

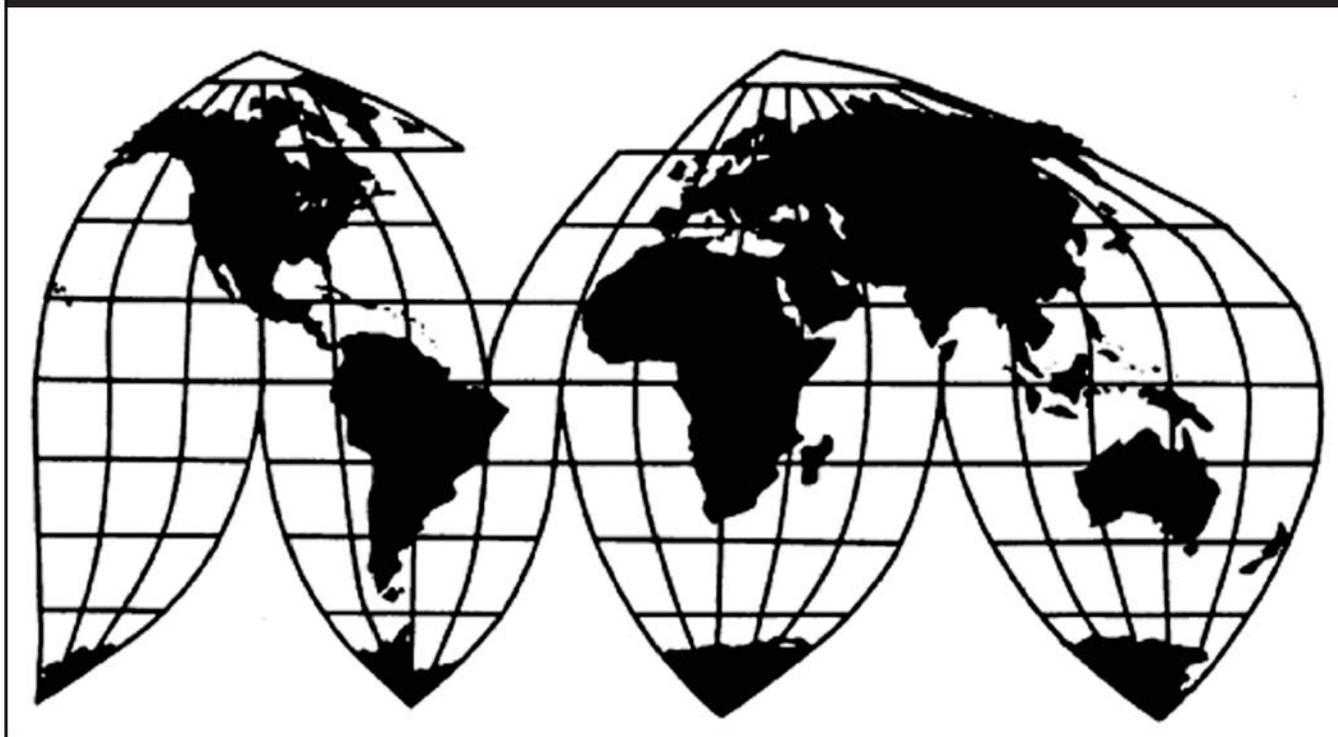
Tetrahydrofurfuryl Alcohol from China

Investigation No. 731-TA-1046 (Second Review)

Publication 4524

April 2015

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Philip Stone, Industry Analyst
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Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436
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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1046 (Second Review)
Tetrahydrofurfuryl Alcohol from China

Determination

On the basis of the record¹ developed in the subject five-year review, the United States International Trade Commission (Commission) determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)), that revocation of the antidumping duty order on tetrahydrofurfuryl alcohol from China would 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 November 3, 2014 (79 FR 65241) and determined on February 6, 2015 that it would conduct an expedited review (80 FR 10162, February 25, 2015).

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 Tariff Act”), that revocation of the antidumping duty order on tetrahydrofurfuryl alcohol (“THFA”) from China would likely lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

I. Background

The original investigation of THFA from China was instituted on June 23, 2003, based on a petition filed by Penn Specialty Chemicals Inc. (“Penn Specialty”).¹ In November 2003, the Commission determined that an industry in the United States was materially injured by reason of imports of THFA sold at less than fair value from China.² The U.S. Department of Commerce (“Commerce”) issued an antidumping duty order on imports of THFA from China on August 6, 2004.³

The Commission instituted its first five-year review concerning the antidumping duty order on THFA from China on July 1, 2009.⁴ Penn, the domestic producer accounting for virtually all domestic production during the period of review, filed the sole response to the Commission’s notice of institution, and the Commission conducted an expedited review. On November 30, 2009, the Commission determined that revocation of the antidumping duty order on THFA from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.⁵ Commerce issued a continuation of the antidumping duty order covering the subject merchandise on December 16, 2009.⁶

The Commission instituted this review on November 3, 2014.⁷ The Commission received only one substantive response to the notice of institution, which was from U.S. producer Penn.⁸

¹ *Tetrahydrofurfuryl Alcohol from China*, Inv. No. 731-TA-1046 (Final), USITC Publication 3709, July 2004, at I-1 (“*Original Determination*”). Penn Specialty was acquired by Minafin SARL (Luxembourg) in July 2008, and its name was changed to Penn A Kem LLC (“Penn”).

² *Original Determination*, USITC Publication 3709 at 3.

³ *Antidumping Duty Order: Tetrahydrofurfuryl Alcohol from the People’s Republic of China*, 69 Fed. Reg. 47911 (August 6, 2004).

⁴ *Tetrahydrofurfuryl Alcohol from China*, 74 Fed. Reg. 31752 (July 2, 2009).

⁵ *Tetrahydrofurfuryl Alcohol from China*, Inv. No. 731-TA-1046 (Review), USITC Pub. 4118 (November 2009) (“*First Review*”) at 3.

⁶ *Tetrahydrofurfuryl Alcohol from the People’s Republic of China: Continuation of the Antidumping Duty Order*, 74 FR 66616 (Dec. 16, 2009).

⁷ *Tetrahydrofurfuryl Alcohol from China; Institution of Five-Year Review*, 79 Fed. Reg. 65241 (Nov. 3, 2014).

⁸ Confidential Report (“CR”) at I-4; Public Report (“PR”) at I-4.

Penn is believed to account for approximately *** percent of total U.S. production of THFA.⁹ The Commission did not receive any responses from the other domestic producer of THFA, Nova Molecular Technologies, Inc. (“Nova”), or from producers or exporters of THFA in China or any U.S. importers of the subject merchandise.

On February 6, 2015, the Commission found the domestic interested party response to the notice of institution to be adequate and the respondent interested party response to be inadequate. The Commission did not find any circumstances that would warrant conducting a full review.¹⁰ Consequently, the Commission determined that it would conduct an expedited review pursuant to section 751(c)(3) of the Tariff Act.¹¹ Penn filed comments on February 27, 2015. No respondent interested party has provided any information or argument to the Commission in this review.

II. Domestic Like Product and Industry

A. Domestic Like Product

In making its determination under section 751(c) of the Tariff Act, the Commission defines the “domestic like product” and the “industry.”¹² The Tariff 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.”¹³ The Commission’s practice in five-year reviews is to examine the domestic like product definition from the original investigation and consider whether the record indicates any reason to revisit the prior findings.¹⁴

Commerce has defined the imported merchandise within the scope of the order under review as follows:

The product covered by this order is THFA (C₅H₁₀O₂). THFA, a primary alcohol, is a clear, water white to pale yellow liquid. THFA is a member of the heterocyclic compounds known as furans and is miscible with water and soluble in many common organic

⁹ CR/PR at Table I-1.

¹⁰ See Explanation of Commission Determination on Adequacy, EDIS Doc. 551347.

¹¹ 19 U.S.C. § 1675(c)(3).

¹² 19 U.S.C. § 1677(4)(A).

¹³ 19 U.S.C. § 1677(10); see, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *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. 249, 96th Cong., 1st Sess. 90-91 (1979).

