Polyvinyl Alcohol From China, Germany, Japan, Korea, and Singapore

Investigations Nos. 731-TA-1014-1018 (Preliminary)

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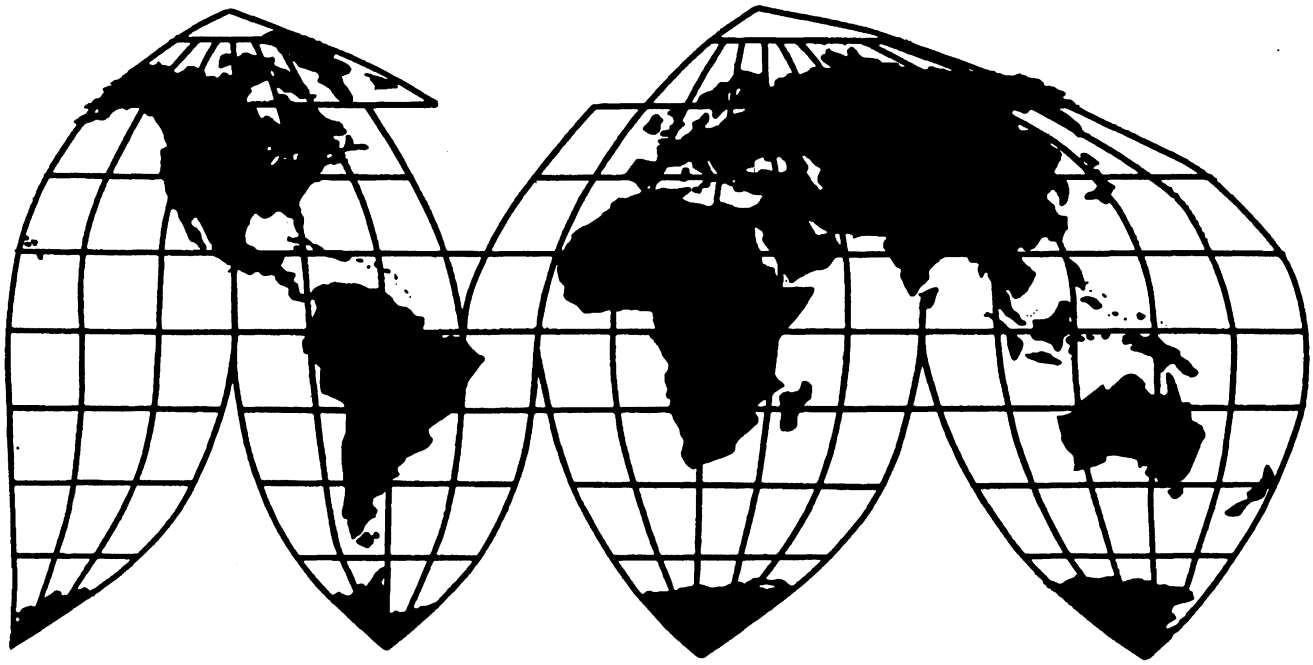
U.S. International Trade Commission



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CONTENTS

CONTENTS

Appendixes

CONTENTS

CONTENTS

CONTENTS

Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-1014-1018 (Preliminary)

POLYVINYL ALCOHOL FROM CHINA, GERMANY, JAPAN, KOREA, AND SINGAPORE

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China, Germany, Japan, and Korea of polyvinyl alcohol, provided for in subheading 3905.30.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV). The Commission also determines that imports of polyvinyl alcohol from Singapore are negligible and therefore its investigation with regard to Singapore is terminated pursuant to section 733(a) of the Act.[2]

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce of affirmative preliminary determinations in the investigations under section 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On September 5, 2002, a petition was filed with the Commission and Commerce by Celanese Chemicals, Ltd. of Dallas, TX and E.I. du Pont de Nemours & Co. of Wilmington, DE, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of polyvinyl alcohol from China, Germany, Japan, Korea, and Singapore. Accordingly, effective September 5, 2002, the Commission instituted antidumping duty investigations Nos. 731-TA-1014-1018 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of September 13, 2002 (67 FR 58076). The conference was held in Washington, DC, on September 26, 2002, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Commissioner Lynn M. Bragg dissenting.

VIEWS OF THE COMMISSION

Based on the record in these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of polyvinyl alcohol from China, Germany, Japan, and Korea that allegedly are sold in the United States at less than fair value. We also find that imports of polyvinyl alcohol from Singapore that allegedly are sold at less than fair value are negligible, and our investigation with regard to Singapore is thereby terminated.[1]

The petitions in these investigations were filed on September 5, 2002, by Celanese Chemicals Ltd. ("Celanese")[2] and E.I. du Pont de Nemours & Co. ("DuPont"), domestic producers of polyvinyl alcohol ("PVA") (collectively "petitioners"). Other participants in these investigations include Solutia, Inc. ("Solutia"), a domestic PVA producer that opposes the petitions;[3] Sinopec Sichuan Vinylon Works ("Sichuan") (the subject foreign producer in China); Kuraray Co., Ltd. ("Kuraray Japan"), Nippon Synthetic Chemical Industry Co., Ltd. ("Nippon"), Japan VAM & Poval Co., Ltd. ("Japan VAM"), Denki Kagaku Kogyo Kabushiki ("Denki") (the subject foreign producers in Japan); Kuraray Specialties Europe GmbH ("Kuraray Germany") (the subject foreign producer in Germany);[4] Poval Asia Pte., Ltd. ("Poval") (the subject foreign producer in Singapore); Kaisha, Kuraray Specialties Asia Pte., Ltd., Nippon Gohsei Singapore Pte., Ltd. (foreign exporters); Japan VAC & PVOH Industry Association (a trade association of Japanese producers); DC Chemical Co., Ltd. ("DC Chemical") (the Korean subject producer); Clariant Corporation ("Clariant") (the exclusive importer from Germany); H.B. Fuller Company ("Fuller") (an importer of ***); Kuraray America (an importer of ***); Marubeni Specialty Chemicals, Inc. ("Marubeni") (an importer of ***); OCI Chemical International Inc. ("OCI") (a related importer ***);[5] and Wego Chemical & Mineral Corp. ("Wego") (an importer of ***).[6]

PVA has been the subject of prior antidumping duty investigations in the United States. On March 9, 1995, Air Products (since acquired by Celanese) filed antidumping petitions alleging that an industry in the United States was materially injured and threatened with further material injury by reason

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[1] Commissioner Bragg finds that subject imports from Singapore will imminently exceed the statutory negligibility threshold. Commissioner Bragg further finds that there is a reasonable indication that the domestic industry is threatened with material injury by reason of subject imports from Singapore. See Additional and Dissenting Views of Commissioner Lynn M. Bragg.

[2] Celanese acquired Air Products and Chemicals, Inc. ("Air Products") in October 2000. See, e.g., Petition at 8.

[3] Solutia opposes the petitions for three reasons, as indicated in more detail herein: (1) it argues that Solutia is both a domestic producer and consumer of PVA; (2) it contends that the grade of PVA that Solutia manufactures and purchases is a separate domestic like product; and (3) it asserts that any injuries suffered by DuPont and Celanese in the PVB market cannot be attributed to imports because there have been no commercial imports of that PVA. See, e.g., Transcript of the Commission's September 26, 2002, Staff Conference ("Conference Tr.") at 62. Solutia was spun off from Monsanto Company ("Monsanto") in 1997. See, e.g., Solutia's Postconference Brief at 7.

[4] Kuraray purchased the German plant in 2001 from Clariant, and assumed ownership effective January 1, 2002. See, e.g., Clariant's Postconference Brief at 3.

[5] OCI is the U.S. sales affiliate of DC Chemical, the manufacturer and exporter of PVA from Korea, that handles direct sales in the U.S. market. Other sales in the U.S. market are ***. See, e.g., OCI's Postconference Brief at 1 n.1.

[6] See, e.g., Confidential Staff Report, Mem. INV-Z-175 (Oct. 15, 2002) ("CR")/Public Staff Report ("PR") at Table IV-1.

of subject imports from China, Japan, Korea, and Taiwan.[7] The Commission ultimately determined that an industry in the United States was threatened with material injury by reason of subject imports from China, Japan, and Taiwan, and antidumping duty orders were issued with respect to such imports.[8] On April 2, 2001, the U.S. Department of Commerce ("Commerce") initiated a five-year review of the orders.[9] No domestic producer responded to the notice of initiation, so the antidumping duty orders were revoked on May 14, 2001.[10]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[11] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[12]

II. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[13] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole 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."[14] In turn, 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 ... ."[15]

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[7] The Commission determined that subject imports from Korea were negligible in those investigations. See, e.g., CR at I-2 & n.6; PR at I-2 & n.6.

[8] See Polyvinyl Alcohol from China, Japan, and Taiwan, Invs. Nos. 731-TA-726, 727, and 729 (Final), USITC Pub. No. 2960 (May 1996) ("Old PVA Final").

[9] 66 Fed. Reg. 17524 (Apr. 2, 2001).

[10] 66 Fed. Reg. 22145 (May 3, 2001).

[11] 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[12] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[13] 19 U.S.C. § 1677(4)(A).

[14] Id.

[15] 19 U.S.C. § 1677(10).

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[16] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[17] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[18] Although the Commission must accept the determination of Commerce as to the scope of the imported merchandise allegedly sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[19] [20] The Commission must base its domestic like product determination on the record in these investigations. The Commission is not bound by prior determinations, pertaining even to the same imported products, but may draw upon

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[16] See, e.g., 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); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case' "). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455, n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[17] See, e.g., S. Rep. No. 96-249, at 90-91 (1979).

[18] Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249, at 90-91 (1979) (Congress has indicated that the domestic like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[19] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission's determination of six domestic like products in investigations where Commerce found five classes or kinds).

[20] On September 30, 2002, petitioners filed simultaneous requests with Commerce and the Commission to exclude from the scope of the Japanese investigation PVA "for use in the manufacture of an excipient or as an excipient in the manufacture of film coating systems which are components of a drug or dietary supplement, and accompanied by an end-use certification." The statute directs the Commission to make its injury determination in the preliminary phase of an investigation based on the "subject merchandise" as defined by Commerce and based "on the information available to it at the time of the determination." See 19 U.S.C. §§ 1673, 1673b(a)(1), 1677(25). Thus, the subject imports that the Commission considers in its injury analysis are defined by Commerce, and the only information regarding the scope that Commerce provided as of the vote was the scope provided in the initiation notice. 67 Fed. Reg. 61591 (Oct. 1, 2002). Until recently, the Commission's practice of not questioning Commerce's determinations to make its own independent assessments of the "proper" scope of investigations was judicially sanctioned. See generally Algoma Steel Corp. v. United States, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), aff'd, 865 F.2d 240 (Fed. Cir.), cert. denied, 492 U.S. 919 (1989). But see Co-Steel Raritan, Inc. v. United States, Slip Op. 02-59 at 13-19 (Ct. Int'l Trade June 20, 2002), appeal pending. Consistent with our otherwise judicially-sanctioned practice, we relied on the scope of these investigations defined in Commerce's initiation notice. In any event, as a practical matter, the volume of imports from Japan at issue is quite small, and as such would not have a legally significant impact on the denominator for calculating negligible imports, the volume of subject imports from Japan, or the likely volume of subject imports from Japan. See, e.g., CR at I-3 n.9, VII-6 n.9; PR at I-3 n.9, VII-2 n.9.

previous determinations in addressing pertinent like product issues.[21] The Commission normally, however, does not find separate domestic like products based on different grades of chemical or mineral products.[22]

B. Product Description

Commerce defined the imported merchandise within the scope of these investigations (hereinafter "PVA") as –

> All polyvinyl alcohol hydrolyzed in excess of 80 percent, whether or not mixed or diluted with commercial levels of defoamer or boric acid. Polyvinyl alcohol in fiber form is not included in the scope of these investigations. The merchandise under investigation is currently classifiable under subheading 3905.30.00 of the Harmonized Tariff Schedule of the United States ("HTSUS"). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.[23]

The only domestic like product issue before the Commission in the preliminary phase of these investigations is whether PVA formulated for use in the production of polyvinyl butyral ("PVB-grade PVA") is a separate domestic like product.[24] PVB is used in the production of a plastic laminate primarily used as an adhesive in the manufacture of automotive safety glass and load-resistant architectural glass. Both DuPont and Solutia captively produce PVB-grade PVA. Solutia captively produces and purchases PVB-grade PVA from ***.[25]

Petitioners argue that the Commission should define a single domestic like product coextensive with the scope of these investigations,[26] and Solutia argues that PVB-grade PVA is a separate domestic like product.[27]

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[21] See also Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp.2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169, n.5 (Ct. Int'l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

[22] Bulk Acetylsalicylic Acid (Aspirin) from China, Inv. No. 731-TA-828 (Final), USITC Pub. 3314 at 5-6 (June 2000); Bulk Acetylsalicylic Acid (Aspirin) from China, Inv. No. 731-TA-828 (Prelim.), USITC Pub. 3211 at 5 (July 1999).

[23] 67 Fed. Reg. 61591 (Oct. 1, 2002).

[24] There was some discussion at the conference about copolymers and certain specialized end-use PVA grades, but most respondents accepted petitioners' proposed domestic like product for purposes of the preliminary phase of these investigations, and instead asked the Commission to consider the special end-use PVA produced in subject countries without counterpart domestic production in its cumulation and causation analysis. See, e.g., Conference Tr. at 87-94; Japanese Respondents' Brief at 3, n.1; Sichuan's Postconference Brief at 1; Clariant's Postconference Brief at 10-12.

[25] See, e.g., Solutia's Postconference Brief at 2, 4, Exh. 1 at 4-5; CR/PR at Table III-4 n.2.

[26] See, e.g., Petitioners' Postconference Brief at 4-9; Conference Tr. at 31, 36-38, 47-48.

[27] See, e.g., Conference Tr. at 62-67, 109-110, 114-117; Solutia's Postconference Brief at 1-2, 13-20.

C. Domestic Like Product

1. The Previous Investigations Involving Polyvinyl Alcohol

In the previous PVA investigations, Commerce defined the scope as all PVA hydrolyzed in excess of 85 percent,[28] and the Commission defined the domestic like product coextensively with the scope.[29] In so doing, the Commission rejected the argument by Air Products that wet PVA, then captively produced by Monsanto, should not be included in the domestic like product because the scope covered only PVA in dry form.[30] The Commission also rejected arguments that different hydrolysis levels (i.e., above or below 95 percent hydrolysis) or specifications (including Excipient Good Manufacturing Principles) were a basis for distinguishing among different domestic like products.[31] Finally, the Commission rejected Monsanto's argument that all PVB-grade PVA, which at the time was being produced and internally consumed by Monsanto and DuPont, constituted a separate domestic like product.[32]

2. Analysis

PVA is a water soluble polymer often sold as a white granular solid or powder.[33] For most applications, PVA is dissolved in an aqueous solution and its solubility behavior in water depends on several factors, including degree of polymerization, degree of hydrolysis, drying temperature, particle size, and molecular weight.[34] PVA in excess of 80 percent hydrolysis is sold in a variety of standard and specialty grades, and each grade varies according to its molecular weight[35] and degree of hydrolysis.[36]

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[28] Specifically, Commerce defined the scope as

> a dry, white to cream-colored, water-soluble synthetic polymer. This product consists of polyvinyl alcohols hydrolyzed in excess of 85 percent, whether or not mixed or diluted with defoamer or boric acid. Excluded from this investigation are polyvinyl alcohols covalently bonded with acetoacetylate, carboxylic acid, or sulfonic acid uniformly present on all polymer chains in a concentration equal to or greater than two mole percent, or polyvinyl alcohols covalently bonded with silane uniformly present on all polymer chains in a concentration equal to or greater than one-tenth of one mole percent. Polyvinyl alcohol in fiber form is not included in the scope of this investigation.

