts in purchasing patterns in this market are unlikely within a reasonably foreseeable time.⁷² Additionally, the Japanese producers ***.⁷³

Inventories of subject roller chain in Japan remained stable from 1997 to 1998, and in 1998 were *** percent of Japanese production.⁷⁴ U.S. importers' inventories of subject roller chain in the United States also remained stable from 1997 to 1998, and in 1998 were *** percent of imports.⁷⁵ Japanese producers characterize their inventory levels in Japan and the United States as normal in light of the large number of roller chain models.⁷⁶ Indeed, because of the large number of roller chain models and because the Japanese producers' mix of products maintained in inventories in Japan does not necessarily correspond with the mix of products exported to the United States,⁷⁷ we do not believe that the inventory levels indicate that imports are likely to increase significantly if the finding is revoked.⁷⁸

There are few existing barriers to trade for roller chain exports from Japan.⁷⁹ Indeed, Japanese roller chain producers export more of their products to third-country markets than to the United States.⁸⁰ There is no basis to conclude that this pattern is likely to change within the reasonably foreseeable future.

⁷¹ Table IV-4, CR at IV-7, PR at IV-6.

⁷² See CR at II-19, PR at II-12; Purchasers' Questionnaire Responses (of 15 purchasers, seven responded they never change suppliers, six responded they changed suppliers "very seldom," and two responded they changed suppliers "infrequently"); Declaration of Jeffrey B. Lang, ¶ 17a.; New Holland Prehearing Brief at 6 (because of amount of time and testing to have new roller chain source approved, "the decision to shift suppliers, even to another certified supplier, cannot be taken quickly or lightly").

Additionally, U.S. producers are responsible for an appreciable amount of subject imports. *** of subject import shipments in 1998 were imported or purchased by U.S. producers. See Tables I-7, I-10, CR at I-33, I-39, PR at I-26, I-30. U.S. producers' substantial involvement in the market for subject imports reinforces stability in the market and makes it less likely that subject imports will displace domestically produced product in the U.S. market should the antidumping finding be revoked.

⁷³ See Table IV-6, CR at IV-11, PR at IV-9.

⁷⁴ Table IV-4, PR at IV-7, CR at IV-6.

⁷⁵ Table IV-2, CR at IV-3, PR at IV-1.

⁷⁶ CR at IV-3, PR at IV-3.

⁷⁷ See CR at II-10, PR at II-7.

⁷⁸ Moreover, these inventory levels are comparable to those maintained in the United States by the domestic industry. See Table III-4, CR at III-A-4, PR at III-A-3.

⁷⁹ CR at IV-5, PR at IV-3-5.

⁸⁰ Table IV-4, CR at IV-7. PR at IV-6.

Japanese producers of roller chain reported little production of nonsubject merchandise on the same equipment and machinery they use to produce roller chain.⁸¹ Production of roller chain is highly automated and requires the use of single-purpose machinery; hence, other equipment cannot easily be adapted to produce roller chain.⁸² Consequently, there appears to be little potential for product shifting.

In light of the foregoing considerations, we conclude that subject import volumes are not currently significant in the context of the conditions of competition in the U.S. roller chain market. We further conclude that subject import volumes are not likely to reach significant levels if the antidumping finding is revoked.

D. Likely Price Effects of Subject Imports

In evaluating the likely price effects of subject imports if the antidumping finding is revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared with domestic like products and whether the subject imports are likely to enter the United States at prices that would have a significant depressing or suppressing effect on the prices of domestic like products.⁸³

In the original determination, the Commission found substantial underselling by the subject merchandise, particularly in high-volume models. It concluded that the underselling had the effect of depressing prices for domestically produced roller chain.⁸⁴

By contrast, the current product mix of the subject imports is substantially different from that in 1973. As previously stated, Japan's role as the "lower-tier" supplier in the U.S. market has now been assumed by nonsubject sources such as China and Taiwan. Thus, in contrast to the original investigation, the subject imports are no longer concentrated in the "popular, fast-moving sizes."⁸⁵ To the contrary, while most roller chain produced by the domestic industry and imported from nonsubject countries is standard industrial chain, most of the subject imports are specialty industrial chain.⁸⁶ Standard industrial chain now accounts for only about *** percent of the subject imports.⁸⁷ This change in product mix leads us to conclude that the price effects the subject imports had during the period examined in the original investigation are unlikely to recur if the antidumping finding is revoked.

⁸¹ CR at IV-10, PR at IV-8; Table IV-6, CR at IV-11, PR at IV-9.

⁸² See CR at IV-10, PR at IV-8; ACA Response to Notice of Institution at 10; Pulton Chain Response to Notice of Institution at 32.

⁸³ 19 U.S.C. § 1675a(a)(3). The SAA states that "[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices." SAA at 886.

⁸⁴ Original Determination, TC Pub. 552 at 4.

⁸⁵ See *id.*

⁸⁶ CR at I-23, PR at I-19; Table C-5, CR at C-11, PR at C-3. This concentration is apparent for both subject and nonsubject imports of roller chain from Japan, a fact that implies that imports from Japan would continue to compete primarily in the specialty portion of this market segment, even absent a finding. Because of the widely-varied product mix, specialized industrial chain is far less commodity-like in nature than standard industrial chain.

⁸⁷ Table C-5, CR at C-11, PR at C-3.