¹⁴ See, e.g., *Internal Combustion Industrial Forklift Trucks from Japan*, Inv. No. 731-TA-377 (Second Review), USITC Pub. 3831 at 8-9 (Dec. 2005); *Crawfish Tail Meat from China*, Inv. No. 731-TA-752 (Review), USITC Pub. 3614 at 4 (July 2003); *Steel Concrete Reinforcing Bar from Turkey*, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 at 4 (Feb. 2003).

solvents. THFA is currently classified in the Harmonized Tariff Schedules of the United States (“HTSUS”) under subheading 2932.13.00.00.¹⁵

THFA is an environmentally acceptable and biodegradable specialty solvent used in agricultural applications and cleaning products.¹⁶

In both its original investigation and its first five-year review, the Commission defined a single domestic like product consisting of THFA, which was commensurate with the scope definition.¹⁷ In this review, Penn has indicated that it agrees with the Commission’s definition of the domestic like product in the original investigation and first review.¹⁸ The record contains no information suggesting any reason to revisit the Commission’s domestic like product definition in the prior proceedings.¹⁹ Therefore, we define the domestic like product as THFA, a definition that is commensurate with the scope of the order.

B. Domestic Industry

Section 771(4)(A) of the Tariff Act defines the relevant industry as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”²⁰ 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.

In both the original investigation and first review, the Commission defined the domestic industry to consist of all domestic producers of THFA. In the original investigation, Penn Specialty was the only known U.S. producer.²¹ In the first review, the Commission explained that Penn had noted that there may have been another small domestic producer of THFA (Nova) that began production in 2008, but that this producer had not responded to the notice of institution or provided any information.²²

In this review, Penn stated that it agrees with the definition of the domestic industry proposed in the notice of institution, which was the same definition used in the original

¹⁵ *Tetrahydrofurfuryl Alcohol From the People's Republic of China: Final Results of the Second Expedited Sunset Review of the Antidumping Duty Order*, 80 Fed. Reg. 12981-82 (March 12, 2015).

¹⁶ CR at I-6, PR at I-5.

¹⁷ *Original Determination*, USITC Pub. 3709, at 4-5; *First Review*, USITC Pub. 4118, at 5.

¹⁸ Penn’s Substantive Response to the Notice of Institution (Dec. 2, 2014) (“Penn’s Response”) at 11.

¹⁹ *See generally*, CR at I-6-7, PR at I-6.

²⁰ 19 U.S.C. § 1677(4)(A). The definitions in 19 U.S.C. § 1677 are applicable to the entire subtitle containing the antidumping and countervailing duty laws, including 19 U.S.C. §§ 1675 and 1675a. *See* 19 U.S.C. § 1677.

²¹ *Original Determination*, USITC Pub. 3709, at 5, *First Review*, USITC Pub. 4118, at 5.

²² *First Review*, USITC Pub. 4118, at 5 n.23.

investigation and first review.²³ Nova now engages in domestic production of THFA.²⁴ There are no known related party issues. Accordingly, we define the domestic industry as consisting of all domestic producers of THFA, namely Penn and Nova.²⁵

III. Revocation of the Antidumping Duty Order Would Likely Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time

A. Legal Standards

In a five-year review conducted under section 751(c) of the Tariff Act, Commerce will revoke an antidumping or countervailing duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur and (2) the Commission makes a determination that revocation of the antidumping or countervailing duty order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”²⁶ The SAA states that “under the likelihood standard, the Commission will engage in a counterfactual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports.”²⁷ Thus, the likelihood standard is prospective in nature.²⁸ The U.S. Court of International Trade has found that “likely,” as used in the five-year review provisions of the Act, means “probable,” and the Commission applies that standard in five-year reviews.²⁹

²³ Penn’s Response at 12.

²⁴ CR at I-11, PR at I-8.

²⁵ As previously stated, we did not receive any data from, or concerning, Nova.

²⁶ 19 U.S.C. § 1675a(a).

²⁷ SAA at 883-84. 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). Likewise, the standard applies to suspended investigations that were never completed.” *Id.* at 883.

²⁸ 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 {sic} 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.

²⁹ See *NMB Singapore Ltd. v. United States*, 288 F. Supp. 2d 1306, 1352 (Ct. Int’l Trade 2003) (“‘likely’ means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)”), *aff’d mem.*, 140 Fed. Appx. 268 (Fed. Cir. 2005); *Nippon Steel Corp. v. United States*, 26 CIT 1416, 1419 (2002) (same); *Usinor Industeel, S.A. v. United States*, 26 CIT 1402, 1404 nn.3, 6 (2002) (“more likely than not” standard is “consistent with the court’s opinion;” “the court has not interpreted ‘likely’ to imply any particular degree of ‘certainty’”); *Indorama Chemicals (Thailand) Ltd. v. United States*, 26 CIT 1059, 1070 (2002) (“standard is based on a likelihood of continuation or recurrence of injury, not a certainty”); (Continued...)

The statute states that “the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”³⁰ According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ timeframe applicable in a threat of injury analysis in original investigations.”³¹

Although the standard in a five-year review is not the same as the standard applied in an original investigation, it contains some of the same fundamental 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 orders are revoked or the suspended investigation is terminated.”³² 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 or the suspension agreement under review, whether the industry is vulnerable to material injury if an order is revoked or a suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).³³ 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.³⁴

In evaluating the likely volume of imports of subject merchandise if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed 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.³⁵ 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

(...Continued)

Usinor v. United States, 26 CIT 767, 794 (2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”).

³⁰ 19 U.S.C. § 1675a(a)(5).

³¹ 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.*

³² 19 U.S.C. § 1675a(a)(1).

³³ 19 U.S.C. § 1675a(a)(1). Commerce has not made any duty absorption findings regarding imports of THFA from China. CR at I-9, PR at I-9.

³⁴ 19 U.S.C. § 1675a(a)(5). Although the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

³⁵ 19 U.S.C. § 1675a(a)(2).

country, which can be used to produce the subject merchandise, are currently being used to produce other products.³⁶

In evaluating the likely price effects of subject imports if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to the domestic like product and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of the domestic like product.³⁷

In evaluating the likely impact of imports of subject merchandise if an order under review is revoked and/or a suspended investigation is terminated, 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 the following: (1) likely declines in output, sales, 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.³⁸ 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. 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 orders under review and whether the industry is vulnerable to material injury upon revocation.³⁹

No respondent interested party participated in this expedited review. The record, therefore, contains limited new information with respect to the THFA industry in China. There also is limited information on the THFA market in the United States during the period of review. Accordingly, for our determination, we rely as appropriate on the facts available from the original investigation and first review and the limited new information on the record in this second five-year review.

³⁶ 19 U.S.C. § 1675a(a)(2)(A-D).

³⁷ See 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.

³⁸ 19 U.S.C. § 1675a(a)(4).

³⁹ 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.

B. Conditions of Competition and the Business Cycle

In evaluating the likely impact of the subject imports on the domestic industry if an order is revoked, the statute directs the Commission to consider all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”⁴⁰ The following conditions of competition inform our determination.

1. Demand Conditions

In the original investigation, the Commission found that demand for THFA in the United States was derived from demand for the final products that require THFA, such as agricultural chemicals, coatings, and cleaning solutions. The Commission found that demand, as measured by apparent U.S. consumption, fluctuated during the period of investigation and declined by *** percent between 2001 and 2003.⁴¹ The Commission also found that the market for THFA was dominated by a handful of high-volume purchasers, with Penn Specialty’s top five purchasers accounting for approximately *** percent of its shipments in 2003.⁴²

In the first review the Commission found that there was some evidence that U.S. demand for THFA had increased since the original investigation. Demand, as measured by apparent U.S. consumption, was *** pounds in 2008. Penn indicated that demand for THFA experienced rapid growth, primarily in agricultural applications, ***.⁴³

In this review, it is unclear whether demand for THFA has increased or declined since the first review.⁴⁴ On the one hand, apparent U.S. consumption was higher in 2013 (at *** pounds) than in 2008 (when it was *** pounds).⁴⁵ It is unclear, however, whether this actually reflects an increase in consumption of THFA. Apparent U.S. consumption in 2013 includes 2.7 million pounds of imports from nonsubject sources.⁴⁶ Because import data were obtained from official import statistics for a tariff subheading that includes products other than THFA, these 2.7 million pounds of imports from nonsubject sources may include, or consist entirely of, products other than THFA. As explained further below, there were no known imports of THFA from nonsubject sources in either the original investigation or the first review. Moreover, there is no evidence in the record that suppliers from nonsubject countries have entered the U.S.