Polyvinyl Alcohol from Taiwan, 61 Fed. Reg. 14064, 14065 (Mar. 29, 1996).

[29] Old PVA Final, USITC Pub. 2960 at 3-9.

[30] Id. at 6-7.

[31] Old PVA Final, USITC Pub. 2960 at 8-9.

[32] Id. at 8; Polyvinyl Alcohol from China, Japan, Korea, and Taiwan, Invs. Nos. 731-TA-726 to 729 (Prelim.), USITC Pub. 2883 (Apr. 1995).

[33] In contrast to the last PVA investigations, the scope of these investigations does not specify that it only applies to PVA in dry form, and petitioners ***. See, e.g., Petitioners' Postconference Brief at 10.

[34] See, e.g., CR at I-4 to I-5; PR at I-3 to I-4.

[35] The molecular weight is determined by the average length of the polymer chain in the finished product in terms of monomer units.

[36] See, e.g., CR at I-6 & n.11; PR at I-4 & n.11. The degree of hydrolysis is determined by the percentage of acetate groups in the polyvinyl acetate feedstock that are replaced by hydroxyl groups in the finished PVA. Fully

The degree of hydrolysis of PVA affects a variety of PVA properties, such as solution interfacial tensions, compatibility, reaction kinetics, rheology, and water solubility.[37] The viscosity (a function of mass) of an aqueous solution of PVA increases as the molecular weight of the PVA increases.[38] Other physical characteristics of PVA include its pH, the percentage of volatiles, and ash content.

While tighter and more specific parameters may apply with respect to PVB-grade PVA than other types of PVA, the record indicates that other grades of PVA, such as those intended for use in pharmaceutical or paper applications, also meet specialized requirements of end users, and consumers of other grades of PVA, such as in pharmaceutical applications, require certification that the PVA meets certain quality and safety requirements or that it was produced on equipment certified to special standards.[39] The record also suggests that all PVA has a similar chemical composition.[40]

PVA has a variety of end uses, including for the production of PVB; in sizing formulations in the textile and paper industries; as a binder in adhesive and soil binding formulations; and as an emulsion or polymerization aid in colloidal suspensions, water-soluble films, cosmetics, and joint compounds.[41] In adhesive applications that require water resistance, a fully hydrolyzed grade of PVA is used, but in adhesive applications that do not require water resistance, a partially hydrolyzed PVA may be used. Paper manufacturers select a specific grade of PVA dependent on the properties required for the paper, such as grease and water resistance, ink receptivity, and solution size components. In the textile market, where PVA is used as a warp sizing for yarns to prevent breakage during weaving, various grades of PVA are selected for use depending on the yarn, machine type, other components of the sizing solution (e.g., starch), required viscosity, abrasion resistance, and ease of solution removal after fabric weaving.[42]

Although all grades of PVA are not completely interchangeable with other grades, more than one grade may be sold to specific end-use applications. For example, fully hydrolyzed PVA can be used in many of the same end uses in which intermediate or partially hydrolyzed PVA can be used, such as textiles, paper, and adhesives. The same grade of PVA is frequently sold for different commercial uses, and many end users are able to use a wide range of grades. At the same time, the record indicates that many applications have evolved using particular grades such that substitution, although possible, could involve some cost and time to reformulate. Moreover, end users tend to avoid changing the grade of PVA they use in their applications because their formulas and process parameters might have to be adjusted.[43]

While PVB-grade PVA is used primarily for optical applications – for windshields or architectural glass – and Solutia ***,[44] many other PVA grades also have unique characteristics that

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hydrolyzed PVA has a replacement percentage in excess of 98 percent. See, e.g., CR at I-4; PR at I-3; Petitioners' Postconference Brief at 5-6.

[37] See, e.g., CR at I-4; PR at I-3.

[38] Low-viscosity grades tend to have PVA chain lengths as low as 300 monomer units, with average molecular weights around 45,000 to 55,000, whereas high-viscosity, fully-hydrolyzed grades have PVA chain lengths up to 3,500 monomer units and average molecular weights around 200,000 to 225,000. See, e.g., CR at I-4; PR at I-3.

[39] See, e.g., Petitions at Vol. II, Exh. D; Conference Tr. at 71, 76-77, 84-107, 141-45; Clariant's Postconference Brief at 5-7; OCI's Postconference Brief at 8-9; Sichuan's Postconference Brief at 1, 9, Exh. B at 1-2.

[40] See, e.g., Petitioners' Postconference Brief at 5.

[41] See, e.g., CR at I-5, II-1; PR at I-4, II-1; Conference Tr. at 15.

[42] See, e.g., CR at I-6; PR at I-4.

[43] See, e.g., CR at I-6 to I-7; PR at I-5.

[44] See, e.g., Solutia's Postconference Brief at 15; Exh. 1.

make them most suitable for particular applications.[45] PVB-grade PVA may be (and is) used for other PVA applications,[46] but the converse is not true. At the same time, while there is overlap in end-use applications among various types of PVA, not all PVA is suitable for all applications. For some customers, the cost and time to reformulate their production process to use different grades of PVA limits interchangeability among grades of PVA.[47]

Based on questionnaire responses, the vast majority of all PVA sold in the United States is either internally transferred for PVB production or sold directly to end-user customers. PVA sold on the open market is either delivered in bulk via railroad cars or packed in bags. In 2001, *** percent of domestic producers' U.S. shipments of PVA were for internal use in producing PVB. *** sold PVB-grade PVA on the merchant market to Solutia. The textile and paper markets were the next-largest markets for PVA, followed by the adhesives market.[48] The record also indicates that ***.[49] Thus, the record indicates that both PVB-grade PVA and other PVA were sold in the merchant market to end users and both were internally consumed.[50]

With respect to production processes, equipment, and employees, the record indicates ***. Whereas Solutia ***.[51]

Regarding producer and customer perceptions, domestic producers disagree whether PVB-grade PVA is a separate domestic like product, with DuPont and Celanese arguing it is not and Solutia arguing that it is. The record shows that customers do tend to individualize their specific requirements. Because PVA from different sources may not be identical even if it is intended for the same use, some purchasers require that their PVA suppliers qualify their products through a testing procedure, which may take months or years, depending on the end use.[52] The record shows that PVA prices for the same grade may vary according to the application for which the product is sold. The average unit value of ***.[53]

While there are some differences between PVB-grade PVA and other PVA based on the traditional factors, there are also a number of similarities. Based on the current record, we conclude that the differences do not warrant treating PVB-grade PVA as a separate domestic like product instead of as a part of the continuum of PVA products. Accordingly, we define a single domestic like product coextensively with the scope of these investigations.

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[45] For example, an Appleton Paper official testified regarding the unique carboxylated copolymer PVA used in thermal image paper. See, e.g., Conference Tr. at 88. Marubeni, an importer of Japanese PVA, indicates that other unique PVA grades are acetoactylated products for use in paper coating for ink jet and thermal paper applications, sulfonated products for use in dyes for ink used in various printing applications, and ethylene oxide products used in inkjet paper. See, e.g., Marubeni's Postconference Brief at Exh. 2.

[46] DuPont's witness testified that its PVB-grade PVA can be used in paper applications as well as for PVB applications. See, e.g., Conference Tr. at 49.

[47] See, e.g., CR/PR at Tables II-2, II-3.

[48] See, e.g., CR at I-7; PR at I-5; CR/PR at Table II-1.

[49] ***. See, e.g., CR/PR at Table III-3.

[50] See, e.g., Petitioners' Postconference Brief at 8; Solutia's Postconference Brief at 16; CR at I-7; PR at I-5; CR/PR at Tables II-1, III-3.

[51] See, e.g., CR at I-5, I-8 & n.17, I-9; PR at I-4, I-6 & n.17; Petitioners' Postconference Brief at 8, 10, Exh. 1 at 2; Solutia's Postconference Brief at 16-19, Exh. 1 at 2.

[52] See, e.g., Solutia's Postconference Brief at 13-17; Petitioners' Postconference Brief at 4-9; CR at II-7 to II-8; PR at II-5.

[53] Compare, e.g., CR/PR at Table III-3 with, e.g., CR/PR at Tables V-1, V-2, V-4.

III. DOMESTIC INDUSTRY

The domestic industry is defined as the "producers as a [w]hole 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."[54] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[55] In these investigations, petitioners contend that the Commission should limit the domestic industry to the two producers of the domestic like product for commercial sale, Celanese and DuPont.[56] Solutia argues that it is a domestic producer, and several other respondents agree.[57]

The record indicates that ***.[58]

Solutia ***. Unlike ***. These ***, however, are not reason to exclude Solutia from the domestic industry. To be included in the domestic industry, the statute requires that a company be a producer of a domestic like product.[59] Solutia, in fact, produces PVA ***.[60] Indeed, petitioners concede that "Solutia's production process includes a PVA stage ... ."[61] Solutia ***.[62] Finding that Solutia is part of the domestic industry is also consistent with the Commission's practice of including in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[63] Based on our definition of the domestic like product, and because Solutia is a producer of the domestic like product, we determine that Solutia is part

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[54] 19 U.S.C. § 1677(4)(A).

[55] See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[56] See, e.g., Petitioners' Postconference Brief at 10-11, Exh. 1 at 5-6. They argue that the Commission's inclusion of Solutia's predecessor (Monsanto) in the domestic industry in the previous investigations did not take full account of Monsanto's production process. They argue that Solutia is not a domestic producer because ***. They contend that Solutia's labeling of the vessel in which PVA is stored to comply with state law does not make the contents of the vessel a saleable product and there is no indication that the PVA is a saleable product.

[57] See, e.g., Solutia's Postconference Brief at 1; Wego's Postconference Brief at 1; Japanese Respondents' Postconference Brief at 8.

[58] See, e.g., Petitioners' Postconference Brief at 6-7.

[59] 19 U.S.C. § 1677(4)(A).

[60] See, e.g., Petitioners' Postconference Brief at 10-13, Exh. 1 at 5-6; Solutia's Postconference Brief at 17-20, Exh. 1.

[61] See, e.g., Petitioners' Postconference Brief at 10.

[62] See, e.g., Solutia's Postconference Brief at 17-19, Exh. 1.

[63] See, e.g., Certain Carbon Steel Plate from China, Russia, South Africa, and Ukraine, Invs. Nos. 731-TA-919 (Final), USITC Pub. 3076 at 9 (Dec. 1997).

of the domestic industry.[64] Accordingly, we determine that the domestic industry consists of all U.S. producers of PVA – namely, DuPont, Celanese, and Solutia.

IV. NEGLIGIBLE IMPORTS[65]

By statute, imports from a subject country corresponding to a domestic like product that account for less than three percent of all such merchandise imported into the United States during the most recent twelve months for which data are available preceding the filing of the petition shall be deemed negligible.[66] The statute also provides that, even if imports are found to be negligible for purposes of present material injury, they shall not be treated as negligible for purposes of a threat analysis should the Commission determine that there is a potential that imports from the country concerned will imminently account for more than three percent of all such merchandise imported into the United States.[67] The Commission is authorized to make "reasonable estimates on the basis of available statistics" of pertinent import levels for purposes of deciding negligibility.[68] By operation of law, a finding of negligibility terminates the Commission's investigations with respect to such imports.[69]

Negligibility is an issue in these investigations with respect to subject imports from Singapore. In the staff report, imports of PVA for all subject countries and non-subject imports are based on unadjusted import data for consumption from Commerce for the period August 2001 to July 2002.[70] Based on this information, subject imports from Singapore are 1.1 percent of total PVA imports in the most recent twelve months prior to the filing of the petitions, and are thus negligible.[71]

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[64] We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. 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. 19 U.S.C. § 1677(4)(B). In 2001, ***. CR/PR at Table III-4. By definition, therefore, *** is a related party under the statute because *** during the period of investigation. 19 U.S.C. § 1677(4)(B). ***. CR/PR at Table III-4. *** accounts for *** percent of domestic PVA production. *** produced *** million pounds of PVA in 1999, *** million pounds of PVA in 2000, *** million pounds of PVA in 2001, *** million pounds of PVA in interim 2001, and *** million pounds of PVA in interim 2002. CR/PR at Table III-4. As a share of its PVA production, ***, each equivalent to less than ***. Because the volume of ***, and *** primary interest appears to be in domestic production rather than importing, we determine that appropriate circumstances do not exist to exclude *** from the domestic industry as a related party.

[65] Commissioner Bragg does not join section IV (negligible imports) of these Views. See Additional and Dissenting View of Commissioner Lynn M. Bragg.

[66] 19 U.S.C. § 1677(24)(A)(i)(I).

[67] 19 U.S.C. § 1677(24)(A)(iv).

[68] 19 U.S.C. § 1677(24)(C); see also Uruguay Round Agreements Act ("URAA") Statement of Administrative Action ("SAA") at 856.

[69] 19 U.S.C. § 1673b(a)(1).

[70] See, e.g., CR at IV-5; PR at IV-4; CR/PR at Table IV-3.

[71] Other sources of volume data are on the record, but use of other data does not affect our conclusion. Commerce statistics include a small amount of PVA not included in the scope of these investigations because importer questionnaire data from six importers indicate *** pounds (or *** percent of total PVA imports in 2001) of imports of PVA with a hydrolysis level of 80 percent or lower. See, e.g., CR at IV-1 n.3; PR at IV-1 n.3. In addition, petitioners allege that imports from non-subject countries United Kingdom and Italy (which collectively accounted for 12.5 percent of total PVA imports in 2001) have a hydrolysis level of 80 percent or lower. See, e.g., CR at IV-3 n.5; Petitioners' Postconference Brief at 38 n.105. Even if adjustments were made to the denominator to

We do not find that there is a potential that subject imports from Singapore will imminently account for more than three percent of total imports of PVA. During the period of investigation, subject imports from Singapore never exceeded three percent of total PVA imports; their share of the volume of total PVA imports was 0.1 percent in 1999, 0.2 percent in 2000, 0.6 percent in 2001, 0.4 percent in interim 2001, and 1.3 percent in interim 2002.[72] Although the share of PVA imports attributable to Singapore rose throughout the period measured by Commerce statistics, in the most recent period covered by the data, subject imports from Singapore remained well below three percent.[73] Thus, imports from Singapore are not "increasing at a rate that indicates that they are likely to imminently exceed" the three percent negligibility threshold.[74]

Although there was ***, Poval reported capacity utilization rates of *** percent in 2000 and *** percent in 2001, and its capacity utilization was *** percent in interim 2002 compared to *** percent in interim 2001. Capacity utilization is projected to be ***.[75] Poval's ratio of inventories to shipments also was ***.[76] While Poval is export-oriented, its exports to the United States are small compared to its total production as well as in relation to total PVA imports into the U.S. market.[77] Poval's exports to the United States also are projected ***.[78]

Petitioners assert that the Commission should find that imports from Singapore will imminently exceed the three-percent negligibility threshold because Poval is owned jointly by two Japanese producers of subject PVA, Kuraray Japan and Nippon Gohsei. Petitioners claim that antidumping duty orders on Japan and Germany will cause Poval's Japanese owners to shift exports from Japan or Germany (where Kuraray also owns a PVA producer) to Singapore to avoid duties. We do not find that this possibility outweighs the other information described above that indicates that imports from Singapore are not likely to imminently exceed the three-percent threshold. Moreover, during the pendency of the previous antidumping duty orders, which covered Japan but not Singapore, Poval's exports to the U.S. market were limited. In addition, Poval produces only *** grades of PVA in Singapore (***), and only *** of these grades have been sold in the United States.[79] These facts, in conjunction with the extensive certification process that certain purchasers of PVA require to qualify new suppliers,[80] limit the ability of Poval to increase PVA imports to the U.S. market imminently, even if orders are placed on its related companies.