The record in this review indicates that while price is an important factor in purchasing decisions, it is not the principal purchasing criterion. A majority of purchasers said that their pricing decisions were “sometimes” (as opposed to “always” or “usually”) based on price.⁸⁸ Indeed, most purchasers listed quality as the number one factor in their purchasing decisions.⁸⁹ Many purchasers reported that they have purchased roller chain from one source, although a comparable product was available from another source at a lower price.⁹⁰

The record further indicates that price competition is more likely to be intensive in high-volume products or among products in the lower quality tier.⁹¹ Consequently, price is less likely to be important as a purchasing factor in the specialized products where the bulk of subject imports is now concentrated.⁹²

Moreover, currently there appears to be little correlation between prices for the subject imports and prices for domestically produced roller chain. In the two carbon steel industrial roller chain products for which the Commission collected pricing data for 1997 and 1998, the subject imports undersold the domestic like product in every quarterly pricing comparison and subject import prices declined over the period examined. Yet prices for the domestically produced products rose during that period.⁹³ For the leaf chain product for which the Commission collected pricing data, the subject imports oversold the domestic like product in every quarterly pricing comparison and subject import prices declined over the period examined. Prices for the domestically produced product, however, increased.⁹⁴

In light of the apparent lack of nexus between prices for the subject imports and the domestic like product, we conclude that any underselling that may continue to exist upon revocation of the finding is not likely to be significant. Moreover, in light of the attenuated role of price in purchasing decisions for much of the subject imports discussed above, we conclude that if the finding is revoked, the subject imports are not likely to enter the United States at prices that would have a significant depressing or suppressing effect on prices for the domestic like product.

E. Likely Impact of Subject Imports

In evaluating the likely impact of imports of subject merchandise if the finding is revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales,

⁸⁸ CR at II-18, PR at II-11-12.

⁸⁹ Table II-1, CR at II-19, PR at II-12.

⁹⁰ CR at II-18, PR at II-12.

⁹¹ See ACA Response to Notice of Institution, ex. A at ¶ 7 (Humphrey declaration), ex. D at ¶ 4 (Lepper Affidavit) (both indicating price sensitivity greatest among high volume purchasers); Declaration of Jeffrey B. Lang, ¶¶ 9-10 (less price sensitivity in high end of industrial roller chain market); Declaration of Michael Reljanovic, ¶¶ 3-4 (price competition more prevalent in lower tier of market).

⁹² Moreover, prices of the subject imports are unlikely to be a purchasing factor *vis-a-vis* the domestic like product for those subject imports that are in fact imported or purchased by domestic roller chain producers to complete their product lines.

⁹³ Table V-1, CR at V-8, PR at V-6.

⁹⁴ Table V-2, CR at V-9, PR at V-6.

market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.⁹⁵ All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.⁹⁶ As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the antidumping finding at issue and whether the industry is vulnerable to material injury if the finding is revoked.⁹⁷

In its original determination, the Commission found that the increasing volumes of subject imports had led to price depression, which in turn led to lost sales and declining profitability.⁹⁸ By contrast, during 1997 and 1998, the domestic roller chain industry has been characterized by increasing production and employment, very high capacity utilization, and strong profitability.^{99 100} We consequently conclude that the domestic roller chain industry is not currently vulnerable to material injury if the antidumping finding is revoked. Moreover, given our earlier discussion regarding subject import volumes and price effects, we do not attribute to a significant extent the improved state of the industry to the existence of the antidumping finding.

The subject imports are not likely to have a significant adverse effect on the domestic roller chain industry if the antidumping finding is revoked. We found above that revocation of the antidumping finding is not likely to lead either to significant additional volumes of subject imports or to significant price effects.

⁹⁵ 19 U.S.C. § 1675a(a)(4).

⁹⁶ 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that “the Commission may consider the magnitude of the margin of dumping” in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the “magnitude of the margin of dumping” to be used by the Commission in five-year reviews as “the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title.” 19 U.S.C. § 1677(35)(C)(iv). *See also* SAA at 887. In its final five-year review determination, Commerce published dumping margins for over 100 named exporters and manufacturers as to which the finding had not been revoked. The firm-specific dumping margins ranged from zero to 43.29 percent. Commerce also indicated that the finding had been revoked with respect to two companies. 63 Fed. Reg. at 63030.

⁹⁷ The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission “considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” SAA at 885.

⁹⁸ Original Determination, TC Pub. 552 at 4-5.

⁹⁹ U.S. producers’ production rose from 46.4 million pounds in 1997 to 49.7 million pounds in 1998. Capacity utilization increased from 91.8 percent in 1997 to 97.0 percent in 1998. Table III-A-1, CR at III-A-2, PR at III-A-1. The number of production and related workers increased from 1,388 in 1997 to 1,418 in 1998. Table III-A-5, CR at III-A-5, PR at III-A-4. Domestic producers’ operating income rose from \$23.2 million in 1997 to \$25.3 million in 1998. The ratio of operating income to net sales was 11.9 percent in 1997 and 12.8 percent in 1998. Table III-B-1, CR at III-B-2, PR at III-B-2.

¹⁰⁰ Commissioner Crawford finds that the magnitude of any adverse effects of revocation is likely to increase with the degree of vulnerability of the industry. She finds the domestic industry in this review is relatively less vulnerable to injury if the finding is revoked, primarily due to the stable nature of the U.S. market, fully utilized domestic capacity, and the U.S. industry’s strong operating performance.

These determinations in turn indicate that the subject imports are not likely to have a significant adverse impact on the domestic industry as a whole within the reasonably foreseeable future if the finding is revoked.

Therefore, we conclude that revocation of the antidumping finding would not be likely to lead to significant declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, or likely negative effects on the domestic industry's development and production efforts, within a reasonably foreseeable time.

CONCLUSION

For the foregoing reasons, we determine that revocation of the antidumping finding on roller chain from Japan would not be likely to lead to continuation or recurrence of material injury to the U.S. roller chain industry within a reasonably foreseeable time.