⁴⁰ 19 U.S.C. § 1675a(a)(4).

⁴¹ *Original Determination*, USITC Pub. 3709, at 5. During the original investigation, the quantity of apparent U.S. consumption of THFA was *** pounds in 2001 and *** pounds in 2003. In interim 2004 (the first three months of 2004), apparent U.S. consumption was *** percent lower than in interim 2003.

⁴² *Original Determination*, USITC Pub. 3709, at 6.

⁴³ *First Review*, USITC Pub. 4118, at 7-8.

⁴⁴ Penn did not address this question in its response to the notice of institution. See Penn Response at 16.

⁴⁵ CR/PR at Table I-4.

⁴⁶ CR/PR at Table I-4.

market since the first review. U.S. producers' U.S. shipments (which only include data for Penn, and not for the other U.S. producer, Nova) were ***.⁴⁷

2. Supply Conditions

In the original investigation, the Commission stated that Penn Specialty was the only domestic producer of THFA. Although some purchasers expressed concern about supply disruptions during Penn Specialty's bankruptcy in the summer of 2001, Penn Specialty in fact continued to produce and deliver THFA on a timely basis.⁴⁸

The Commission found that subject imports were the only other source of THFA in the U.S. market. Three firms were responsible for all subject imports of THFA during the period covered in the original investigation, with one of them, Kyzen, accounting for *** percent of all subject imports during that period.⁴⁹ Kyzen imported directly *** of shipments of subject merchandise for internal consumption. Kyzen had consistently divided its purchases between Penn Specialty and Zhucheng, the only Chinese producer of THFA identified by the Commission's investigation.⁵⁰

In the first review, the Commission found that the limited record established that subject imports largely exited the U.S. market after the imposition of the antidumping duty order. It noted that there were no known nonsubject imports during the original investigation or in the first review and that the domestic industry appeared to be able to supply *** U.S. market for THFA.⁵¹

In this review, Nova, a second domestic producer of THFA, has entered the market, but the Commission has no information on the extent of that firm's production operations. Penn states that Nova has become a "vigorous competitor for market share in the U.S. THFA market."⁵² The record in this review shows a small volume of subject imports in 2013 (11,000 pounds); it is unclear, however, whether these imports were of THFA or of out-of-scope products classified in the same tariff subheading.⁵³ Penn stated that it has no knowledge of imports of THFA from China into the United States since the imposition of the order.⁵⁴ Also, as discussed above, official import statistics indicate significant imports from nonsubject sources in 2013, but these might also have been products other than THFA.

⁴⁷ U.S. producers' U.S. shipments *** pounds in 2013. CR/PR at Table I-4.

⁴⁸ *Original Determination*, USITC Pub. 3709, at 7.

⁴⁹ *Original Determination*, USITC Pub. 3709, at 7.

⁵⁰ *Original Determination*, USITC Pub. 3709, at 8.

⁵¹ *First Review*, USITC Pub. 4118, at 8.

⁵² Penn Response at 12.

⁵³ CR at I-15, PR at I-12, and CR/PR at Table I-3.

⁵⁴ CR at I-15, PR at I-12.

3. Substitutability

In the original investigation, the Commission found a high degree of substitutability between subject imports and the domestic like product.⁵⁵ Half of the responding purchasers ranked price as the most important factor in selecting a supplier, and purchasers indicated that price was an important factor more often than any other factor, including quality.⁵⁶ Nothing in the record of this review suggests that these findings are no longer applicable.

C. Likely Volume of Subject Imports

1. Original Investigation and First Review

In the original determination, the Commission found that shipments of subject imports rose by *** percent between 2001 and 2003, increasing from *** pounds in 2001 to *** pounds in 2003. Subject imports accounted for *** percent of the U.S. market in 2003, on a quantity basis, up from *** percent in 2001. *** of this gain in market share came at the expense of the domestic industry, ***.⁵⁷

The Commission emphasized the unique role that Kyzen played in the U.S. market for THFA, as it had been the predominant importer and a significant purchaser of the domestic like product since well before 2001. Kyzen accounted for *** subject imports, which it internally consumed rather than sold. The Commission found that Kyzen's purchasing practices had remained relatively consistent, and therefore the Commission did not conclude that the volume or increase in the volume of subject imports was significant. The Commission observed, however, that the subject imports generally rose over the period, at a time when shipments of the domestic like product and apparent consumption were both trending downward, and that Kyzen's substantial purchases of subject imports formed the backdrop for Penn Specialty reducing its prices to several large customers in response to low-price offers of subject imports. The Commission also stated that because Commerce's preliminary affirmative dumping determination discouraged all subject imports in 2004, including those by Kyzen, it was according less weight to interim 2004 data.⁵⁸

In the first review, with the antidumping duty order in place, subject import volumes were much smaller than in the original period of investigation. Subject imports declined from *** pounds in 2003, the final full year of the period of investigation, to zero in 2004, and were 38,000 pounds in 2008. (As noted above, because THFA is classified in a "basket" tariff category, and because the Commission relied on official import statistics in the first review, the 38,000 pounds of imports recorded in 2008 may not have been subject merchandise.)

⁵⁵ *Original Determination*, USITC Pub. 3709, at 8.

⁵⁶ *Original Determination*, USITC Pub. 3709, at 8.

⁵⁷ *Original Determination*, USITC Pub. 3709, at 9-10.

⁵⁸ *Original Determination*, USITC Pub. 3709, at 10-11.

Shipments of subject imports as a share of apparent U.S. consumption on a quantity basis declined from *** percent in 2003 to *** percent in 2008.⁵⁹

The Commission found that nothing in the record of the first review contradicted the evidence on the record of the original investigation that the Chinese industry producing the subject merchandise had substantial excess capacity and that it was export oriented. The Commission stated that the facts available indicated that capacity in China for THFA was approximately 16.5 million pounds and that actual production capacity could be much higher because Chinese furfuryl alcohol (“FA”) producers could invest in THFA technology and shift production from FA to THFA.⁶⁰

Based on the export orientation of the Chinese THFA industry, the volume and market share that subject imports held prior to exiting the U.S. market after the antidumping duty order was imposed, and the evidence on the record of the Chinese industry’s capacity to produce THFA, the Commission found that the Chinese industry would have the incentive and the ability to ship increasing volumes of THFA to the United States if the order were revoked. The Commission therefore found that the likely increase in the volume of subject imports would be significant if the order were revoked.⁶¹

2. Current Review

As discussed above, to the extent that there were any imports of THFA from China in 2013, they were at very low levels.⁶²

The limited evidence in the record of this review indicates that the Chinese industry’s production capacity has expanded significantly since the first review. In the first review, the facts available indicated that capacity in China for THFA was approximately 16.5 million pounds. In this second review, the facts available indicate that capacity in China for THFA is approximately 29 million pounds.⁶³

There is nothing in the record of this review that contradicts the evidence on the record of the original investigation that the Chinese industry producing THFA has substantial excess capacity and that it is export oriented. Indeed, available public data indicate that China was by far the world’s largest exporter of THFA during the 2009-13 period.⁶⁴

⁵⁹ *First Review*, USITC Pub. 4118, at 9.

⁶⁰ *First Review*, USITC Pub. 4118, at 9-10.

⁶¹ *First Review*, USITC Pub. 4118, at 10.

⁶² The volume of imports under the applicable tariff subheading in 2013 was 11,000 pounds. CR/PR at Table I-4. Assuming that these imports were subject merchandise – and Penn asserts that subject imports have not entered the U.S. market since imposition of the order – they accounted for *** percent of apparent U.S. consumption on a quantity basis. CR/PR at Table I-5.