Accordingly, we do not find that there is a potential that subject imports from Singapore will imminently exceed three percent of total imports of PVA, and thus, the investigation with respect to subject imports from Singapore is terminated.

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account for these data issues, subject imports from Singapore are still less than three percent of total PVA imports in the most recent twelve months prior to the filing of the petitions (***). Finally, respondents testified that Commerce statistics are understated for Singapore and recommended the use of export statistics from Singapore. See, e.g., Conference Tr. at 96-97. Even if these adjustments were made to the denominator and export statistics from Singapore to the United States were used, subject imports from Singapore are still negligible (***).

[72] See, e.g., CR/PR at Table IV-2.

[73] See, e.g., CR/PR at Table IV-2.

[74] SAA at 856.

[75] See, e.g., CR/PR at Table VII-5; Conference Tr. at 82.

[76] See, e.g., CR/PR at Table VII-5.

[77] See, e.g., CR/PR at Tables VII-5 & n.1; CR at IV-2; PR at IV-1.

[78] See, e.g., CR/PR at Table VII-5 at n.2.

[79] See, e.g., CR/PR at Table VII-5; CR at VII-10 at n.14; PR at VII-3 at n.14.

[80] See, e.g., CR at I-6 to I-7; PR at I-5.

V. CUMULATION

A. In General

For purposes of evaluating the volume and price effects for a determination of reasonable indication of material injury by reason of the subject imports, section 771(7)(G)(i) of the Act requires the Commission to assess cumulatively the volume and effect of imports of the subject merchandise from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the U.S. market.[81] In assessing whether subject imports compete with each other and with the domestic like product,[82] the Commission has generally considered four factors, including:

(1) the degree of fungibility between the subject imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;

(2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;

(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and

(4) whether the subject imports are simultaneously present in the market.[83]

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.[84] Only a "reasonable overlap" of competition is required.[85]

B. Analysis

The conditions for cumulating subject imports from China, Germany, Japan, and Korea have been satisfied. The petition was filed with respect to all subject countries on the same day,[86] and based

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[81] 19 U.S.C. § 1677(7)(G)(i).

[82] The SAA expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." SAA at 848, citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

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

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

[85] See Goss Graphic System, Inc. v. United States, 33 F. Supp. 2d 1082, 1087 (Ct. Int'l Trade 1998) ("cumulation does not require two products to be highly fungible"); Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int'l Trade 1996); Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[86] As noted above, subject imports from Singapore are negligible and the investigation is terminated with respect to Singapore. Therefore, we do not cumulate subject imports from Singapore for purposes of our material injury

on the four factors that the Commission considers in analyzing cumulation, we find that there is a reasonable overlap of competition among subject imports and between subject imports and the domestic like product.

Petitioners argue that the prerequisites for cumulation have been met in these investigations, and thus cumulation is appropriate.[87] Respondents separately argue that subject imports from China, Germany, Japan, and Korea should not be cumulated.[88]

The record indicates that in 2001, domestic producers shipped PVA to all of the categories identified in the questionnaire responses (i.e., for PVB, textiles, paper, adhesives, emulsion polymerization, and "other/unknown" applications in the U.S. market). *** percent of their reported shipments in 2001 were to PVB applications, where they faced almost no competition from subject imports.[89] Subject imports from China were sold in all of the same applications as domestic shipments, although in different concentrations. Subject imports from Germany were sold for paper and other/unknown applications, and subject imports from Japan were sold for paper, adhesives, and other/unknown applications. Subject imports from Korea were sold for textiles, adhesives, and other/unknown applications. Thus, in terms of end uses, at least as reported for 2001, imports from China, Germany, and Japan, and the domestic like product were sold for paper applications. Although there were no subject imports from Korea for paper applications, they overlapped in textile applications with the domestic like product and subject imports from China, with Japan in adhesives applications, and with all other subject imports in "other/unknown" applications.[90]

For the period January 1999 through June 2002, the Commission's pricing data indicate sales of product one (textile) ***; sales of product two (adhesives) ***; sales of product three (paper) ***; and sales of product four (adhesives) ***.[91]

There are some limitations in the extent to which subject imports compete with one another and the domestic like product, particularly for certain end uses, as shown in the data above for 2001, but the pricing data covering a broader time period for four particular products shows somewhat more overlap. Importer questionnaires generally report that, with respect to the various country pairings, products from different sources are "sometimes" or "frequently" interchangeable, and importer questionnaires also generally report that differences other than price are "always," "frequently," or "sometimes" important with respect to most of the country pairings. The record also indicates that customers do not switch sources readily. Questions remain regarding the extent to which there is differentiation among products and customers with respect to PVA from the various sources, and whether there are physical differences in the PVA that is used in the different applications. For purposes of the preliminary phase of these investigations, however, we find that subject imports are fungible with one another and the domestic like product. We intend to explore this issue further in any final phase investigations.

Table IV-4 in the staff report presents the quantity of U.S. imports of the subject merchandise by month and by region in 2001. While there are some differences among countries with respect to concentration in particular regions, it appears that there are overlapping sales in one or more of the

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analysis. See 19 U.S.C. § 1677(7)(G)(ii)(II). None of the other statutory exceptions to cumulation apply in these investigations.

[87] See, e.g., Petitioners' Postconference Brief at 13-18, Exh. 6; Conference Tr. at 27, 58.

[88] See, e.g., Conference Tr. at 71, 76-77, 84-107, 117-18, 134-35, 141-45; Wego's Postconference Brief at 1, 4-8; Sichuan's Postconference Brief at 8, 13-14; Clariant's Postconference Brief at 1-2, 5-7; Marubeni's Postconference Brief at 4-15, Exhs. A, B; OCI's Postconference Brief at 1, 8-9.

[89] See, e.g., CR/PR at Table III-4. ***.

[90] See, e.g., CR/PR at Table II-1.

[91] See, e.g., CR/PR at Tables V-1 to V-4.

regions.[92] Subject imports from China, Germany, Japan, and Korea all entered the East region throughout all or almost all of 2001 at not insignificant levels relative to each country's level of imports. Subject imports from China, Japan, and Korea also entered the West region throughout most of 2001, although subject imports from Germany only entered this region in limited quantities and less frequently.[93] Thus, there is some indication of a presence of sales of subject imports and the domestic like product in the same geographic markets.

With respect to channels of distribution, questionnaire responses indicate that the vast majority of all PVA sold in the United States, whether domestically produced or imported, is either internally transferred or sold directly to end-user customers.[94] This indicates the existence of common or similar channels of distribution for subject imports and the domestic like product. Finally, there were imports from all subject countries in 1999, 2000, 2001, and the interim periods.[95] This indicates that subject imports are simultaneously present in the market.

For purposes of the preliminary phase of these investigations, we conclude that there is a reasonable overlap of competition in the U.S. market among subject imports and between subject imports and the domestic like product. Accordingly, we cumulate subject imports from China, Germany, Japan, and Korea for purposes of analyzing whether there is a reasonable indication that the domestic industry is materially injured by reason of the subject imports.[96]

VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LESS THAN FAIR VALUE IMPORTS

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[97] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[98] The statute defines "material injury" as "harm which is not

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[92] See, e.g., CR/PR at Table IV-4.

[93] See, e.g., CR at V-1 to V-2; PR at V-1. Domestic producers reported selling nationwide, but most importers reported shipping subject imports only short distances, so overlap in districts of entry is likely to have more meaning in these investigations than in investigations where district of entry is less likely to be near the ultimate destination for the goods.

[94] See, e.g., CR at I-7; PR at I-5. In the U.S. commercial market for PVA, both domestic producers and importers from the subject countries reported that *** percent of their U.S. shipments went directly to end users. Id. at n.12.

[95] See, e.g., CR/PR at Table IV-2.

[96] Commissioner Bragg finds that the foregoing analysis and conclusion apply equally when subject imports from Singapore are considered together with subject imports from China, Germany, Japan, and Korea. Accordingly, Commissioner Bragg engages in a cumulative analysis of imports from all five subject countries for purposes of analyzing whether there is a reasonable indication of threat of material injury by reason of allegedly LTFV subject imports from Singapore. See Additional and Dissenting Views of Commissioner Lynn M. Bragg.

[97] 19 U.S.C. § 1673b(a).

[98] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

inconsequential, immaterial, or unimportant."[99] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[100] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[101]

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing PVA is materially injured by reason of subject imports from China, Germany, Japan, and Korea that allegedly are sold in the United States at less than fair value.

A. Captive Production

The domestic industry captively consumes a significant share of its production of the domestic like product in the manufacture of downstream articles.[102] Thus, we have considered whether the statutory captive production provision requires us to focus our analysis primarily on the merchant market when assessing market share and the factors affecting the financial performance of the domestic industry.[103] Petitioners argue that the statutory captive production criteria are met,[104] while several respondents disagree.[105]

We determine that the threshold criterion has been met because domestic producers internally transfer significant production of the domestic like product for captive consumption and sell significant production of the domestic like product in the merchant market. In 2001, internal transfers accounted for

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[99] 19 U.S.C. § 1677(7)(A).

[100] 19 U.S.C. § 1677(7)(C)(iii).

[101] 19 U.S.C. § 1677(7)(C)(iii).

[102] See, e.g., CR at III-9; PR at III-3.

[103] The captive production provision, 19 U.S.C. §1677(7)(C)(iv), provides –

> (iv) CAPTIVE PRODUCTION – If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that –
>
> (I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product,
>
> (II) the domestic like product is the predominant material input in the production of that downstream article, and
>
> (III) the production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article,
>
> then the Commission, in determining market share and the factors affecting financial performance set forth in clause (iii), shall focus primarily on the merchant market for the domestic like product.

[104] See, e.g., Petitioners' Postconference Brief at 11-13.

[105] See, e.g., Clariant's Postconference Brief at 18-19; Sichuan's Postconference Brief at 1; Solutia's Postconference Brief at 2, 11-13; Wego's Postconference Brief at 2-3.

*** percent of the reported volume of producers' U.S. shipments of PVA and commercial (merchant) shipments accounted for *** percent.[106]

We also find that the first statutory criterion is met as *** were used in the production of PVB and PVB sheet, and *** entered into the merchant market for PVA.[107] [108]

The Commission also finds that the third statutory criterion[109] has been satisfied because production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article; this criterion is met because only *** percent of the volume of domestic producers' U.S. commercial shipments was used to produce ***.[110] [111]

There is more uncertainty whether the second statutory requirement, that the domestic like product is the predominant material input in the production of that downstream article, is met in these investigations.[112] According to information on the current record, *** internally consumes PVA to produce ***. This information indicates that for ***, PVA constitutes ***,[113] ***.[114] *** percent of the raw material costs to produce ***.[115] For purposes of the preliminary phase of these investigations, we

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[106] See, e.g., CR at III-9; PR at III-3.

[107] See, e.g., CR at III-9 to III-10; PR at III-3.

[108] Commissioner Bragg dissenting. In previous investigations Commissioner Bragg outlined her analytical framework for examining the captive production provision, in which she examines whether the type or category of domestic like product that is internally transferred also enters the merchant market (with respect to the first prong of the provision). See, e.g., Certain Hot-Rolled Steel Products from Japan, Views of Chairman Lynn M. Bragg, Commissioner Carol T. Crawford, and Commissioner Thelma J. Askey Regarding the Captive Production Provision, Inv. No. 731-TA-807 (Final), USITC Pub. 3202 at 25-30 (June 1999). The record in these preliminary investigations indicates that there are substantial volumes of both internal transfers and merchant market sales of ***; consequently, Commissioner Bragg finds that the first prong of the captive production provision is not satisfied for purposes of these preliminary phase investigations.

[109] See Certain Hot Rolled Steel Products from Japan, Inv. No. 731-TA-807, USITC Pub. 3202 at 31-35, 37-38 (June 1999), in which Commissioners Hillman, Miller, and Koplan elaborated on their interpretation of the third captive production factor.

[110] See, e.g., CR at III-10; PR at III-3.

[111] Commissioner Bragg dissenting. In previous investigations, Commissioner Bragg outlined her analytical framework for examining the captive production provision, in which she examines whether the type or category of downstream article produced from internal transfers of the domestic like product is also produced from merchant market sales of the domestic like product (with respect to the third prong of the provision). See, e.g., Certain Hot-Rolled Steel Products from Japan, Views of Chairman Lynn M. Bragg, Commissioner Carol T. Crawford, and Commissioner Thelma J. Askey Regarding the Captive Production Provision, Inv. No. 731-TA-807 (Final), USITC Pub. 3202 at 25-30 (June 1999). The record in these preliminary investigations indicates that both internal transfers and merchant market sales result in substantial production of ***; consequently, Commissioner Bragg finds that the third prong of the captive production provision is not satisfied for purposes of these preliminary phase investigations.

[112] In making this determination, the Commission considers whether the domestic like product is the predominant material input into a downstream product with reference to its share of the raw material cost of the downstream product attributable to the internally consumed domestic like product. See generally, e.g., Pure Magnesium from China and Israel, Invs. Nos. 701-TA-403 (Final) and 731-TA-895-896 (Final), USITC Pub. 3467 at 16 (Nov. 2001).

[113] See, e.g., CR at III-10; PR at III-3; October 11, 2002, memo to the file by Staff Economist.

[114] See, e.g., October 17, 2002, memo to the file by Staff Economist.

[115] See, e.g., CR at III-10; PR at III-3.

find that the second statutory criterion is met, ***,[116] we intend to re-examine this criterion during any final phase investigations. In particular, we intend to seek further information about (1) the products internally produced by Celanese,[117] DuPont, and Solutia from PVA (including PVB and PVB sheet); (2) the production processes used to produce those products; (3) the share of raw materials, other than PVA, used to produce those products; and (4) the percentage of raw materials attributable to PVA used to produce each of those products (as opposed to the total cost of production to produce those products).

Because we conclude for purposes of the preliminary phase of these investigations that all of the elements of the statutory captive production provision are met, we focus primarily on the merchant market for the domestic like product in determining market share and the factors affecting financial performance, although we analyze these factors with respect to the whole market as well.[118]

B. Other Conditions of Competition

The record indicates that overall demand for PVA in the United States has fallen since 1999.[119] Much of the reduction in demand is reported to be the result of declines in the U.S. textile market, although the slowdown of the general economy also is reported to have contributed.[120] In contrast, consumption of PVA for the production of PVB has increased.[121] *** 4 of the 10 responding importers reported that substitutes for PVA exist, including starches, carboxy-methylated cellulose, proteins, latex adhesives, dextrin, sodium silicate, polyacrylamide, and polyvinyl acetate. The firms reporting these substitutes, however, typically stated that each substitute is limited to only certain applications. In addition, *** reported that substitutes provide a different set of characteristics than PVA, which may limit practical substitution.[122]

During the period of investigation, there were three domestic producers of PVA: Air Products/Celanese, DuPont, and Solutia. This domestic supply was supplemented by imports of PVA from the subject countries (China, Germany, Japan, and Korea), as well as from non-subject countries. Taiwan generally was the largest single source of PVA imports, subject or non-subject, since 1999.[123] There are a number of relationships between the various players in the U.S. and world PVA markets.

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[116] ***.

[117] ***. See, e.g., CR/PR at Table III-3.