⁶³ Penn asserts that capacity could readily be increased to much higher levels because Chinese FA producers have the ability to switch production to THFA, a higher value product. Penn’s Response at 6, and Penn’s Comments Regarding What Determination the Commission Should Reach in the Review (“Penn’s Comments”) at 4. THFA is produced from raw FA. CR at I-6-7, PR at I-5.

⁶⁴ CR/PR at Table I-6.

Based on the export orientation of the Chinese THFA industry, the volume and market share that subject imports held prior to exiting the U.S. market after the antidumping duty order was imposed, and the evidence on the record of the Chinese industry's capacity to produce THFA, we find that the Chinese industry would have the incentive and the ability to ship increasing volumes of THFA to the United States if the order were revoked.⁶⁵ We therefore find that the likely volume of subject imports, both in absolute terms and relative to consumption in the United States, would be significant if the order were revoked.

D. Likely Price Effects

1. Original Investigation and First Review

In the original investigation, the Commission found that the domestic like product and subject imports were substitutable and that price was an important factor in purchasing decisions. The Commission also found that prices for the domestic like product generally declined and that prices for the domestic like product were higher in interim 2004, when subject imports exited the market, than in either the preceding quarter or the same period in 2003.⁶⁶

Commercial sales of imported THFA were relatively rare in the U.S. market at the time of the original investigation. Pricing data showed mostly overselling, which was likely explained by the fact that import prices were based on substantially lower quantities of subject imports as compared to the quantities on which the domestic prices were based.⁶⁷

The Commission also considered purchaser prices, which showed underselling for most of the period by margins up to and exceeding *** percent. The underselling gap disappeared at the end of the period as Penn Specialty was forced to reduce its prices. Because the market was small and dominated by a handful of large purchasers, these purchasers were able to gain significant price concessions from Penn Specialty by citing the availability of subject imports at lower prices. The Commission found that these price concessions were a main reason why prices declined in 2002 and 2003 and that subject imports had a significant adverse effect on the prices paid by these customers, and thus the revenue received by Penn Specialty. Consequently, the Commission concluded that there had been significant price underselling by the subject imports and that the effect of subject imports had been to depress prices for the domestic like product to a significant degree.⁶⁸

In the first review, the Commission observed that there was no new product-specific pricing information on the record. Subject imports had essentially exited the U.S. market as a result of the antidumping duty order. Penn noted, however, that the Chinese THFA industry

⁶⁵ The record of the current review does not contain any information about inventories of the subject merchandise. THFA from China does not appear to be subject to antidumping or countervailing duty findings or remedies in any other market. CR at I-20, PR at I-16.

⁶⁶ *Original Determination*, USITC Pub. 3709, at 9-10.

⁶⁷ *Original Determination*, USITC Pub. 3709, at 10.

⁶⁸ *Original Determination*, USITC Pub. 3709, at 10-11.

*** in that market. The Commission found that there was nothing in the record of the first review to suggest that price did not continue to be an important factor in purchasing decisions, or that purchasing practices had changed since the original investigation. Consequently, as in the original investigation, it found that subject imports would be likely to undersell the domestic like product in order to gain market share and that purchasers would be likely to attempt to gain significant price concessions from the domestic industry by citing the availability of subject imports at lower prices. Therefore, the Commission concluded that, if the order were revoked, subject imports from China likely would increase significantly at prices that likely would undersell the domestic like product and that those imports would likely have a depressing or suppressing effect on prices for the domestic like product.⁶⁹

2. Current Review

In this review, the record does not contain current pricing comparisons due to the failure of respondent interested parties to participate and the expedited nature of the review. Nevertheless, we continue to find, in the absence of record evidence indicating changes in the conditions of competition, that the domestic like product and subject imports are highly substitutable and that price is an important factor in purchasing decisions. Consequently, if the order were revoked, subject imports would likely undersell the domestic like product to gain market share, as occurred during the original period of investigation.

We find that, in the event of revocation, increasing volumes of low-priced subject imports would likely have significant depressing or suppressing effects on prices of the domestic like product. We therefore conclude that the likely significant volume of subject imports upon revocation would likely have significant adverse effects on prices for the domestic like product.

E. Likely Impact

1. Original Investigation and First Review

In its original determination, the Commission found that the subject imports had a significant adverse impact on the domestic industry's performance. It explained that domestic shipments declined somewhat faster than did overall apparent U.S. consumption and the domestic industry lost market share. Declines in shipments and revenues were reflected in worsening industry performance in a number of measures, including declines in the number of employees, hours worked, and total wages. The Commission found that lower prices were a main reason why the industry posted consistently poor operating results over the period and that subject imports depressed prices to a degree that could not be offset by Penn Specialty's improved cost structure after its emergence from bankruptcy. In light of the significant adverse price effects of the subject imports and the causal linkage between the subject imports and the

⁶⁹ *First Review*, USITC Pub. 4118, at 10-11.

domestic industry's declines in shipments, market share, employment indicators, and operating performance, the Commission concluded that the subject imports had a significant adverse impact on the domestic THFA industry.⁷⁰

In the first review, the Commission stated that the limited information on the record showed that the domestic industry's production and shipments were higher in 2008 than in 2003, the last full year of the original period of investigation, which was consistent with the increases in apparent U.S. consumption of THFA during this time period and the near-total absence of imports from the U.S. market. The average unit value of U.S. shipments was also higher in 2008 than in 2003. The domestic industry's net sales in 2008 were *** those in 2003, and its cost of goods sold showed a comparable percentage increase. The domestic industry's operating *** as much in 2008 than in 2003, while operating margins improved somewhat, but were still *** in 2008. The Commission found that the limited evidence in that expedited review did not permit it to determine whether the domestic industry producing THFA was vulnerable to the continuation or recurrence of material injury in the event of revocation of the order.⁷¹

The Commission further found that the intensified subject import competition that would likely occur after revocation of the order would likely have a significant adverse impact on the domestic industry. Specifically, the domestic industry would likely lose market share to subject imports and experience lower prices due to competition from subject imports, which would adversely impact its production, shipments, sales, and revenue. These reductions would likely have a direct adverse impact on the industry's profitability and employment levels, as well as its ability to raise capital and make and maintain necessary capital investments. The Commission concluded that if the antidumping duty order on THFA from China were revoked, subject imports from China would be likely to have a significant adverse impact on the domestic industry within a reasonably foreseeable time.⁷²

2. Current Review

There is only limited information on the record of this expedited review concerning the performance and condition of the domestic industry since the original injury determination and the first review. This information pertains only to certain economic factors and is available only for 2013.⁷³ The data show that the capacity of Penn, the sole responding domestic producer, was *** in 2013 than in 2008 (the year for which the Commission obtained information in the first review), while its production, capacity utilization, and shipments were ***.⁷⁴ Penn's

⁷⁰ *Original Determination*, USITC Pub. 3709, at 11.

⁷¹ *First Review*, USITC Pub. 4118, at 12.

⁷² *First Review*, USITC Pub. 4118, at 12-13.

⁷³ CR/PR at Table I-2.

⁷⁴ Penn's production was *** pounds in 2013 compared to *** pounds in 2008. Its capacity utilization was *** percent in 2013 compared with *** percent in 2008, and its shipments, by quantity, were *** pounds in 2013 compared to *** pounds in 2008. CR/PR at Table I-2.

average unit value of U.S. shipments was higher in 2013 than in 2008.⁷⁵ Its net sales in 2013 were *** than in 2008, and its cost of goods sold ***.⁷⁶ It had *** in 2013, compared to *** in 2008.⁷⁷ The limited evidence in this expedited review does not permit us to determine whether the domestic industry producing THFA is vulnerable to the continuation or recurrence of material injury in the event of revocation of the order.⁷⁸

Based on the information available in this review, including information in the record of the original investigation and first review, we find that revocation of the order would likely lead to a significant increase in the volume of subject imports, and that this increased volume of subject imports would likely undersell the domestic like product to a significant degree and significantly depress or suppress U.S. prices for the domestic like product. We find that the intensified subject import competition that would likely occur after revocation of the order would likely have a significant adverse impact on the domestic industry. Specifically, the domestic industry would likely lose market share to subject imports and experience lower prices due to competition from subject imports, which would adversely impact its production, shipments, sales, and revenue. These reductions would likely have a direct adverse impact on the industry's profitability and employment levels, as well as its ability to raise capital and make and maintain necessary capital investments.

We have also considered the role of factors other than the subject imports, including the presence of nonsubject imports, so as not to attribute likely injury from other factors to the subject imports. As previously stated, official import statistics for 2013 indicate a substantial quantity of imports from other sources, although it is not clear whether these imports are of THFA or out-of-scope products.⁷⁹ Even assuming *arguendo* that the imports from nonsubject sources in the official import statistics for 2013 are of THFA, however, their presence in 2013 did not preclude Penn from maintaining during that year production and shipment levels that were higher than those observed during the original investigation and better financial performance than observed either in the original investigation or during the first review.⁸⁰ We accordingly conclude that the likely adverse effects of revocation that we have identified are not attributable to nonsubject imports.

⁷⁵ The average unit value of the Penn's shipments was \$*** per pound in 2013 compared to \$*** per pound in 2008. CR/PR at Table I-2.

⁷⁶ Penn's net sales were \$*** in 2013 compared to \$*** in 2008. Its cost of goods sold was \$*** in 2013 compared to \$*** in 2008. CR/PR at Table I-2.

⁷⁷ Penn's operating *** was \$*** in 2013 compared to *** of \$*** in 2008. Its operating income ratio was *** percent in 2013 compared to *** percent in 2008. CR/PR at Table I-2.

⁷⁸ There is no current information in the record of this expedited review pertaining to many of the other indicators, such as productivity, return on investments, cash flow, wages, ability to raise capital, investment capacity, and employment levels, that we customarily consider in assessing whether the domestic industry is in a weakened condition.

⁷⁹ CR/PR at Table I-3.

⁸⁰ CR/PR at Table I-2.

Accordingly, we conclude that, if the antidumping duty order on THFA from China were revoked, subject imports from China would be likely to have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

IV. Conclusion

For the foregoing reasons, we determine that revocation of the antidumping duty order on tetrahydrofurfuryl alcohol from China would likely lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

INFORMATION OBTAINED THIS REVIEW

On November 3, 2014, the U.S. International Trade Commission (“Commission”) gave notice, pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”),¹ that it had instituted a review to determine whether revocation of antidumping duty order on tetrahydrofurfuryl alcohol (“THFA”) from China would likely lead to the continuation or recurrence of material injury to a domestic industry.² All interested parties were requested to respond to this notice by submitting certain information requested by the Commission.³ The following tabulation presents information relating to the background and schedule of this proceeding:⁴

Effective or statutory date	Action
November 3, 2014	Notice of institution and initiation by Commerce and Commission
February 6, 2015	Commission vote on adequacy
March 12, 2015	Commerce results of its expedited review
April 6, 2015	Commission statutory deadline to complete expedited review
October 29, 2015	Commission statutory deadline to complete full review

RESPONSES TO THE COMMISSION’S NOTICE OF INSTITUTION

INDIVIDUAL RESPONSES

The Commission received one submission in response to its notice of institution in the subject review. It was filed on behalf of Penn A Kem LLC (“Penn”), a domestic producer of tetrahydrofurfuryl alcohol (“THFA”).⁵

¹ 19 U.S.C. 1675(c).

² *Tetrahydrofurfuryl Alcohol From China; Institution of a Five-Year Review*, 79 FR 65241, November 3, 2014. In accordance with section 751(c) of the Act, the U.S. Department of Commerce (“Commerce”) published a notice of initiation of a five-year review of the subject antidumping duty order concurrently with the Commission’s notice of institution. *Initiation of Five-Year (“Sunset”) Review*, 79 FR 65186, November 3, 2014.

³ As part of their response to the notice of institution, interested parties were requested to provide a list of three to five leading purchasers in the U.S. market for the subject merchandise. Presented in Appendix D are the responses received from purchaser surveys mailed to the purchasers identified in the adequacy phase of this review.

⁴ Pertinent *Federal Register* notices are referenced in Appendix A, and may be found at the Commission’s website (www.usitc.gov).

⁵ Penn is represented by the law firm of Thompson Hine LLP.

A complete response to the Commission’s notice of institution requires that the responding interested party submit to the Commission all the information listed in the notice. A summary of the individual response and estimates of coverage is shown in the table I-1.

Table I-1: Summary of Responses to the Commission’s Notice of Institution

Type of interested party	Completed responses	
	Number	Coverage
Domestic	1	***% ⁶

PARTY COMMENTS ON ADEQUACY

The Commission did not receive any comments from parties on the adequacy of responses to the notice of institution.

RECENT DEVELOPMENTS IN THE INDUSTRY

Since the Commission’s last five-year review, Penn stated that Nova has now become a “vigorous competitor for market share in the U.S. THFA market” and that Nova has gone from “a nascent entrant in the THFA market during the first review to a significant competitor today illustrates the effectiveness of the order.”⁷

⁶ In the first five-year review, Penn accounted for approximately *** percent of total U.S. production. During the first review, a new U.S. producer, Nova Molecular Technologies, Inc. (“Nova”) of Janesville, WI, began production of THFA in the United States. In its response to the notice of institution for the current review, Penn reported that it does not know the exact production quantity or the capacity of Nova's manufacturing facility, but described Nova as “a nascent entrant in the THFA market during the first review to a significant competitor today.” *Penn’s Response to Notice of Institution*, December 2, 2014, p.12. Penn reported that its current estimate is based on that the fact that Penn “***” and that “***.” E-mail from Mathew Williams, Counsel to Penn, January 27, 2015.

Nova, a privately held specialty chemical company, did not provide the Commission with a response to its notice of institution.

⁷ *Penn’s Response to the Notice of Institution*, December 2, 2014, p. 12.

THE PRODUCT

COMMERCE'S SCOPE

Commerce has defined the subject merchandise as:

The product covered by this order is tetrahydrofurfuryl alcohol (C₅H₁₀O₂) ('THFA'). THFA, a primary alcohol, is a clear, water white to pale yellow liquid. THFA is a member of the heterocyclic compounds known as furans and is miscible with water and soluble in many common organic solvents.⁸

Commerce has not received any requests for scope rulings since the original issuance of the antidumping duty order.

DESCRIPTION AND USES⁹

THFA is an environmentally acceptable and biodegradable specialty solvent. It is a member of the heterocyclic compounds known as furans, which contain an unsaturated ring of four carbon atoms and one oxygen atom. THFA has a high flash point, a high boiling point, a low freezing point, chemical and thermal stability, and a high solvency for organic and inorganic materials. There are no ASTM standards for THFA.

The major use of THFA is as a solvent. In agricultural applications, THFA is used as a solvent for biocides, pesticides, and herbicides. It is also widely used as a solvent in a broad variety of cleaning products, from graffiti and floor polish removers to cleaners for printed circuit boards. THFA is also frequently used in the production of UV curables – adhesives, paints, coatings, and inks that bond chemically when exposed to ultraviolet light. Other applications in which THFA is used, though less commonly, include as an ingredient in paint and grime strippers for the automotive industry; as a coalescing agent for paints; as a solvent for epoxy resins; as a solvent for lacquers, shellac, and enamels; as a solvent in refining lubricating oils; as antifreeze in extremely cold temperatures; and as a chemical reactant in the production of lysine and certain plasticizers and pharmaceuticals.

THFA is produced by the hydrogenation of furfuryl alcohol ("FA"). The raw materials required for the production of THFA are precursor FA, hydrogen, and a catalyst to facilitate the chemical reaction yielding THFA. There are two possible technologies for the production of THFA: vapor phase and liquid phase. The basic process by which THFA is produced is the same for both technologies: raw FA, in liquid or vapor form, is mixed with hydrogen and fed into a

⁸ *Tetrahydrofurfuryl Alcohol from the People's Republic of China: Continuation of the Antidumping Duty Order*, 74 FR 66616, December 16, 2009.

⁹ Unless otherwise noted this information is based on *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Final)*, USITC Publication 3709, July 2004, pp. I-4-I-8.

reactor; a catalyst is then added to the mixture, converting the FA to THFA; the resulting THFA is then dehydrated and distilled.