[118] For purposes of these preliminary phase investigations, Commissioner Bragg finds that the captive production provision does not apply. Nevertheless, even in circumstances where the captive production provision is inapplicable, the Commission has exercised its discretion to consider captive production as a relevant condition of competition. Commissioner Bragg does so in these investigations.

[119] Apparent U.S. consumption for PVA increased from *** million pounds in 1999 to *** million pounds in 2000 before decreasing to *** million pounds in 2001, and it was *** million pounds in interim 2002 compared to *** million pounds in interim 2001. See, e.g., CR/PR at Table IV-5.

[120] ***, but only 2 of the 10 responding importers, stated that demand for PVA in the United States has fallen since January 1, 1999. Four importers reported that demand had increased, and 4 reported that demand was unchanged or essentially unchanged. One of the four firms only reported that demand for use in PVB increased. See, e.g., CR at II-6; PR at II-4.

[121] See, e.g., CR at II-6; PR at II-4.

[122] See, e.g., CR at II-6; PR at II-4.

[123] See, e.g., CR at II-1 to II-7; PR at II-1 to II-5; Japanese Respondents' Postconference Brief at Exh. 25. ***. See, e.g., CR/PR at Table III-4 & n.1.

There are corporate relationships among producers in Germany, Japan, and Singapore, ***, and ***.[124] All three domestic producers produced PVB-grade PVA, with ***.[125]

Because of the high fixed costs associated with the production of PVA, domestic producers report that it is important to maintain a high capacity utilization rate. They argue that profitability is very dependent upon a producer's ability to utilize its assets fully and to sell out its facility, and normal reinvestment is required to maintain the production capability and to keep the assets in a safe operating mode.[126]

While price is an important factor in the sale of PVA, other factors such as quality, form of PVA and product availability can also be important considerations in purchasing decisions. Ten importers reported differences other than price in their purchasing decisions, and many of them reported more than one factor. *** report that aggressive pricing of imports has reduced the importance of other factors, including quality, technical support, and reliability.[127]

As indicated in our cumulation analysis supra, there are some differences in terms of the applications for which subject imports from the various countries and the domestic like product are sold. Based on available data in these investigations, the record indicates that where there are identical forms of PVA, there is a high degree of substitution between domestic PVA and subject imports. Products from different sources, however, may not be identical even if the form is intended for the same use. As a result, some purchasers of PVA or of its downstream products require testing before they are able to switch suppliers. Testing may require months or years, depending on end use. Substitutability also is moderated by the fact that different forms of PVA impart different characteristics that are only appropriate for certain end uses, and not all products are available from all producers. Users prefer and frequently require specific forms of PVA. Imported product from the various subject countries tends to be used normally in specific applications reflecting a limited range of forms of PVA normally produced by or imported from certain countries.[128]

As indicated earlier, antidumping duty orders covering PVA imports from China, Japan, and Taiwan entered into effect in mid-1996. Five years later, when no domestic producer responded to Commerce's notice initiating a five-year review of the orders, Commerce revoked the orders effective May 14, 2001.[129] Petitioners contend that the revocation of the prior antidumping duty orders has no legal significance.[130] Respondents argue that there is a legal significance to petitioners' failure to support the continuation of the orders against PVA from Japan, China, and Taiwan in 2001; they assert that petitioners' inaction constitutes a tacit admission that the domestic industry does not need protection from imports. They also argue that the Commission should consider imports under the antidumping duty orders to be fairly traded.[131] We note that on the record currently before us, the statute mandates that we

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[124] See, e.g., CR at III-4, VII-10; PR at III-3, VII-3; CR/PR at Tables III-3, III-4; Clariant's Postconference Brief at 1-2, 3; OCI's Postconference Brief at 17; Japanese Respondents' Postconference Brief at 1, 37; Conference Tr. at 157. ***. See, e.g., Petitioners' Postconference Brief at Exh. 1 at 8.

[125] See, e.g., CR/PR at Table III-3; CR at III-9 to III-10; PR at III-3.

[126] See, e.g., CR at II-2; PR at II-1; Petitioners' Postconference Brief at 24-25; Conference Tr. at 16-17.

[127] See, e.g., CR at II-10; PR at II-6.

[128] See, e.g., CR at II-7 to II-8; PR at II-5.

[129] 66 Fed. Reg. 22145 (May 3, 2001).

[130] See, e.g., Conference Tr. at 40-41.

[131] See, e.g., Clariant's Postconference Brief at 22-24; Japanese Respondents' Postconference Brief at 6; Conference Tr. at 74-75.

engage in a cumulative analysis of the subject imports from China, Germany, Japan, and Korea, which requires us to include in our analysis imports from two countries not subject to the previous antidumping duty orders. Furthermore, the fact that until May 2001 certain subject imports from China and Japan were subject to a now-revoked antidumping duty order does not absolve us from investigating and considering under the statute whether there is currently material injury by reason of the subject imports.[132] We do, however, consider the existence of the antidumping duty orders until May 2001 to be a pertinent condition of competition.

C. Volume of the Subject Imports

Section 771(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[133]

Apparent U.S. consumption in the merchant market fell from *** million pounds in 1999 to *** million pounds in 2001;[134] over the same period, subject imports increased both in absolute terms [135] and relative to apparent U.S. consumption[136] from 23.8 million pounds in 1999 to 26.7 million pounds in 2001. The absolute and relative volumes of subject imports were also higher in interim 2002 than in interim 2001 in a merchant market in which apparent U.S. consumption was higher in interim 2002 than in interim 2001. Similar trends also exist in the total U.S. PVA market as apparent U.S. consumption declined[137] from 1999 to 2001 while subject imports increased, both in absolute terms and relative to apparent U.S. consumption. The volume of subject imports in interim 2002 was higher than in interim 2001 and apparent U.S. consumption in the total U.S. PVA market was higher in interim 2002 than in

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[132] Compare, e.g.,Softwood Lumber from Canada, Invs. Nos. 701-TA-414 and 731-TA-928 (Prelim.), USITC Pub. 3426 at 13 (May 2001); Aramid Fiber Formed of Poly Para-Phenylene Terephthalamide from the Netherlands, Inv. No. 731-TA-652 (Final), USITC Pub. 2783 at I-12, n.70 (June 1994); Certain Carbon Flat-Rolled Steel Products, Invs. Nos. 701-319 et seq., 731-TA-573 et seq. (Final), USITC Pub. 2664, vol. I at 19 (Aug. 1993); Shop Towels from Bangladesh, Inv. No. 731-TA-514 (Final), USITC Pub. 2487 at 20 (March 1992); Uranium from Kazakhstan, Inv. No. 731-TA-539A (Final), USITC Pub. 3213 at 12-13 (July 1999); Honey from China and Argentina, Invs. Nos. 701-TA-402 and 731-TA-892 to 893 (Final), USITC Pub. 3470 at 17 (Nov. 2001).

[133] 19 U.S.C. § 1677(7)(C)(i).

[134] Apparent U.S. consumption in the merchant market increased from *** million pounds in 1999 to *** million pounds in 2000 before declining overall to *** million pounds in 2001, and it was *** million pounds in interim 2002 and *** million pounds in interim 2001. See, e.g., CR/PR at Table C-4.

[135] The volume of subject imports in the U.S. merchant market increased from 23.8 million pounds in 1999 to 32.1 million pounds in 2000, before declining somewhat to 26.7 million pounds in 2001; the volume of subject imports in the U.S. merchant market was 14.1 million pounds in interim 2002 and 13.6 million pounds in interim 2001. See, e.g., CR/PR at Table C-4.

[136] Subject imports' share of apparent U.S. merchant market consumption increased from *** percent in 1999 to *** percent in 2000 before declining somewhat to *** percent in 2001; their share of apparent U.S. merchant market consumption was *** percent in interim 2002 and *** percent interim 2001. See, e.g., CR/PR at Table C-4.

[137] Apparent U.S. consumption in the total PVA market fell irregularly between 1999 and 2001, increasing from *** million pounds in 1999 to *** million pounds in 2000 and then declining to *** million pounds in 2001; apparent U.S. consumption in the total PVA market was *** million pounds in interim 2002 compared to *** million pounds in interim 2001. See, e.g., CR/PR at Table C-3.

interim 2001.[138] While non-subject imports also increased between 1999 and 2001 in both the merchant market and the total U.S. PVA market,[139] the volume of non-subject imports in interim 2002 was lower both absolutely and relative to apparent U.S. consumption than in interim 2001 in both these markets.[140]

In light of the above, we find the volume of subject imports and the increase in the volume of subject imports, both absolutely and relative to apparent U.S. consumption, to be significant.

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[141]

As indicated supra, there is moderate overlap among subject imports and the domestic like product in terms of end uses, particularly for paper and adhesives applications. Price is an important factor in the sale of PVA, although other factors such as quality, form of PVA and product availability are also important considerations in purchasing decisions.[142] The record indicates that sales of PVA in the United States more frequently are contract rather than spot sales, although spot sales are common. Contracts are typically for ***, with quantities or the shares of purchases set. Because prices tend to fluctuate, most contracts have a meet-or-release provision and truckload minimum orders.[143]

We find significant underselling by the subject imports. We sought pricing data for four products suggested by petitioners (one for textile applications, two for adhesive applications, and one for

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[138] Subject imports' share of apparent total U.S. PVA consumption increased from *** percent in 1999 to *** percent in 2000 before declining somewhat to *** percent in 2001, and was *** percent in interim 2001 and interim 2002. See, e.g., CR/PR at Table C-3.

[139] The volume of non-subject imports increased in the U.S. merchant market from 19.1 million pounds in 1999, to 26.2 million pounds in 2001, and declined to 24.1 million pounds in 2001. Non-subject imports' share of apparent U.S. consumption in the U.S. merchant market increased from *** percent in 1999 to *** percent in 2000 to *** percent in 2001. See, e.g., CR/PR at Table C-4. The volume of non-subject imports in the total U.S. PVA market was 19.1 million pounds in 1999, 26.2 million pounds in 2000, and 24.1 million pounds in 2001. See, e.g., CR/PR at Table C-3.

[140] The volume of non-subject imports in the U.S. merchant market in interim 2002 (10.9 million pounds) was much lower than in interim 2001 (12.4 million pounds), and non-subject imports' share of the U.S. merchant market was also lower in interim 2002 (*** percent) than in interim 2001 (*** percent). See, e.g., CR/PR at Table C-4. The volume of non-subject imports in the total U.S. PVA market in interim 2002 (10.9 million pounds) was much lower than in interim 2001 (12.4 million pounds), and non-subject imports' share of the total U.S. PVA market was also lower in interim 2002 (*** percent) than in interim 2001 (*** percent). See, e.g., CR/PR at Table C-3.

[141] 19 U.S.C. § 1677(7)(C)(ii).

[142] See, e.g., CR/PR at Tables II-2, II-3.

[143] See, e.g., CR at V-2; PR at V-1.

paper applications).[144] The available data show underselling in *** possible quarters at weighted average margins that ranged as high as *** percent.[145]

Prices for the four products for which data were gathered show generally similar trends. With the exception of Product 1, domestic prices fluctuated throughout much of the period, moving in a mixed pattern before decreasing in October-December 2001 and thereafter. Prices for domestic PVA products 2, 3, and 4 in April-June 2002 were below all previous price points. Product 1, on the other hand, showed decreases in domestic prices early in the investigation period, falling most sharply in October-December 1999, and remaining below earlier 1999 prices throughout the remainder of the investigation period.

Price trends for subject imports showed generally less movement for those countries and products with more complete data series. Low-priced PVA from China and Korea was reported most frequently but showed little discernible price trends. Higher-priced PVA from Germany and Japan showed generally declining prices. The available data on the four pricing products shows declines of *** to *** percent in domestic PVA prices, suggesting price depression, particularly for products 2, 3 and 4, and price suppression for product 1. Moreover, between 1999 and 2001, domestic producers' raw material costs increased (at least in part due to higher natural gas prices),[146] and petitioners ***,[147] suggesting again possible price suppression. The *** also increased toward the end of the period of investigation.[148]

Based on the data collected in the preliminary phase of these investigations, we find significant underselling by increasing volumes of subject imports during a time of declining demand and that subject imports significantly depressed prices during the period of investigation. We intend to examine closely the factors impacting domestic prices in any final phase investigations.

D. Impact of the Subject Imports

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.[149] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor

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[144] Data on common PVA products are available from U.S. producers and from all subject countries, although the relative volumes reported for Korea, Japan, and especially Germany *** are lower than those for China ***. See, e.g., CR at V-6; PR at V-3. We will attempt to seek pricing data that are more representative in any final phase investigations.

[145] See, e.g., CR/PR at Table V-6.

[146] See, e.g., CR at V-1, VI-1; PR at V-1, VI-1; CR/PR at Table VI-5.

[147] See, e.g., Conference Tr. at 17-18, 21-23, 56-57; Petitioners' Postconference Brief at 29-30; Petition at 3.

[148] See, e.g., CR/PR at Tables V-7, V-8.

[149] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, 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 also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885).

is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[150] [151] [152]

Consistent with our findings concerning the volume and price effects of subject imports during the period of investigation, particularly the increasing volumes of subject imports during a period of declining demand and fluctuating costs, at significant margins of underselling and resulting in significant price effects, we find that subject imports are having a significant adverse impact on the domestic industry.

Specifically, in both the U.S. merchant market and the total U.S. PVA market, apparent U.S. consumption by quantity declined irregularly between 1999 and 2001,[153] yet the volume of subject imports increased and subject imports gained additional U.S. market share, as indicated supra. Between 1999 and 2000, domestic production[154] and domestic producers' capacity utilization levels increased.[155] The average unit value of PVA in both the U.S. merchant market and the total U.S. PVA market, however, declined from 1999 to 2000 due to subject imports,[156] as did the volume of domestic shipments to the U.S. market,[157] while domestic producers' inventories increased.[158] Between 2000 and 2001, as average unit values in the merchant market and in the total U.S. PVA market remained at the same low

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[150] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386 and 731-TA-812 to 813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25, n.148.

[151] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce estimated antidumping margins of 97.86 for subject imports from China, 2.45 percent for subject imports from Germany (19.05 percent based on constructed value comparisons), 15.46 to 29.04 for subject imports from Japan (118.46 to 144.16 based on constructed value), and 25.41 percent for subject imports from Korea (31.54 based on constructed value). 67 Fed. Reg. 61591 (Oct. 1, 2002).

[152] Commissioner Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on the domestic producers, and she also notes that Commerce estimated an antidumping margin of 35.11 percent for Singapore (61.94 percent based on constructed value). See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996); Anhydrous Sodium Sulfate from Canada, Inv. No. 731-TA-884 (Preliminary), USITC Pub. 3345 (Sept. 2000) at 11, n.63; 67 Fed. Reg. 61591 (Oct. 1, 2002).

[153] Apparent domestic consumption in the merchant market increased from *** million pounds in 1999 to *** million pounds in 2000, then decreased to *** million pounds in 2001, and was *** million pounds in interim 2002 compared to *** million pounds in interim 2001. See, e.g., CR/PR at Table C-2. Apparent domestic consumption in the total PVA market declined from *** million pounds in 1999 to *** million pounds in 2001, and was *** million pounds in interim 2002 compared to *** million pounds in interim 2001. See, e.g., CR/PR at Table C-3.

[154] Domestic producers' production increased from *** million pounds in 1999 to *** million pounds in 2000. See, e.g., CR/PR at Table C-2.

[155] Domestic producers' capacity utilization levels increased from *** percent in 1999 to *** percent in 2000. See, e.g., CR/PR at Table C-2.