U.S. TARIFF TREATMENT

THFA is currently imported under Harmonized Tariff Schedule of the United States (“HTS”) statistical reporting number 2932.13.0000. THFA has a normal trade relations tariff rate of 3.7 percent ad valorem, applicable to imports from China.

THE DEFINITION OF THE DOMESTIC LIKE PRODUCT

The domestic like product is defined as the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the subject merchandise. In its original determination and its expedited first five-year review determination, the Commission defined the domestic like product as THFA, coextensive with the scope definition.¹⁰

In its notice of institution for this review, the Commission solicited comments from interested parties regarding the appropriate domestic like product. According to the only response to the notice of institution received by the Commission, Penn agrees with the Commission’s definitions of domestic like product and domestic industry.¹¹

THE ORIGINAL INVESTIGATION AND SUBSEQUENT REVIEWS

THE ORIGINAL INVESTIGATION

The original investigation resulted from a petition filed on June 23, 2003 with Commerce and the Commission by Penn Specialty Chemicals, Inc. (“Penn Specialty”), Plymouth Meeting, PA. In July 2008, Minafin SARL (Luxembourg) acquired Penn Specialty and changed its name to Penn A Kem LLC. Data compiled during the original investigation are presented in Appendix C.

THE FIRST FIVE-YEAR EXPEDITED REVIEW

On July 2, 2009, the Commission instituted the first five-year review of the subject order and on October 5, 2009, the Commission gave notice that it would conduct an expedited

¹⁰ *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Final)*, USITC Publication 3709, July 2004, p. 5; *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Review)*, USITC Publication 4118 (November 2009), p. 5.

¹¹ *Penn’s Response to the Notice of Institution*, December 2, 2014, p. 12.

review.¹² On November 5, 2009, Commerce published its determination that revocation of the antidumping duty order on THFA from China would be likely to lead to continuation or recurrence of dumping at the rates determined in the original investigation.¹³ On November 30, 2009, the Commission determined that material injury would be likely to continue or recur within a reasonably foreseeable time.¹⁴ On December 16, 2009, Commerce published notice of the continuation of the antidumping duty order.¹⁵

PRIOR RELATED INVESTIGATIONS

THFA has not been the subject of any prior antidumping or countervailing duty investigations in the United States.¹⁶

ACTIONS AT COMMERCE

COMMERCE'S REVIEWS

Commerce has not made duty absorption findings and has not conducted scope inquiries, anti-circumvention inquiries, or changed circumstances reviews since the issuance of the antidumping duty order.

¹² *Tetrahydrofurfuryl Alcohol From China: Institution of a Five-Year Review*, 74 FR 31752, July 2, 2009 and *Tetrahydrofurfuryl Alcohol From China: Scheduling of an Expedited Five-Year Review*, 74 FR 54067, October 21, 2009.

¹³ *Tetrahydrofurfuryl Alcohol From the People's Republic of China: Final Results of the Expedited Sunset Review of the Antidumping Duty Order*, 74 FR 57290, November 5, 2009.

¹⁴ *Tetrahydrofurfuryl Alcohol From China: Determination*, 74 FR 63788, December 4, 2009.

¹⁵ *Tetrahydrofurfuryl Alcohol from the People's Republic of China: Continuation of the Antidumping Duty Order*, 74 FR 66616, December 16, 2009.

¹⁶ FA is the primary precursor chemical for THFA and an antidumping petition on FA from China, Thailand, and South Africa was filed in May 1994. The order on FA has been in place since June 1995 on FA from China. In June 1995, the Commission made affirmative injury determinations for imports from all three countries. The Department of Commerce issued antidumping duty orders with margins ranging from 43.54 to 50.43 percent ad valorem for China, and single margins of 7.82 percent and 11.55 percent for Thailand and South Africa, respectively. The antidumping duty order on FA from South Africa was revoked by Commerce in 1999. The antidumping duty order on FA from Thailand was revoked by Commerce in 2007. In 2012, the Commission determined that revocation of the antidumping duty order on FA from China would be likely to lead to continuation or recurrence of material injury. *Furfuryl Alcohol From the Republic of South Africa; Final Results of Antidumping Duty Administrative Review and Revocation of Antidumping Duty Order*, 64 FR 37500, July 12, 1999, *Furfuryl Alcohol From China and Thailand, Invs. Nos. 731-TA-703 and 705 (Review)*, USITC Publication 3412, April 2001, and *Furfuryl Alcohol from Thailand; Final Results of the Second Sunset Review of the Antidumping Duty Order and Revocation of the Order*, 72 FR 9729, March 5, 2007; *Furfuryl Alcohol from China, Inv. 731-TA-703 (Third Review)*, USITC Publication 4302 (January 2012).

CURRENT REVIEW RESULTS

Commerce notified the Commission that it had not received adequate responses from respondent interested parties to its notice of initiation of the current five-year review of the antidumping duty order on imports of THFA from China. Consequently, it intends to conduct an expedited review of the order and to issue its final determination by March 3, 2015.¹⁷

THE INDUSTRY IN THE UNITED STATES

U.S. PRODUCERS

U.S. industry data collected in the original investigation were based on the questionnaire response of one domestic producer that accounted for virtually all U.S. production of THFA.¹⁸

At the time of the first five-year expedited review, two companies were identified as producers of THFA in the United States: Penn and Nova. Penn estimated that its production of THFA accounted for *** percent of U.S. production in 2008. No information was available on Nova's production of THFA.

In response to the Commission's notice of institution in this current review, domestic producer Penn reported that Nova is a producer of THFA in the United States, but that Penn did not have any information available on Nova's production of THFA. Penn estimated that its production of THFA accounted for *** percent of U.S. production in 2013.¹⁹ Penn is not related to any exporter or importer of the subject merchandise.²⁰

Penn is a high-tech specialty chemical company and states that it is the largest worldwide furan and furfurylamine producer and the only U.S. producer of furan, furfurylamine and FA. The company has produced specialty chemicals for over 60 years. It states that its facilities are modern and efficient, with over \$75MM of capital investment in the last seven years.²¹

Nova is a privately owned Texas corporation located in Janesville, WI. It is a manufacturer of various specialty chemicals including THFA.

¹⁷ Letter to Catherine DeFilippo, Director, Office of Investigations, U.S. International Trade Commission from Abdelali Elouaradia, Director, Office IV AD/CVD Operations, Enforcement and Compliance, U.S. Department of Commerce International Trade Administration, December 18, 2014.

¹⁸ A second firm, Syntex, was identified in the preliminary phase of the original investigation. It was a start-up firm that produced small quantities of THFA in 2000, and then shortly thereafter, went out of business. *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Final)*, USITC Publication 3709, July 2004, p. III-2.

¹⁹ Penn's estimate is ***. E-mail from Mathew Williams, Counsel to Penn, January 27, 2015.

²⁰ Penn's Response to Notice of Institution, December 2, 2014, p. 11.

²¹ Retrieved from <http://www.pennakem.com/about/index.html>, January 21, 2015.

DEFINITION OF THE DOMESTIC INDUSTRY AND RELATED PARTIES ISSUES

The domestic industry is defined as the U.S. producers as a whole of the domestic like product, or those producers whose collective output of the domestic like product constitutes a major proportion of the total domestic production of the product. In the original investigation, the Commission defined the domestic industry as consisting of all domestic producers of THFA, which was Penn. There were no related party issues in the original investigation.²² In the first expedited five-year review, Penn stated that it did not object to the Commission's definition of the domestic industry as stated in the original investigation and no new facts have been presented to warrant a different conclusion and the Commission defined the domestic industry to include all domestic producers of THFA.²³

In the current review, Penn agrees with the Commission's prior definition of the domestic industry.²⁴

U.S. PRODUCERS' TRADE AND FINANCIAL DATA

The Commission asked domestic interested parties to provide trade and financial data in their response to the notice of institution of the current five-year review.²⁵ Table I-2 presents a compilation of the data submitted by the sole responding U.S. producer in the current five-year review, the first five-year review, and the original investigation.²⁶

²² *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Review)*, USITC Publication 4118 (November 2009), p. 5.