[156] The average unit value of domestic producers' merchant market shipments declined from *** in 1999 to *** in 2000, the average unit value of domestic producers' shipments in the total PVA market declined from *** in 1999 to *** in 2000, and the average unit value of subject imports declined from *** in 1999 to *** in 2000. See, e.g., CR/PR at Tables C-2, C-4.

[157] Domestic producers' merchant market shipments to the U.S. market decreased from *** million pounds in 1999 to *** million pounds in 2000, CR/PR at Table C-2, and their shipments to the total U.S. PVA market declined from *** million pounds in 1999 to *** million pounds in 2000. See, e.g., CR/PR at Table C-3.

[158] Domestic producers' inventories increased from *** million pounds in 1999 to *** million pounds in 2000. See, e.g., CR/PR at Table C-2.

levels,[159] domestic producers decreased the volume of their PVA production,[160] operated at reduced capacity utilization levels[161] and consequently faced increased costs.[162]

The volume of subject imports was higher in interim 2002 than in interim 2001 both absolutely and relative to domestic consumption in both the merchant market and the total PVA market.[163] During this time, domestic producers continued to operate at *** and increased their export shipments. Their production levels and domestic shipments were, however, *** higher in interim 2002 than in interim 2001.[164]

With respect to their merchant market operations, domestic producers' operating income fell from *** million in 1999 to *** million in 2000; *** in 2001. Their *** in interim 2002 compared to *** million in interim 2001.[165] Their operating income as a percentage of net merchant sales fell from *** percent in 1999 to *** percent in 2000, and ***; *** as a percent of net merchant sales in interim 2002 were *** percent compared to *** percent in interim 2001.[166] Similar trends exist for domestic

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[159] The average unit value of domestic producers' merchant market shipments was *** in 2000 and 2001, see, e.g., CR/PR at Table C-2, and in the total U.S. PVA market declined from *** in 2000 to *** in 2001. See, e.g., CR/PR at Tables C-3, C-4.

[160] Their production declined from *** million pounds in 2000 to *** million pounds in 2001. See, e.g., CR/PR at Table C-4.

[161] Domestic producers' capacity utilization declined from *** percent in 2000 to *** percent in 2001. See, e.g., CR/PR at Table C-4.

[162] Domestic producers' unit cost of goods sold in the merchant market increased from *** in 2000 to *** in 2001, see, e.g., CR/PR at Table C-4, and in the total U.S. PVA market, it increased from *** in 2000 to *** in 2001. See, e.g., CR/PR at Table C-3. As indicated supra, a portion of the increased costs is attributable to increased natural gas prices.

[163] See, e.g., CR/PR at Tables C-3, C-4. In the total PVA market, subject imports' share of apparent domestic consumption was ***.

[164] Their capacity utilization was *** percent in interim 2002 and *** percent in interim 2001. See, e.g., CR/PR at Tables C-3, C-4. Their production was *** million pounds in interim 2002 compared to *** million pounds in interim 2001. See, e.g., CR/PR at Table C-3, C-4. Their shipments to the U.S. merchant market were *** million pounds in interim 2002 compared to *** million pounds in interim 2001, and their shipments to the total U.S. PVA market were *** million pounds in interim 2002 compared to *** million pounds in interim 2001. See, e.g., CR/PR at Tables C-2, C-3. Domestic producers' exports were *** million pounds in interim 2002 compared to *** million pounds in interim 2001. See, e.g., CR/PR at Tables C-3, C-4.

[165] See, e.g., CR/PR at Table C-2.

[166] See, e.g., CR/PR at Table C-2.

producers' performance in the total U.S. PVA market.[167] The domestic industry's capital expenditures increased whereas its R&D expenses declined over the period of investigation.[168] [169]

Based on significant increases in the volume of subject imports, generally declining domestic shipments, significant underselling and price suppression and depression by subject imports during a time of increasing raw material costs, and a deterioration in the domestic industry's condition over the course of the period of investigation, we find for purposes of the preliminary phase of these investigations that subject imports had a significant adverse impact on the domestic industry.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that the domestic industry producing PVA is materially injured by reason of imports from China, Germany, Japan, and Korea that allegedly are sold in the United States at less than fair value. We also find that imports of polyvinyl alcohol from Singapore that allegedly are sold at less than fair value are negligible, and our investigation with regard to Singapore is thereby terminated.[170]

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[167] Operating income in the total U.S. PVA market declined from *** million in 1999 to *** million in 2000, and domestic producers *** million in 2001; their *** in interim 2002 was *** compared to *** million in interim 2001. See, e.g., CR/PR at Table C-3.

[168] Capital expenditures were *** in 1999 and *** in 2001. See, e.g., CR/PR at Table C-2. The industry reported R&D expenses of *** in 1999, *** in 2000, and *** in 2001. See, e.g., CR/PR at Table VI-7. The number of production workers increased from *** in 2000 to *** in 2001. The domestic industry paid its workers *** million in 2000 and *** million in 2001. The industry's productivity was *** pounds per hour in 2000 and *** pounds per hour in 2001. Celanese was unable to provide 1999 data for employment, wages, and productivity indicia, limiting our review of these factors. See, e.g., CR/PR at Table III-6 n.1.

[169] In any final phase investigations, we intend to examine the role of non-subject PVA imports from Taiwan, as well as the role of Celanese's purchase price of Air Products, in the domestic industry's performance. See, e.g., Conference Tr. at 81, 133-34; Wego's Postconference Brief at 1-2, 9-10; Japanese Producer Respondents' Postconference Brief at 26-32.

[170] Commissioner Lynn M. Bragg finds that subject imports from Singapore will imminently exceed the statutory negligibility threshold. She further finds that there is a reasonable indication that the domestic industry is threatened with material injury by reason of subject imports from Singapore. See Additional and Dissenting Views of Commissioner Lynn M. Bragg.

ADDITIONAL AND DISSENTING VIEWS OF COMMISSIONER LYNN M. BRAGG

Polyvinyl Alcohol from China, Germany, Japan, Korea, and Singapore
Inv. Nos. 731-TA-1014-1018 (Preliminary)

I join my colleagues in finding a reasonable indication that an industry in the United States is materially injured by reason of imports of polyvinyl alcohol ("PVA") from China, Germany, Japan, and Korea, that allegedly are sold in the United States at less-than-fair-value ("LTFV"), and except as otherwise noted, I join in the Views of the Commission. However, because I find that subject imports from Singapore are likely to imminently exceed the applicable negligibility threshold, and because I find a reasonable indication that an industry in the United States is threatened with material injury by reason of allegedly LTFV subject imports from Singapore, I provide my additional and dissenting views below.

I. NEGLIGIBLE IMPORTS

Imports from a single subject country corresponding to a domestic like product that account for less than three percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.[1] As noted, only Singapore is implicated by the negligibility provision in these preliminary phase investigations. Based upon unadjusted import data from Commerce, subject imports from Singapore accounted for 1.1 percent of total imports during the relevant 12 month period.[2] The import data from Commerce include a small volume of nonsubject PVA; when adjustments are made to account for the nonsubject product, imports from Singapore still accounted for only *** percent of total imports during the relevant 12 month period.[3] Finally, respondents testified that Commerce statistics are understated for Singapore and recommended the use of export statistics from Singapore; even when the export statistics from Singapore are used, however, imports from Singapore still accounted for only *** percent of total imports during the relevant 12 month period. As a result, subject imports from Singapore are negligible for purposes of a present material injury analysis.

The statute further provides, however, that imports from a single country which comprise less than three percent of total imports of such merchandise shall not be treated as negligible for purposes of a threat analysis if there is *a potential* that imports from such a country will imminently exceed the three percent threshold.[4] The Petitioners note that as recently as April 2002, monthly import statistics indicate that subject imports from Singapore accounted for 3.3 percent of total PVA imports. In addition, I note that Poval Asia Pte, Ltd. ("Poval") accounts for 100 percent of PVA production in Singapore.[5] Yet Poval is jointly owned by Kuraray and Nippon Gohsei, both of which are subject producers of PVA in Japan; moreover, Kuraray owns the sole producer of PVA in Germany, *i.e.* Kuraray Specialties Europe GmbH.[6] Given Poval's corporate relationships with subject producers in Japan and Germany, and in light of the affirmative preliminary determinations rendered by the Commission with respect to Japan and Germany

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[1] 19 U.S.C. § 1677(24)(A)(i). In this case the relevant 12 month period extends from August 2001 through July 2002. Confidential Report ("CR") at IV-5; Public Report ("PR") at IV-4.

[2] CR/PR at Table IV-3.

[3] *See* CR at IV-1 n.3 & IV-3 n.5; PR at IV-1 n.3 & IV-1 n.5.

[4] 19 U.S.C. § 1677(24)(A)(iv) (emphasis added).

[5] CR at VII-10; PR at VII-3.

[6] *See* CR at VII-4 & VII-10; PR at VII-2 & VII-3; Clariant's Postconference Brief at 3.

in these investigations, I find there is a potential that imports from Singapore will imminently exceed the three percent threshold. Accordingly, I proceed to an analysis of threat of material injury in the investigation with respect to Singapore.

II. CUMULATION

I join my colleagues in finding a reasonable overlap of competition among subject imports from China, Germany, Japan, and Korea, between subject imports from those four countries and the domestic like product.[7] I find that the Commission's analysis and conclusion regarding cumulation apply equally when subject imports from Singapore are considered together with subject imports from China, Germany, Japan, and Korea. Accordingly, I engage in a cumulative analysis of imports from all five subject countries for purposes of analyzing whether there is a reasonable indication of threat of material injury by reason of allegedly LTFV subject imports from Singapore.

III. THREAT OF MATERIAL INJURY

Section 771(7)(F) of the Act directs the Commission to determine whether an industry in the United States is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."[8] The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole."[9] In making my determination, I have considered all factors that are relevant to this investigation.[10]

To begin, based upon the progressive deterioration in the profitability of the domestic industry over most of the period of investigation, I find that the domestic industry is vulnerable to material injury.[11] Indeed, I have already found a reasonable indication that the domestic industry has experienced present material injury by reason of allegedly LTFV subject imports from China, Germany, Japan, and Korea. My assessment of the threat posed by allegedly LTFV subject imports from Singapore is based on a cumulative analysis with imports from those other subject countries, and thus my affirmative threat determination with respect to Singapore is a natural extension of my affirmative determinations with respect to those other subject countries. Additional threat factors specific to Singapore include the following:

With regard to whether imports of the subject merchandise are likely to increase,[12] as noted, the sole producer of PVA in Singapore is jointly owned by two subject producers in Japan, one of which also owns the sole producer of PVA in Germany. In light of the affirmative preliminary determinations rendered by the Commission with respect to subject imports from Japan and Germany, I find that related producers of PVA in Japan, Germany, and Singapore, are likely to rationalize their exports of PVA to the U.S. market; as a result, I find that imports of the subject merchandise from Singapore are likely to increase significantly in the imminent future.

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[7] *See* Views of the Commission at section V.

[8] 19 U.S.C. §§ 1677d(b) and 1677(7)(F)(ii).

[9] 19 U.S.C. § 1677(7)(F)(ii).

[10] 19 U.S.C. § 1677(7)(F)(i). Factor (VII) regarding raw and processed agricultural products is inapplicable to the instant investigations, as is factor (I) involving allegations of a countervailable subsidy.

[11] *See* CR/PR at Table C-1.

[12] *See* 19 U.S.C. § 1677(7)(F)(i)(I).

The statute also directs the Commission to examine whether subject imports are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports.[13] Pricing data on the record indicate that subject imports from Singapore undersold the domestic like product in *** out of *** weighted average quarterly pricing comparisons, at average margins ranging from *** percent to *** percent for this commodity-like product.[14] I have already joined my colleagues in finding that significant underselling by subject imports from China, Germany, Japan, and Korea, resulted in significant price depression in the U.S. market for PVA over the period of investigation. I further find that subject imports from Singapore are significantly underselling the domestic like product, and are entering the U.S. market at prices that are likely to exacerbate to a significant degree the price depression that is already evident in the market.

Based upon all the foregoing, I find a reasonable indication that an industry in the United States is threatened with imminent material injury by reason of allegedly LTFV subject imports from Singapore.

IV. CONCLUSION

In sum, I find that subject imports from Singapore are likely to imminently exceed the applicable negligibility threshold. I therefore dissent from the negligibility determination rendered by the Commission majority with respect to subject imports from Singapore, and I further render an affirmative threat determination with respect to Singapore in these preliminary phase investigations.

[13] 19 U.S.C. § 1677(7)(F)(i)(IV).

[14] CR/PR at Table V-6.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed on September 5, 2002, by Celanese, Ltd. ("Celanese") of Dallas, TX and E.I. du Pont de Nemours & Co. ("DuPont") of Wilmington, DE, alleging that an industry in the United States is materially injured and threatened with further material injury by reason of less-than-fair-value ("LTFV") imports of polyvinyl alcohol ("PVA")[1] from China, Germany, Japan, Korea, and Singapore.[2] Information relating to the background of these investigations is provided below.[3]

Date	*Action*
September 5, 2002 . .	Petition filed with Commerce and the Commission; institution of Commission investigations (67 FR 58076, September 13, 2002)
September 26, 2002 .	Commission's conference[4]
October 1, 2002	Commerce's notice of initiation (67 FR 61591, October 1, 2002)
October 21, 2002 . . .	Commission's vote
October 21, 2002 . . .	Commission determinations sent to Commerce
October 28, 2002 . . .	Commission views sent to Commerce

SUMMARY DATA

A summary of data collected in these investigations for the total U.S. PVA market is presented in appendix C, tables C-1 and C-3. Tables C-2 and C-4 present U.S. commercial market data. Tables C-5 and C-6 present aggregate data for producers in subject countries. U.S. industry data are based on questionnaire responses of three firms which accounted for all U.S. production during the period 1999 through June 2002, the period for which data were gathered in these investigations. U.S. imports consist of official import statistics as compiled by the Department of Commerce ("Commerce").

PREVIOUS AND RELATED INVESTIGATIONS

PVA has been the subject of prior antidumping investigations in the United States. On March 9, 1995, Air Products and Chemicals, Inc., the predecessor of Celanese, filed an antidumping petition alleging that an industry in the United States was materially injured and threatened with further material

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[1] For purposes of these investigations, PVA is defined as all polyvinyl alcohol hydrolyzed in excess of 80 percent, whether or not mixed or diluted with commercial levels of defoamer or boric acid. Polyvinyl alcohol in fiber form is not included in the scope of these investigations. Polyvinyl alcohol is covered by subheading 3905.30.00 of the Harmonized Tariff Schedule of the United States ("HTS") with a general or normal trade relations tariff rate of 3.2 percent *ad valorem*. Although the HTS subheading is provided for convenience and customs purposes, the written description of PVA subject to these investigations is dispositive.

[2] The petitioners only alleged threat of material injury by reason of subject imports from Singapore and conceded that they are negligible as to present material injury.

[3] *Federal Register* notices cited in the tabulation are presented in app. A.

[4] A list of witnesses appearing at the conference is presented in app. B.

injury by reason of LTFV imports of PVA[5] from China, Japan, Korea, and Taiwan.[6] The Commission determined that an industry in the United States was threatened with material injury by LTFV imports from China, Japan, and Taiwan.[7] On April 2, 2001, Commerce initiated a sunset review of the antidumping order (66 FR 17524, April 2, 2001). However, because of the lack of participation by domestic producers, the order was subsequently revoked on May 14, 2001 (66 FR 22145, May 3, 2001).

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

On October 1, 2002, Commerce published a notice in the *Federal Register* of the initiation of the antidumping investigations on PVA from China, Germany, Japan, Korea, and Singapore. The estimated weighted-average dumping margins (in percent *ad valorem*), as reported by Commerce (based on petitioners' alleged margins, as adjusted) are presented in the following tabulation.[8]

Country	Estimated margin based on comparison between adjusted export price and home market price	Estimated margin based on comparison between adjusted export price and constructed value
China	(1)	97.86
Germany	2.45	19.05
Japan	15.46 to 29.04	118.46 to 144.16
Korea	25.41	31.54
Singapore	35.11	61.94

[1] Not applicable.

[5] In the prior investigations, PVA was defined as PVA hydrolyzed in excess of 85 percent and excluded copolymers, more specifically described as: (1) PVA covalently bonded with acetoacetylate, carboxylic acid, or sulfonic acid uniformly present on all polymer chains in a concentration equal to or greater than two mole percent; and (2) PVA covalently bonded with silane uniformly present on all polymer chains in a concentration equal to or greater than one-tenth of one mole percent. PVA in fiber form was also excluded.

[6] The Commission subsequently found imports from Korea to be negligible.

[7] *See Polyvinyl Alcohol from China, Japan, and Taiwan*, Invs. Nos. 731-TA-726, 727, and 729 (Final), Pub. No. 2960 (May 1996), p. 1.

[8] 67 FR 61591 (October 1, 2002).

THE PRODUCT

Commerce has defined the scope of these investigations as follows:[9]

> The scope of this investigation includes all polyvinyl alcohol hydrolyzed in excess of 80 percent, whether or not mixed or diluted with commercial levels of defoamer or boric acid. Polyvinyl alcohol in fiber form is not included in the scope of these investigations.

The Commission's determination regarding the appropriate domestic product that is "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price. Like-product arguments raised by parties are presented in the following section. Information on customer and producer perceptions can be found in Part II. Data on the price of PVA during the period examined can be found in Part V. Information regarding the physical characteristics and uses of PVA as well as manufacturing facilities and production employees, interchangeability, and channels of distribution of domestic and imported PVA is set forth below.

Physical Characteristics, Manufacturing Process, and Uses

PVA is a water-soluble synthetic polymer, available in granular or powdered form. PVA can be categorized on the basis of the degree of hydrolysis, the viscosity of an aqueous solution, and the average molecular weight of the finished product. PVA is very stable in dry form. It is nontoxic and therefore considered safe to handle and relatively environmentally friendly. Care must be taken to minimize airborne dust concentrations during shipping and storage to minimize the potential for dust explosions.

The degree of hydrolysis is determined by the percentage of acetate groups in the polyvinyl acetate feedstock that are replaced by hydroxyl groups in the finished PVA. Fully hydrolyzed PVA has a replacement percentage in excess of 98 percent.

The viscosity (a function of mass) of an aqueous solution of PVA increases as the molecular weight of the PVA increases. The molecular weight is determined by the average length of the polymer chain in the finished product in terms of monomer units. Low-viscosity grades tend to have PVA chain lengths as low as 300 monomer units, with average molecular weights around 45,000 to 55,000, whereas high-viscosity, fully-hydrolyzed grades have PVA chain lengths up to 3,500 monomer units and average molecular weights around 200,000 to 225,000. The degree of hydrolysis of PVA affects a variety of PVA properties, such as solution interfacial tensions, compatibility, reaction kinetics, rheology, and water solubility.

For most applications, PVA is dissolved in an aqueous solution and its solubility behavior in water depends on several factors, including degree of polymerization, degree of hydrolysis, drying temperature, particle size, and molecular weight. PVA polymers are unique in that they possess unusual solubility properties, ranging from solubility in cold (room temperature) water to solubility in only hot

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[9] On September 30, 2002, petitioners filed an amendment to the petition with the Commission and Commerce to exclude from the scope of these investigations imports of PVA from Japan "for use in the manufacture of an excipient or as an excipient in the manufacture of film coating systems which are components of a drug or dietary supplement, and accompanied by an end-use certification." These products were excluded by Commerce from the scope of the 1995 investigations pursuant to a changed circumstances review. *See Polyvinyl Alcohol from Japan: Final Results of Changed Circumstances Antidumping Duty Review, and Revocation in Part of Antidumping Duty Order*, 63 FR 40099, July 27, 1998. ***. ***.

water. For example, PVA of 88 percent hydrolysis is soluble in both cold and hot water, whereas 98 percent hydrolyzed PVA may be soluble only in hot water. All other characteristics being equal, the higher the degree of hydrolysis, the lower the solubility. By altering certain product characteristics, however, solubility can be changed. All standard grades of PVA, regardless of degree of hydrolysis, must be "cooked" to achieve complete solubility. PVA is a hard solid at the end of the saponification process[10] suitable for grinding into granular or powdered form.

PVA is used primarily as an intermediate in the production of polyvinyl butyral ("PVB"), which is an adhesive used in the manufacture of automotive safety glass and load-resistant architectural glass. It is also used in the textile and paper industries in sizing formulations; as a binder in adhesive and soil binding formulations; and as an emulsion or polymerization aid in colloidal suspensions, water-soluble films, cosmetics, and joint compounds.

Use of Common Manufacturing Facilities and Production Employees

PVA is generally manufactured by hydrolyzing the acetate groups of the vinyl acetate monomer ("VAM") with methanol in the presence of anhydrous sodium methylate or aqueous sodium hydroxide at moderate temperatures and pressures. This is a continuous process in which the VAM is polymerized to polyvinyl acetate, which is then converted to PVA. The end-product is PVA hydrolyzed in excess of 80 percent. All of the U.S. producers and respondents use some form of a continuous manufacturing process to make PVA. ***.

Interchangeability

PVA is sold in a variety of standard and specialty grades, each grade varying according to its molecular weight and the degree of hydrolysis. According to the petitioner, the degree of hydrolysis is commonly denoted as super (more than 99 percent hydrolyzed), fully (98-99 percent hydrolyzed), intermediate (90-98 percent hydrolyzed), and partial (85-89 percent hydrolyzed).[11]

The specific performance of various grades of PVA varies with the degree of hydrolysis and viscosity. For example, the greater the degree of hydrolysis, the better the water resistance. For this reason, in adhesive applications that require water resistance, a fully hydrolyzed grade of PVA is used. On the other hand, in adhesive applications that do not require water resistance, a partially hydrolyzed PVA may be used. Similarly, paper manufacturers select a specific grade of PVA depending on the property required for the paper. Grease and water resistance, ink receptivity, and other components of the size solution determine grade selection. In the textile market, where PVA is used as a warp sizing for yarns to prevent breakage during weaving, various grades of PVA are selected for use depending on the yarn, machine type, other components of the sizing solution (e.g., starch), required viscosity, abrasion resistance, and ease of solution removal after fabric weaving.

Although all grades of PVA are not completely interchangeable with other grades, more than one grade may be sold to specific end-use markets. For example, fully hydrolyzed PVA can be used in many of the same end uses in which intermediate or partially hydrolyzed PVA can be used, such as textiles, paper, and adhesives. The same grade of PVA is frequently sold for different commercial uses, and

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[10] Saponification is the chemical reaction in which an ester is heated with aqueous alkali to form an alcohol and the sodium salt of the acid corresponding to the ester.

[11] The definitions of fully, intermediate, and partially hydrolyzed PVA in terms of degrees of hydrolysis vary somewhat within the industry. For example, in its product literature, DuPont has defined fully hydrolyzed PVA as 98 percent or greater and partially hydrolyzed as less than 98 percent hydrolyzed.

many end users are able to use a wide range of grades. Many applications have evolved using particular grades such that substitution, although possible, could involve some cost and time to reformulate, and end users tend to avoid changing the grade of PVA they use in their applications because their formulas and process parameters might have to be adjusted. Because it is a unique synthetic water soluble polymer with unique characteristics, PVA has few substitutes for most end-use applications.

Channels of Distribution

Based on responses to Commission questionnaires, the vast majority of all PVA sold in the United States, whether domestically produced or imported, is either internally transferred or sold directly to end-user customers.[12] PVA sold on the open market is either delivered in bulk (railroad cars) or packed in bags. Distributors, while present in the U.S. market, have a very limited role.

In terms of end-use applications, *** percent of U.S. producers' U.S. shipments of PVA in 2001 were for use in producing PVB, *** for internal (captive) production of PVB. The textile and paper uses were the next-largest markets for PVA, followed by the adhesives market.[13]

Price

PVA prices for the same grade may vary according to the end-use market for which the product is sold. For more information concerning prices, see Part V of this report entitled *Pricing and Related Data*.

DOMESTIC LIKE PRODUCT ISSUES

At the public conference and in its postconference brief, Solutia, Inc. ("Solutia") of St. Louis, MO, the sole non-petitioning U.S. producer of PVA,[14] raised a domestic like product issue, arguing that the Commission should find PVA produced for the subsequent production of PVB as a separate domestic like product. Solutia contends that the grade of PVA used to produce PVB and the specifications required to achieve that grade are fundamentally different and not interchangeable with other grades of PVA used for other end uses.[15] It reported that PVB-grade PVA is distinguished from other grades of PVB by its low ash content (which allows adherence to glass surfaces) and low resin color (which allows optical clarity). Solutia contends that PVB-grade PVA must meet rigorous standards in order to attain the optical clarity required for its ultimate end use in automobile windshields and architectural glass. It maintains that other grades of PVA do not need to meet these requirements and any use of PVB-grade PVA in any other application would be using an "over engineered" product. Solutia also contends that

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[12] In the U.S. commercial market for PVA, both U.S. producers and importers from subject countries reported that *** percent of their U.S. shipments went directly to end users.

[13] *See* Part II, table II-1 for a detailed listing of the reported end-use applications of both U.S. producers' U.S. shipments and importers' U.S. shipments.

[14] The only two end users of PVB-grade PVA in the United States are DuPont and Solutia. DuPont produces all of its internally-consumed PVB-grade PVA while Solutia must purchase a portion of its PVB-grade PVA on the merchant market.

[15] *** although PVB-grade PVA might be used in other applications, other grades may not be used to produce PVB. ***; Solutia's postconference brief, p. 14.

the channels of distribution for PVB-grade PVA are unique in that all commercial shipments are made directly to the end user, namely Solutia.[16] It also asserts that PVB-grade PVA is produced ***.[17]

DuPont claims that any differences between PVB-grade PVA and other grades of PVA are minor and should not justify the Commission's finding of a separate domestic like product. DuPont contends that PVB-grade PVA is merely PVA with slightly different and stricter specification ranges.[18] It reported that it ***.[19] Moreover, ***.[20] Moreover, DuPont stated that the ***.

DuPont also stated at the conference that its PVB-grade PVA goes through its entire manufacturing process including drying, grinding, and packaging in order to be transported by rail across the country to its separate PVB manufacturing facility.[21] ***, the PVB-grade PVA produced by Solutia for its PVB production is ***.[22]

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[16] Solutia's postconference brief, p. 16.

[17] Solutia reported that the PVB-grade PVA it purchases from *** is produced ***. *Id.* at 16-17. ***. October 4, 2002, e-mail from John-Alex Romano, counsel for the petitioners.

[18] Petitioners' postconference brief, app. 1, p. 2.

[19] October 4, 2002, e-mail from John-Alex Romano, counsel for the petitioners.

[20] Petitioners' postconference brief, p. 8, app. 1, p. 2, and ***.

[21] Kathleen McCord, Business Manager, DuPont, conference transcript, p. 43.

[22] Kathleen McCord, Business Manager, DuPont, conference transcript, p. 32; Mark Gold, Manager, Saflex Technology, conference transcript, pp. 114-115; *see also* Solutia's postconference brief, pp. 18-19 and exhibit 1, p. 2 ***.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

MARKET SEGMENTS

PVA is used in a wide variety of end-use products. PVB is by far the highest volume end use for PVA. Other high-volume end uses for PVA include textiles, paper, adhesives, and emulsion polymerization. PVA is also used in the manufacture of a wide variety of other products including building products, biodegradable health care products, ceramics, film, oil drilling, and PVC copolymerization.

Only DuPont and Celanese produce PVA in the United States for sales on the open market. Solutia produces PVA in the production of PVB ***, but does not sell PVA in the open market.

As only DuPont and Celanese responded to the questions in the pricing section of the producers' questionnaire, their answers comprise those of the U.S. producers in this section of the report and Part V.[1] DuPont and Celanese produce PVA for most of its major applications. Importers from the subject countries tend to concentrate their sales in certain end-use products. Most importers import from only one country. The percentages of PVA produced in the United States and in each subject country that were sold in each major U.S. market segment during 2001 are shown in table II-1.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Based on available information, staff believes that U.S. producers would be somewhat constrained in their ability to respond to price changes with significant changes in the quantity of PVA shipped to the U.S. market. Factors restricting supply responsiveness include high levels of capacity utilization and the lack of ability to increase capacity in the short run. The existence of export markets and relatively high inventories enhances the ability to increase or decrease shipments to the U.S. market.

Industry Capacity

U.S. producers' capacity utilization declined from *** percent in 1999 to *** percent in 2001, and rose to *** percent in interim 2002. Because of the high fixed costs involved in the production of PVA, U.S. producers report that it is important to maintain a high capacity utilization rate.

Inventory Levels

U.S. producers' inventories of PVA, as a ratio to total shipments, increased irregularly from *** percent in 1999 to *** percent in 2001, with the interim 2002 ratio at *** percent. U.S. producers report that ***-percent inventory level is the optimal level.

[1] Solutia did not answer the questions in the pricing section of its producer questionnaire, but answered questions ***.

Table II-1
PVA: Volumes and shares of U.S. shipments of U.S. and subject-country product by end uses, 2001

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Export Markets

Exports accounted for *** percent of total shipments in 1999, *** percent in 2001, and *** percent in interim 2002. This relatively large export share provides some flexibility in shifting shipments between the U.S. market and other markets.

Subject Imports

Data provided by foreign producers' questionnaires suggest that PVA producers in the subject countries are operating at high levels of capacity utilization, with a number of countries reporting capacity utilization rates higher than those reported by the U.S. producers. This would restrict the foreign producers' ability to increase output to the U.S. market. Since foreign producers ship only a small-to-moderate percentage of their production to the United States, they may have the flexibility to shift shipments between other markets (including their home markets) and the U.S. market.

China

Available information suggests that Chinese producers would have relatively little flexibility to shift sales to or from the U.S. market. Available data indicate that there is a large home market and small third-country markets and some inventories; however, only one Chinese producer is reported to sell in the United States, while the other Chinese producers do not produce the quality nor the product range necessary for sales to the United States. Reported capacity utilization rates were *** (*** percent in 1999 and *** percent in 2001), which would limit the ability to increase shipments to the U.S. market.

The U.S. market accounted for a moderate percentage of the total quantity of reported Chinese shipments of PVA, *** percent in 1999 and *** percent in 2001. A similar share of shipments was exported to other countries. The majority, close to *** percent of the product, was consumed internally or shipped to the Chinese home market.[2] Inventories accounted for *** percent of Chinese producers' total shipments in 2001.

Germany

Available information suggests that the German producer would have some flexibility to shift sales to or from the U.S. market due to low exports to the United States, high levels of exports to other countries, and moderate inventories. However, the reported capacity utilization rates were high (*** percent in 1999 and *** percent in 2001), which could limit the ability to increase shipments to the U.S. market.