²³ *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Review)*, USITC Publication 4118 (November 2009), p. 5.

²⁴ *Penn's Response to Notice of Institution*, December 2, 2014, p. 12.

²⁵ Individual company trade and financial data are presented in Appendix B.

²⁶ Data presented for 2001-03 and 2008 were provided by one producer (Penn) and were believed to have represented nearly 100 percent of the U.S. production of THFA during 2003 and *** percent of U.S. THFA production during 2008. Staff Report, *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Review)*, INV-GG-102, October 28, 2009, pp. I-19-I-20.

Table I-2: Trade and financial data submitted by U.S. producer, 2001-2003, 2008, and 2013

Quantity=1,000 pounds; value=1,000 dollars; Unit values, unit labor costs, and unit financial data are per pound					
Item	2001	2002	2003	2008	2013
Capacity	***	***	***	***	***
Production	***	***	***	***	***
Capacity utilization	***	***	***	***	***
U.S. commercial shipments:					
Quantity	***	***	***	***	***
Value	***	***	***	***	***
Unit value	***	***	***	***	***
Net sales (\$1,000)	***	***	***	***	***
COGS (\$1,000)	***	***	***	***	***
COGS/Net Sales	***	***	***	***	***
Gross profit or (loss) (\$1,000)	***	***	***	***	***
SG&A expenses (loss) (\$1,000)	***	***	***	***	***
Operating income/(loss) (\$1,000)	***	***	***	***	***
Operating income (loss)/Net sales	***	***	***	***	***

Source: For the years 2001-03, data are compiled using data submitted in the Commission's original investigation. For 2008, data are compiled using data in the Commission's first five-year review. See Appendix C. For the year 2013, data are compiled using data submitted by Penn. Penn's Response to Notice of Institution, December 2, 2014, p. 11 and exh. D.

U.S. IMPORTS AND APPARENT CONSUMPTION

U.S. IMPORTERS

Import data presented in the Commission's staff report in the original investigation were based on the questionnaire responses of the following three U.S. importers: Kyzen Corp. ("Kyzen"), AllChem Industries Holding Corp. ("AllChem"), and Advanced Resin Systems ("ARS"). Kyzen was the largest importer of THFA in the United States at the time, accounting for *** percent of total imports of THFA from 2001-03.²⁷

In its response to the Commission's notice of institution in the first five-year review, the domestic interested party listed the following three companies that it knew to have been importers of subject merchandise from China: Kyzen, AllChem, and ARS; however, it indicated that imports of Chinese THFA essentially ceased after the imposition of the antidumping duty order.²⁸

In its response to the Commission's notice of institution in this review, domestic producer Penn again stated that shipments of Chinese THFA to the United States ceased after the imposition of the order.²⁹

U.S. IMPORTS

In the final phase of the original investigation, three firms (Kyzen, AllChem, and ARS) provided data to the Commission and the U.S. import data for the original period of investigation are based on their questionnaire responses. Kyzen was by far the largest importer during the original period examined, accounting for *** percent of THFA imports in ***, *** percent of imports in ***, and *** percent of total imports over the 2001-03 period. AllChem imported THFA into the United States in ***.³⁰

In the first expedited five-year review, subject import volumes are much smaller than in the original period of investigation. ***, subject imports declined from *** pounds in 2003, the final full year of the period of investigation, to zero in 2004, and were 38 thousand pounds in 2008.³¹

²⁷ Staff Report, *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Final)*, INV-BB-085, January 1, 2004, p. IV-1.

²⁸ *Penn's Response to Notice of Institution*, July 31, 2009.

²⁹ *Penn's Response to Notice of Institution*, December 2, 2014, p. 11.

³⁰ Staff Report, *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Review)*, INV-GG-102, October 28, 2009, p. I-22.

³¹ Both THFA and FA are imported under HTS subheading 2932.13.00, and the 2008 imports may be nonsubject FA. *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Review)*, USITC Publication 4118 (November 2009), p. 9, fn. 55.

In the current review, Penn has no knowledge of imports of Chinese THFA into the United States since the imposition of the order and noted that imports identified under HTS provision 2932.13.0000 could be THFA, FA or misclassified furan resins.³² Based on official statistics, subject imports were 11 thousand pounds (\$20 thousand) in 2013 which may be nonsubject products being reported under subheading 2932.13.00, a “basket category” which covers imports of both nonsubject merchandise (furfuryl alcohol, (“FA”)) and subject merchandise (THFA). Table I-3 presents data on U.S. imports for 2001-03, 2008, and 2013.

Table I-3
THFA: U.S. imports, 2001-03, 2008, and 2013

Item	2001	2002	2003	2008 ²	2013 ²
	Quantity (1,000 pounds)				
China (subject) ¹	***	***	***	38	11
All other imports (nonsubject)	***	***	***	0	2,724
Total imports	***	***	***	38	2,735
	Landed, duty-paid value (\$1,000)				
China (subject) ¹	***	***	***	51	22
All other imports (nonsubject)	(¹)	(¹)	(¹)	(¹)	14,766
Total imports	***	***	***	51	14,788

¹ Not applicable.

² Imports for 2008 and 2013 may include nonsubject FA. Penn stated that there are no known subject imports from China for 2013.

*Source: Data for 2008 and 2013 are from official statistics of Commerce for HTS statistical reporting number 2932.13.00. Data for 2001-03 are from Confidential Staff Report, INV-BB-085, July 1, 2004, table IV-3 ***, Staff Report, Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Review), INV-GG-102, October 28, 2009, table I-5.*

³² Penn’s Response to Notice of Institution, December 2, 2014, fn. 5.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table I-4 presents data on U.S. producers' U.S. shipments, U.S. imports, and apparent U.S. consumption, while table I-5 presents data on U.S. market shares of U.S. apparent consumption.

Table I-4

THFA: U.S. producers' U.S. shipments, U.S. imports, and apparent U.S. consumption, 2001-03, 2008, and 2013

Item	2001	2002	2003	2008 ¹	2013 ¹
	Quantity (1,000 pounds)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from—					
China ²	***	***	***	38	11
All other	***	***	***	0	2,724
Total imports	***	***	***	38	2,735
Apparent U.S. consumption	***	***	***	***	***
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from—					
China ²	***	***	***	51	22
All other	***	***	***	0	14,766
Total imports	***	***	***	51	14,788
Apparent U.S. consumption	***	***	***	***	***

¹ Imports for 2008 and 2013 may include nonsubject FA.

² Penn stated that there are no known subject imports from China for 2013.

Source: For the years 2001-03, data are compiled using data submitted in the Commission's first five-year review. See *Appendix C*. For the years 2008 and 2013, U.S. producers' U.S. shipments are compiled from the Penn's response to the Commission's notice of institution and U.S. imports are compiled using official Commerce statistics under HTS subheading 2932.13.00.

Table I-5

THFA: Apparent U.S. consumption and U.S. market shares, 2001-03, 2008, and 2013

Item	2001	2002	2003	2008 ¹	2013 ¹
	Quantity (1,000 pounds)				
Apparent U.S. consumption	***	***	***	***	***
	Value (1,000 dollars)				
Apparent U.S. consumption	***	***	***	***	***
	Share of consumption based on quantity (percent)				
U.S. producer's share	***	***	***	***	***
U.S. imports from--					
China ²	***	***	***	***	***
All other sources	***	***	***	***	***
Total imports	***	***	***	***	***
	Share of consumption based on value (percent)				
U.S. producer's share	***	***	***	***	***
U.S. imports from--					
China ²	***	***	***	***	***
All other sources	***	***	***	***	***
Total imports	***	***	***	***	***

¹ Imports for 2008 and 2013 may include nonsubject FA.

² Penn stated that there are no known subject imports from China for 2013.

Source: For the years 210-03, data are compiled using data submitted in the Commission's first five-year review. See *Appendix C*. For the years 2008 and 2013, U.S. producers' U.S. shipments are compiled from the Penn's response to the Commission's notice of institution and U.S. imports are compiled using official Commerce statistics under HTS subheading 2932.13.00.