The U.S. market accounted for *** percentage of the total quantity of German shipments of PVA, accounting for only *** percent in 1999 and *** percent in 2001. German home market sales and internal consumption combined accounted for about *** of German production, and shipments to third

[2] To the extent that some Chinese producers did not answer the questionnaire, the home-market share is probably underestimated.

countries were ***. Inventories were equivalent to around *** of the German producer's total shipments.

Japan

Available information suggests that Japanese producers would have some flexibility to shift sales to or from the U.S. market due to a very low share sold in the United States, relatively high exports to other countries, and moderate inventories. However, reported capacity utilization rates were high (*** percent in 1999 and *** percent in 2001), which could limit the ability to increase shipments to the U.S. market.

The U.S. market accounted for a very small percentage of Japanese sales of PVA, accounting for less than 1 percent of the total quantity of Japanese PVA shipments through 2001; in interim 2002 this rose to *** percent. Japan consumes most of its PVA in internal consumption and home market sales, which were close to *** percent of total PVA shipments throughout the period. Almost *** percent of Japanese PVA shipments are sold to countries other than the United States. Inventories accounted for close to *** of Japanese producers' total shipments throughout the period.

Korea

Available information suggests that the Korean producer would have some flexibility to shift sales to or from the U.S. market due to moderately high to moderate capacity utilization rates (*** percent in 1999 and *** percent in 2001), a small share of shipments to the United States, and a larger share of shipments to other countries.

The U.S. market accounted for a *** percentage of Korean shipments of PVA, *** percent in 1999 and *** percent in 2001. The majority of shipments are internally consumed and shipped to the Korean home market (*** percent in 1999 and *** percent in 2001). In addition, over *** of shipments are exported to countries other than the United States. Inventories accounted for *** percent of the Korean producer's total shipments in 2001.

Singapore

Available information suggests that the producer in Singapore would have some flexibility to shift sales to or from the U.S. market, based on Singapore's export statistics which showed that the vast majority of Singapore's production is exported. Little of this export volume is currently shipped to the United States. The Singapore producer reported high capacity utilization rates and *** low inventories, which could limit its flexibility. Reported capacity utilization rates were moderately high to very high, or *** percent in 1999, *** percent in 2000, and *** percent in 2001. Inventories accounted for less than *** percent of the producer's total shipments in each of the years examined.

U.S. Demand

Demand characteristics

Overall demand for PVA in the United States has fallen since 1999. Much of the reduction in demand is reported to be the result of declines in the U.S. textile market, although the slowdown in the general economy is also reported to have reduced demand. However, consumption of PVA for the production of PVB has increased. ***, but only 2 of the 10 responding importers stated that demand for

PVA in the United States has fallen since January 1, 1999. Four importers reported that demand had increased and 4 reported that demand was unchanged or essentially unchanged.[3]

Based on available information, the overall demand for PVA is unlikely to change significantly in response to changes in price. The main factors contributing to the low degree of price sensitivity are the limited range of substitute products and the small share of PVA in most of its end-use products. However, some factors increase the responsiveness of demand, including the large share of PVA in some intermediate products which may be sold and the availability of some substitutes.

Substitute Products

*** 4 of the 10 responding importers reported that substitutes for PVA existed. Substitutes reported include starches, carboxy-methylated cellulose, proteins, latex adhesives, dextrin, sodium silicate, polyacrylamide, and polyvinyl acetate. The firms reporting these substitutes, however, typically stated that each substitute is limited to only certain applications. In addition, the producers report that substitutes provide a different set of characteristics than PVA, which may limit substitution.

Cost Share

PVA accounts for a small percentage of the final cost of the wide variety of products in which it is used, although for the intermediate products such as textile finishing or adhesive compounds, it often accounts for a large percentage. Of the three importers reporting cost shares for various intermediate products, one reported that the cost of PVA ranged from *** percent to *** percent for emulsion polymers and adhesive products; one reported *** percent for PVB sheet; and one reported *** percent for paper. Celanese reported that the cost share of PVA ranged from *** to *** percent. *** that various compounds typically used as intermediate products tend to have PVA cost shares in the higher end of this range, while more finished products typically were at the lower end of this range. DuPont reported PVA's cost share for PVB. It stated that PVA was *** percent of the raw material cost and *** percent of total cost of PVB.

Solutia, ***, reported that PVA accounts for *** percent of the cost of PVB sheet and that when it *** it was able to increase its consumption of PVA because ***. Solutia reported that ***.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported PVA depends upon such factors as relative prices, quality, conditions of sale, and forms of PVA available from the sources. Based on available data in this preliminary phase of the investigations, staff believes that, where there are identical forms of PVA, there is a high degree of substitution between domestic PVA and subject imports. However, product from different sources may not be identical even if the form is intended for the same use. As a result, some purchasers of PVA or of its downstream products require testing before they are able to switch suppliers. Testing may require months or years, depending on the end use. Substitutability is also moderated by the fact that different forms of PVA impart different characteristics that are only appropriate for certain end uses, and not all products are available from all producers. DuPont is reported to only produce PVA with a hydrolysis between 97 and 100 percent. While Celanese's product range is greater than DuPont's, the respondents reported that Celanese does not

[3] One of the 4 firms reporting increased demand only reported that demand for use in PVB increased.

produce the broad range of subject products that the Japanese produce.[4] Users prefer and frequently require specific forms of PVA. Imported product from the various subject countries tends to be used mainly in specific applications, reflecting a limited range of forms of PVA normally produced by or imported from certain countries.[5]

Factors Affecting Sales

While price is an important factor in the sale of PVA, other factors such as quality, form of PVA, and product availability can also be important considerations in purchasing decisions (table II-2). Ten importers reported differences other than price in their purchasing decisions; many of these reported more than one factor. One of the 10 importers, ***, reported differences for 5 different types of PVA; its responses are reported in table II-3. Three reported that the Japanese product was very consistent. Two importers reported that the U.S. manufacturers do not produce 83MOL% BH type PVA ;[6] 2 reported that the Japanese product was available in a wider range than the U.S. product; and 1 reported that only Japanese product could be used in its process. Two importers reported that they provided better technical support than the U.S. producers; 1 firm reported that its technical support was different from that provided by all other suppliers; 1 reported that only qualified suppliers could be used and Japanese product was partially qualified and the German product would be qualified based on the firm's European experience; and 1 reported that it provided different technical support than was provided for by product from the United States and Singapore. One importer reported that different countries did not sell the same range of PVA product and where grades were the same, performance sometimes was not; it also reported that much of the product it sold was not interchangeable with any U.S. product. One importer reported that it could only report about ***; this firm reported that German material was high quality with low ash, low volatile, high consistency, and low dust. One importer of product from Taiwan reported that differences other than price were not a significant factor because of the large price gap between U.S. product and subject imported product; 1 importer reported that the Chinese PVA was only available in bags, not in bulk, and that because of the cost of purchasers having to open bags, the Chinese product had to be lower priced; and 1 reported that special types of PVA were only available from Japan, not from the United States or Singapore. *** reported that aggressive pricing of imports has reduced the importance of other factors including quality, technical support, and reliability, and because of low interest rates, importers can meet availability with inventory consignment.

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[4] Bruce Malashevich, Economic Consulting Services, conference transcript, pp. 76-77.

[5] Importer Wego Chemical & Mineral Corp. states that Chinese-produced PVA can only be used in low-end applications, such as textile and paper applications, because of limitations of the product relating to molecular redistribution and hydrolysis ranges (Wego's postconference brief, pp. 6-7, and exhibit 1). The sole importer of PVA from Germany contends that there is limited competition between imports from Germany and the domestic and other imported PVA because German PVA is mostly high-priced, high-quality, specialty product with low ash and low "dusting" tendencies for use in the paper industry and in various niche markets, e.g., cosmetics, inks, pharmaceuticals, and resins used in fiberglass (Clariant's postconference brief, pp. 2, 5-7). OCI International, a U.S. sales affiliate of the Korean producer of PVA, states that there is no reasonable overlap between the Korean product and the domestic and other imported PVA except for nonsubject imports from Spain and Taiwan because the Korean product has different physical characteristics and is sold to specialty niches, namely to the packing materials market and to manufacturers of specialized construction materials (OCI's postconference brief, pp. 7-8, 14-15). Marubeni Specialty Chemicals states that a large majority of imports from Japan are not fungible with other PVA because they are specialty products destined for end-use markets in which the domestic industry and other subject imports, with minor exceptions, don't compete (Marubeni Specialty Chemicals' postconference brief, p. 3, attachment A, and exhibit 3).

[6] One of these reported that this product was available from Japan.

Table II-2
PVA: Perceived importance of differences in factors other than price between PVA produced in the United States and in other countries in purchases of PVA in the U.S. market, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. China	0	0	0	2	1	1	1	2
U.S. vs. Germany	0	0	0	2	0	1	1	1
U.S. vs. Japan	0	0	0	2	1	3	1	1
U.S. vs. Korea	0	0	0	2	0	0	0	1
U.S. vs. Singapore	0	0	0	2	0	3	1	1
U.S. vs. other	0	0	1	0	0	0	0	2
China vs. Germany	0	0	0	2	0	0	1	2
China vs. Japan	0	0	0	2	0	0	1	1
China vs. Korea	0	0	0	2	0	0	0	1
China vs. Singapore	0	0	0	1	0	0	1	1
China vs. other	0	0	0	1	0	0	0	1
Germany vs. Japan	0	0	0	2	0	0	1	1
Germany vs. Korea	0	0	0	2	0	0	0	1
Germany vs. Singapore	0	0	0	1	0	0	1	1
Germany vs. other	0	0	1	0	0	0	0	2
Japan vs. Korea	0	0	0	2	0	0	0	1
Japan vs. Singapore	0	0	0	2	0	3	1	1
Japan vs. other	0	0	1	0	0	0	0	1
Korea vs. Singapore	0	0	0	1	0	0	1	1
Korea vs. other	0	0	0	1	0	0	0	1
Singapore vs. other	0	0	0	0	0	0	0	1

A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Table II-3
PVA: Perceived importance of differences in factors other than price between PVA produced in the United States and in subject countries in purchases of PVA in the U.S. market, as reported by one importer, by end use and by country pairs

Country pair[1]	Specialty PVA for paper coating[2]				Homopolymer for paper coating[3]				Homopolymer for paper coating[4]				Homopolymer for adhesives[5]				Homopolymer for adhesives[6]			
	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. China	0	0	0	1	0	0	0	1	0	0	0	1	0	0	1	0	0	0	0	1
U.S. vs. Germany	0	0	0	1	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	1
U.S. vs. Japan	0	0	0	1	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	1
U.S. vs. Korea	0	0	0	1	0	0	1	0	0	0	0	1	0	0	1	0	0	0	0	1
U.S. vs. Singapore	0	0	0	1	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	1
China vs. Germany	0	0	0	1	0	0	0	1	0	0	0	1	0	0	1	0	0	0	0	1
China vs. Japan	0	0	0	1	0	0	0	1	0	0	0	1	0	0	1	0	0	0	0	1
China vs. Korea	0	0	0	1	0	0	0	1	0	0	0	1	0	0	1	0	0	0	0	1
China vs. Singapore	0	0	0	1	0	0	0	1	0	0	0	1	0	0	1	0	0	0	0	1
Germany vs. Japan	0	0	0	1	0	1	0	0	0	0	1	0	0	1	0	0	0	0	1	0
Germany vs. Korea	0	0	0	1	0	0	1	0	0	0	0	1	0	0	1	0	0	0	0	1
Germany vs. Singapore	0	0	0	1	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	1
Japan vs. Korea	0	0	0	1	0	0	1	0	0	0	0	1	0	0	1	0	0	0	0	1
Japan vs. Singapore	0	0	0	1	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	1
Korea vs. Singapore	0	0	0	1	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	1

A = Always, F = Frequently, S = Sometimes, N = Never.

[1] No data were reported for nonsubject country comparisons.
[2] Specialty grades of PVA for paper coating, hydrolysis 95-100 percent, viscosity 20-35 centipois.
[3] Homopolymer grades of PVA for paper coating, hydrolysis 95-100 percent, viscosity 20-35 centipois.
[4] Homopolymer grades of PVA for paper coating, hydrolysis above 80 percent.
[5] Homopolymer grades of PVA for adhesives, hydrolysis 80-89 percent, viscosity 0-19 centipois.
[6] Homopolymer grades of PVA for adhesives, hydrolysis above 80 percent.

Source: Compiled from data submitted in response to Commission questionnaires.

Comparison of Domestic and Imported PVA

U.S. producers and importers were asked whether PVA from different countries is interchangeable. Two producers and 12 importers reported on the interchangeability of PVA from the United States, subject, and nonsubject countries (tables II-4). One of the 12 importers, ***, reported interchangeability for 5 different types of PVA; its responses are reported in table II-5. All 12 importers reported on interchangeability; 4 reported that Japanese product was available in a broader range than U.S. PVA and that only Japanese product could be used in some applications and as a result there was no interchangeability for these end uses. One importer reported that Chinese PVA was only interchangeable with U.S. PVA and subject PVA from other countries in low-end applications, not in adhesive applications; 1 reported that it provided product not available from Singapore; 1 reported that the U.S. and subject products were interchangeable because price gaps overwhelmed any quality differences. One importer reported that the Korean product differed from the U.S. product in degree of hydrolysis, viscosity, particle size, ash content, and color. Other differences reported by this firm include: Chinese and Korean PVA were rarely interchangeable because the Chinese PVA cannot be used in adhesive and paper applications; the Chinese PVA tends to be sold to textile applications where price is most important; and the Korean product was interchangeable for some grades with Taiwan and Spanish product. Celanese and DuPont reported factors that could limit interchangeability. Celanese reported that ***. DuPont reported that ***.

Table II-4
PVA: Perceived degree of interchangeability of PVA produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. China	***	***	***	***	1	1	1	2
U.S. vs. Germany	***	***	***	***	1	1	0	1
U.S. vs. Japan	***	***	***	***	1	3	1	1
U.S. vs. Korea	***	***	***	***	0	0	0	1
U.S. vs. Singapore	***	***	***	***	0	3	1	1
U.S. vs. other	***	***	***	***	0	0	0	2
China vs. Germany	***	***	***	***	0	0	1	2
China vs. Japan	***	***	***	***	0	0	1	1
China vs. Korea	***	***	***	***	0	0	0	1
China vs. Singapore	***	***	***	***	0	0	1	1
China vs. other	***	***	***	***	0	0	0	1
Germany vs. Japan	***	***	***	***	0	0	1	1
Germany vs. Korea	***	***	***	***	0	0	0	1
Germany vs. Singapore	***	***	***	***	0	0	1	1
Germany vs. other	***	***	***	***	0	0	0	2
Japan vs. Korea	***	***	***	***	0	0	0	1
Japan vs. Singapore	***	***	***	***	0	3	1	1
Japan vs. other	***	***	***	***	0	0	0	1
Korea vs. Singapore	***	***	***	***	0	0	1	1
Korea vs. other	***	***	***	***	0	0	0	1
Singapore vs. other	***	***	***	***	0	0	0	1

A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Table II-5
PVA: Perceived degree of interchangeability of PVA produced in the United States and in subject countries, as reported by one importer, by end use and by country pairs

Country pair[1]	Specialty PVA for paper coating[2]				Homopolymer for paper coating[3]				Homopolymer for paper coating[4]				Homopolymer for adhesives[5]				Homopolymer for adhesives[6]			
	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. China	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0
U.S. vs. Germany	0	0	1	0	0	1	0	0	0	1	0	0	0	0	1	0	0	1	0	0
U.S. vs. Japan	1	0	0	0	0	1	0	0	0	1	0	0	0	0	1	0	0	1	0	0
U.S. vs. Korea	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0
U.S. vs. Singapore	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0
China vs. Germany	0	0	0	0	1	0	0	0	0	1	0	0	0	1	0	0	1	0	0	0
China vs. Japan	1	0	0	0	1	0	0	0	1	0	0	0	0	1	0	0	1	0	0	0
China vs. Korea	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0
China vs. Singapore	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0
Germany vs. Japan	0	1	0	0	0	1	0	0	0	1	0	0	0	0	1	0	0	1	0	0
Germany vs. Korea	0	0	0	0	0	1	0	0	0	1	0	0	0	0	1	0	1	0	0	0
Germany vs. Singapore	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	1	0	0	0
Japan vs. Korea	1	0	0	0	0	1	0	0	0	1	0	0	0	0	1	0	1	0	0	0
Japan vs. Singapore	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	1	0	0	0
Korea vs. Singapore	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0

A = Always, F = Frequently, S = Sometimes, N = Never.