THE INDUSTRY IN CHINA

FOREIGN PRODUCERS

During the final phase of the original investigation, the Commission sent foreign producer/exporter questionnaires to nine Chinese firms believed to produce THFA. Two of the nine firms, Taizhou Qingquan Medical & Chemical Co., Ltd. (“Taizhou Qingquan”) and Zhucheng Huaxiang Chemical Co. (“Zhucheng”), submitted responses to the Commission, and only Zhucheng reported having produced or exported THFA since January 2001. *** identified Zhucheng as the sole producer of the THFA it imported into the United States from China. Penn acknowledged that Zhucheng is the primary manufacturer and exporter of THFA imported into the United States.³³

In the first expedited five-year review, Penn’s response to the Commission’s notice of institution stated that Chinese manufacturers have at least 16.5 million pounds of production capacity.^{34 35}

In the current five-year review, the Commission did not receive any responses to the notice of institution from foreign producers or exporters. Penn listed the following four firms that may be producers/exporters of THFA in China: Qingdao On-Billion Industiral Co. Ltd.; Shandong Yino Biotechnology Co., Ltd.; Zhucheng Taisheng Chemical Co., Ltd.); and Zibo Huaao Chemical Co., Ltd.³⁶ Penn believes Chinese THFA exporters have not returned to the U.S. market since the imposition of the order, but that “Chinese exporters have every incentive to return to the U.S. market if the order were revoked. Overcapacity, export orientation, and the exporters’ desire to move up the value-added production chain by using their significant THFA capacity and their significant FA overcapacity to increase THFA capacity will make the U.S. market too tempting a target for unfairly-traded exports to the United States.”³⁷ According to Global Trade Atlas, Chinese exports to the United States for HTS 2932.13, which includes THFA and FA, was

³³ Staff Report, *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Review)*, INV-GG-102, October 28, 2009, pp. I-27-I-28.

³⁴ Penn named the following firms that may be producers/exporters of THFA in China: Gaoping Chemicals Co., Ltd.; Hunan Sun-Yuan Chemical Co., Ltd.; Qingdao Tianan Group Co., Ltd.; Qingdao Wenikem (F.T.Z.) Trading Co. Ltd.; Shandong Baofeng Chemicals Group Corp.; Taizhou Qianquan Medical and Chemicals Co., Ltd.; Wenzhou Dongsheng Chemicals and Reagent Factory; Zhucheng Huaxiang Chemicals Co., Ltd. (Zhucheng Taisheng Chemical Co., Ltd.); and Zibo Huaao Chemical Co., Ltd.

³⁵ Penn added that there are tens of millions of pounds of additional capacity in China that could be shifted to THFA production by FA producers that invest in THFA technology to move up the value-added production chain. *Penn’s Response to Notice of Institution*, July 31, 2009.

³⁶ *Penn’s Response to Notice of Institution*, December 2, 2014, exh. B.

³⁷ *Penn’s Response to Notice of Institution*, December 2, 2014, p. 6.

11 thousand pounds in 2013. The estimated Chinese production capacity of subject merchandise in China was 29,000 thousand pounds in 2013.³⁸

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

During the original investigation and first expedited five-year reviews, no evidence on the record suggested that THFA exported from China was subject to antidumping or countervailing duty findings or remedies in any third country markets.³⁹

THE GLOBAL MARKET

Table I-6 presents the largest global export sources of THFA during 2009-13.

Table I-6: Global exports by major sources, 2009-13

Item	2009	2010	2011	2012	2013
	<i>Value (1,000 dollars)</i>				
China	58,574	143,046	247,299	153,981	119,120
South Africa	18,895	13,598	18,602	18,624	15,747
Thailand	10,861	21,951	28,189	18,018	11,351
United States	6,321	14,166	12,536	11,289	8,917
Netherlands	16,015	27,963	28,379	13,698	8,323
Czech Republic	152	755	3,042	6,716	6,214
Argentina	813	2,450	3,139	1,841	843
Canada	333	380	404	662	740
Spain	-	47	87	140	609
Italy	390	515	596	532	601
All other	8,169	7,337	7,426	1,420	1,103
Total	120,523	232,210	349,699	226,921	173,567

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

Source: Global Trade Information Services, Inc., *Global Trade Atlas*, HS subheading 2932.13.

³⁸ Penn's Response to Notice of Institution, December 2, 2014, p. 9 and ex. B.

³⁹ Staff Report, *Tetrahydrofurfuryl Alcohol From China: Inv. No. 731-TA-1046 (Review)*, INV-GG-102, October 28, 2009, p. I-27.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
79 FR 65241, November 3, 2014	<i>Tetrahydrofurfuryl Alcohol From China; Institution of a Five-Year Review</i>	http://www.gpo.gov/fdsys/pkg/FR-2014-11-03/pdf/2014-25995.pdf
79 FR 65186, November 3, 2014	<i>Tetrahydrofurfuryl Alcohol From the People's Republic of China: Initiation of Antidumping Duty Investigation</i>	http://www.gpo.gov/fdsys/pkg/FR-2014-11-03/pdf/2014-26087.pdf
February 6, 2015	<i>Adequacy statement</i>	http://pubapps2.usitc.gov/sunset/caseProfSu ppAttmnt/download/11696

APPENDIX B
COMPANY-SPECIFIC DATA

RESPONSE CHECKLIST FOR U.S. PRODUCERS

* * * * *

APPENDIX C

SUMMARY DATA COMPILED IN PRIOR INVESTIGATIONS

Table C-1

THFA: Summary data concerning the U.S. market, 2001-03, January-March 2003, and January-March 2004

* * * * *

Table C-I--Continued

THFA: Summary data concerning the U.S. market, 2001-03, January-March 2003, and January-March 2004

* * * * *

APPENDIX D

PURCHASER QUESTIONNAIRE RESPONSES

As part of their response to the notice of institution, interested parties were asked to provide a list of three to five leading purchasers in the U.S. market for the domestic like THFA. A response was received from domestic interested parties and it named the following three firms as the top purchasers of THFA: ***. Purchaser questionnaires were sent to these three firms and one firm (***) provided responses which are presented below.

1. a.) Have any changes occurred in technology; production methods; or development efforts to produce THFA that affected the availability of THFA in the U.S. market or in the market for THFA in China since January 1, 2009?
- b.) Do you anticipate any changes in technology; production methods; or development efforts to produce THFA that will affect the availability of THFA in the U.S. market or in the market for THFA in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

2. a.) Have any changes occurred in the ability to increase production of THFA (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production) that affected the availability of THFA in the U.S. market or in the market for THFA in China since 2009?
- b.) Do you anticipate any changes in the ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production) that will affect the availability of THFA in the U.S. market or in the market for THFA in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

3. a.) Have any changes occurred in factors related to the ability to shift supply of THFA among different national markets (including barriers to importation in foreign markets or changes in market demand abroad) that affected the availability of THFA in the U.S. market or in the market for THFA in China since 2009?

b.) Do you anticipate any changes in factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad) that will affect the availability of THFA in the U.S. market or in the market for THFA in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

4. a.) Have there been any changes in the end uses and applications of THFA in the U.S. market or in the market for THFA in China since 2009?

b.) Do you anticipate any changes in the end uses and applications of THFA in the U.S. market or in the market for THFA in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

5. a.) Have there been any changes in the existence and availability of substitute products for THFA in the U.S. market or in the market for THFA in China since 2009?

b.) Do you anticipate any changes in the existence and availability of substitute products for THFA in the U.S. market or in the market for THFA in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

6. a.) Have there been any changes in the level of competition between THFA produced in the United States, THFA produced in China, and such merchandise from other countries in the U.S. market or in the market for THFA in China since 2009?

b.) Do you anticipate any changes in the level of competition between THFA produced in the United States, THFA produced in China, and such merchandise from other countries in the U.S. market or in the market for THFA in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

7. a.) Have there been any changes in the business cycle for THFA in the U.S. market or in the market for THFA in China since 2009?
- b.) Do you anticipate any changes in the business cycle for THFA in the U.S. market or in the market for THFA in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***