[1] No data were reported for nonsubject countries.
[2] Specialty grades of PVA for paper coating, hydrolysis 95-100 percent, viscosity 20-35 centipois.
[3] Homopolymer grades of PVA for paper coating, hydrolysis 95-100 percent, viscosity 20-35 centipois.
[4] Homopolymer grades of PVA for paper coating, hydrolysis above 80 percent.
[5] Homopolymer grades of PVA for adhesives, hydrolysis 80-89 percent, viscosity 0-19 centipois.
[6] Homopolymer grades of PVA for adhesives, hydrolysis above 80 percent.

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of three firms that accounted for all of the U.S. production of PVA during the period examined.

U.S. PRODUCERS

The Commission sent producers' questionnaires to all three firms identified as U.S. producers of PVA in the petition. Table III-1 presents the list of U.S. producers, with each company's production location(s), share of U.S. production in 2001, and position on the petition. Solutia, the only non-petitioning U.S. producer, opposes the imposition of antidumping duties on PVA.[1]

Table III-1
PVA: U.S. producers, positions on the petition, shares of U.S. production in 2001, and U.S. production locations

Firm	Production locations	Shares of production (*percent*)	Positions on the petition
Celanese[1]	Calvert City, KY Pasadena, TX	***	Petitioner
DuPont	Laporte, TX	***	Petitioner
Solutia[2]	Springfield, MA Trenton, MI	***	Oppose

[1] Celanese acquired the PVA business of Air Products and Chemicals, Inc. on September 29, 2000. Celanese is the wholly-owned subsidiary of Celanese A.G. of Germany.
[2] Solutia has a wholly-owned subsidiary in Belgium, Solutia Europe S.A., ***.

Source: Compiled from data submitted in response to Commission questionnaires, and conference transcript, p. 61.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data on U.S. producers' capacity, production, and capacity utilization are presented in table III-2. Total U.S. capacity increased from 1999 to 2001 by *** percent. Capacity decreased from 1999 to 2000 by *** percent, then increased by *** percent in 2001. Total U.S. production of PVA decreased by *** percent from 1999 to 2001 and exhibited its largest annual decrease of *** percent from 2000 to 2001. Capacity utilization increased by *** percentage points from 1999 to 2000[2] and then decreased by *** percentage points from 2000 to 2001.

---

[1] Glenn Ruskin, Vice President of Public Affairs, Solutia, conference transcript, p. 61.

[2] The petition explained that ***. Petition, ***.

Table III-2
PVA: U.S. producers' capacity, production, and capacity utilization, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

*** reported plant openings, closures, or other changes in the character of their operations since January 1, 1999. ***. ***.

***. The domestic industry reported no U.S. production of PVA in U.S. foreign trade zones.

U.S. PRODUCERS' U.S. SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

As detailed in table III-3, the volume of U.S. producers' U.S. shipments fell by *** percent from 1999 to 2001.[3] The value of their U.S. shipments also decreased, by *** percent, during the same time period. Internal shipments ***.[4] Transfers to related firms ***. The volume of export shipments made by U.S. producers increased by *** percent between 1999 and 2001, while the value of those export shipments increased *** percent during the same period. The volume of export shipments increased by *** percent from 1999 to 2000 before decreasing by *** percent in 2001. *** reported export shipments, which were made to ***.

Table III-3
PVA: U.S. producers' shipments, by type, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

CAPTIVE CONSUMPTION

Section 771(7)(C)(iv) of the Act states that–

If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that–

(I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product,

(II) the domestic like product is the predominant material input in the production of that downstream article, and

---

[3] Chinese respondents contend that an important factor in the decrease in U.S. producers' U.S. shipments is the diminishing U.S. textile market, a segment in which Celanese and DuPont allegedly relied upon heavily for sales. Sichuan's postconference brief, p. 2.

[4] See the following section entitled "Captive Consumption" for additional information regarding the internal consumption of ***.

(III) the production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article,

then the Commission, in determining market share and the factors affecting financial performance . . ., shall focus primarily on the merchant market for the domestic like product.[5]

In 2001, internal transfers accounted for *** percent of the reported volume of producers' U.S. shipments of PVA and commercial (merchant) shipments accounted for *** percent.[6] *** reported transfers to related firms. The percentage shares for internal transfers in 1999 and 2000 were slightly lower.[7]

The First Statutory Criterion

The first requirement for application of the captive consumption provision is that the domestic like product that is internally transferred for processing into that downstream article not enter the merchant market for the domestic like product. *** used in their production of PVB. Consequently, *** internal transfers of PVA entered the merchant market for PVA.

The Second Statutory Criterion

The second criterion of the captive consumption provision concerns whether the domestic like product is the predominant material input in the production of the downstream article that is captively produced. ***.

The Third Statutory Criterion

The third criterion of the captive consumption provision is that the production of the domestic like product sold in the merchant market is not generally used in the production of the downstream article produced from the domestic like product that is internally transferred for processing (captively produced). In 2001, *** percent of the volume of U.S. producers' U.S. commercial shipments of PVA was used for the production of PVB.[8]

U.S. PRODUCERS' IMPORTS AND PURCHASES

Table III-4 presents direct imports, purchases of imports, and purchases of PVA from other domestic producers by U.S. producers, along with their total shipments of U.S.-produced products. ***. *** also reported that it purchased PVA from *** during the period examined. ***. *** neither purchased nor imported PVA during the period examined.

---

[5] 19 U.S.C. § 1677(7)(C)(iv).

[6] ***.

[7] ***.

[8] ***.

Table III-4
PVA: U.S. producers' production, imports, and purchases of imports, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

U.S. PRODUCERS' INVENTORIES

Data on end-of-period inventories of PVA for the period examined are presented in table III-5.

Table III-5
PVA: U.S. producers' end-of-period inventories, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Data provided by U.S. producers on the number of production and related workers ("PRWs") engaged in the production of PVA, the total hours worked by such workers, and wages paid to such PRWs during the period for which data were collected in these investigations are presented in table III-6.

Table III-6
PVA: Average number of production and related workers producing PVA, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission sent importer questionnaires to 23 firms believed to be importers of PVA from the subject countries, as well as to all three U.S. producers.[1] Questionnaire responses were received from 15 companies.[2] U.S. import data consist of official import statistics as compiled by the Department of Commerce.[3] Table IV-1 lists all responding U.S. importers and their quantity of imports, by source, in 2001.

Questionnaire respondents were located in California, Delaware, Minnesota, Missouri, New Jersey, New York (7), North Carolina, South Carolina, and Texas. Thirteen firms reported imports of PVA from subject countries in 2001 and *** firms, ***, reported imports of PVA from ***.[4] With the exception of ***, *** U.S. importers entered the subject product into or withdrew it from foreign trade zones or bonded warehouses.

Table IV-1
PVA: Reported U.S. imports, by importer and by source of imports, 2001

* * * * * * *

U.S. IMPORTS

Table IV-2 shows that the volume of U.S. imports of PVA from all subject countries combined increased by 13.5 percent from 1999 to 2001. The volume of U.S. imports from China decreased from 1999 to 2001 by 12.6 percent, although it increased by 28.9 percent from 1999 to 2000 until decreasing by 32.2 percent in 2001. The volume of U.S. imports from Germany increased by 112.6 percent from 1999 to 2001. The volume of U.S. imports from Japan increased by 0.7 percent from 1999 to 2001, after increasing in 2000 by 19.3 percent and then decreasing by 15.5 percent in 2001. The volume of U.S. imports from Korea increased by 690.2 percent from 1999 to 2001. The volume of U.S. imports from Singapore also increased, by 875.8 percent, during the period examined. The quantity of imports from nonsubject countries also increased, by 24.8 percent from 1999 to 2001.[5]

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[1] The Commission sent questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by the U.S. Customs Service, may have imported PVA since 1999.

[2] In addition to the 15 responses, the Commission received responses from *** indicating that they did not import PVA during the period examined.

[3] Import data obtained from Commerce included a small amount of PVA not included in the scope of these investigations. Six importers reported that they imported PVA with a hydrolysis level of 80 percent or lower in an amount totaling ***, which constituted *** percent of total imports in 2001. These imports came from ***, with the majority originating in ***. Also, *** of PVA fiber, also an excluded product, was imported from *** in 2001.

[4] Import data for 2001 categorized by end-use market segment are presented in table II-1.

[5] In 2001, the majority of imports from nonsubject countries came from Taiwan, which accounted for 30.8 percent of total imports of PVA and 65.8 percent of imports from nonsubject countries. Imports from other

(continued...)

Table IV-2
PVA: U.S. imports, by source, 1999-2001, January-June 2001, and January-June 2002

Source	Calendar year			January-June	
	1999	2000	2001	2001	2002
			Quantity (*1,000 lbs.*)		
China	15,198	19,588	13,287	6,802	7,221
Germany	1,319	1,774	2,804	1,482	947
Japan	6,814	8,128	6,865	3,328	4,186
Korea	480	2,584	3,789	1,981	1,758
Singapore	33	96	322	100	325
Subtotal	23,844	32,170	27,067	13,694	14,437
All others	19,028	26,140	23,754	12,260	10,572
Total	42,872	58,310	50,821	25,954	25,009
			Value (*$1,000*)		
China	8,768	11,968	10,227	5,095	4,513
Germany	1,578	1,897	2,664	1,360	877
Japan	12,793	14,297	11,006	5,854	5,961
Korea	355	1,986	3,215	1,629	1,413
Singapore	37	99	170	81	211
Subtotal	23,532	30,247	27,282	14,019	12,974
All others	19,664	24,013	25,804	13,411	9,740
Total	43,196	54,260	53,086	27,430	22,714
			Unit value (*per pound*)		
China	$0.58	$0.61	$0.77	$0.75	$0.62
Germany	1.20	1.07	0.95	0.92	0.93
Japan	1.88	1.76	1.60	1.76	1.42

Table continued on following page.

[5] (...continued)
nonsubject countries came from Italy, which accounted for 6.7 percent of total imports in 2001, and the United Kingdom, which accounted for 5.8 percent of total imports in 2001.

Table IV-2--*Continued*
PVA: U.S. imports, by source, 1999-2001, January-June 2001, and January-June 2002

Source	Calendar year			January-June	
	1999	2000	2001	2001	2002
Korea	0.74	0.77	0.85	0.82	0.80
Singapore	1.14	1.04	0.53	0.81	0.65
Average	0.99	0.94	1.01	1.02	0.90
All others	1.03	0.92	1.09	1.09	0.92
Average	1.01	0.93	1.04	1.06	0.91
Share of quantity (*percent*)					
China	35.5	33.6	26.1	26.2	28.9
Germany	3.1	3.0	5.5	5.7	3.8
Japan	15.9	13.9	13.5	12.8	16.7
Korea	1.1	4.4	7.5	7.6	7.0
Singapore	0.1	0.2	0.6	0.4	1.3
Subtotal	55.6	55.2	53.3	52.8	57.7
All others	44.4	44.8	46.7	47.2	42.3
Total	100.0	100.0	100.0	100.0	100.0
Share of value (*percent*)					
China	20.3	22.1	19.3	18.6	19.9
Germany	3.7	3.5	5.0	5.0	3.9
Japan	29.6	26.3	20.7	21.3	26.2
Korea	0.8	3.7	6.1	5.9	6.2
Singapore	0.1	0.2	0.3	0.3	0.9
Subtotal	54.5	55.7	51.4	51.1	57.1
All others	45.5	44.3	48.6	48.9	42.9
Total	100.0	100.0	100.0	100.0	100.0

Source: Compiled from Commerce statistics.

U.S. producers' imports or purchases of imports from other importers from subject countries accounted for *** percent of the volume of subject imports in 2001. ***.

NEGLIGIBILITY

The Tariff Act provides for the termination of an investigation if imports of the subject product from a country are less than 3 percent of total imports, or, if there is more than one such country, their combined share is less than or equal to 7 percent of total imports, during the most recent 12 months for which data are available preceding the filing of the petition–in this case August 2001 to July 2002. The shares (in *percent*) of the total quantity of U.S. imports for each of the subject countries for the period of August 2001 to July 2002 are shown in table IV-3. Imports from all countries have been compiled using Commerce data. As shown in table IV-3, imports from Singapore are below 3 percent of total imports.

Table IV-3
PVA: U.S. imports and shares of total imports, by source, August 2001-July 2002

Country	Imports (*1,000 lbs.*)	Share of total imports (*percent*)
China	12,731	26.6
Germany	2,198	4.6
Japan	7,788	16.3
Korea	3,615	7.6
Singapore	542	1.1
Subtotal	26,875	56.2
All other countries	20,946	43.8
Total	47,820	100

Source: Compiled from Commerce statistics.

CUMULATION CONSIDERATIONS

In assessing whether imports compete each other and with the domestic like product, the Commission has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical market, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Issues concerning fungibility are addressed in Part II of this report and channels of distribution are discussed in Parts I and II. Geographical markets and presence in the market are discussed below.

Geographical Markets and Presence in the Market

Table IV-4 provides U.S. imports by month and by district of entry[6] into the United States in 2001.

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[6] In table IV-4, the "East region" consists of the following customs districts: Baltimore, MD; Boston, MA; Charleston, SC; Charlotte, NC; New York, NY; Norfolk, VA; Philadelphia, PA; Portland, ME; Providence, RI; Savannah, GA; St. Albans, VT; Wilmington, NC; Savannah, GA; and Washington, DC. The "Great Lakes region" consists of the following customs districts: Buffalo, NY; Chicago, IL; Cleveland, OH; Detroit, MI; Duluth, MN; Milwaukee, WI; Minneapolis, MN; Ogdensburg, NY; Pembina, ND; and St. Louis, MO. The "Gulf Coast region" consists of the following customs districts: Dallas/Ft. Worth, TX; Houston/Galveston, TX; Laredo, TX; Miami, FL; Mobile, AL; New Orleans, LA; Port Arthur, TX; San Juan, PR; Tampa, FL; and Virgin Islands of the United States. The "West region" consists of the following customs districts: Anchorage, AK; Columbia/Snake, OR; El Paso, TX; Great Falls, MT; Los Angeles, CA; San Diego, CA; San Francisco, CA; Seattle, WA; Honolulu, HI; and Nogales, AZ.

Table IV-4
PVA: Subject U.S. imports, by month and district of entry, 2001

Country/district of importation	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
	Quantity (*1,000 lbs.*)												
China													
East region	675	264	1,238	1,725	1,706	883	2,059	880	150	1,365	301	603	11,849
Great Lakes region	0	0	0	0	0	0	0	0	0	0	0	0	0
Gulf Coast region	0	0	0	0	0	0	0	0	0	0	0	0	0
West region	0	112	112	37	0	49	75	187	227	300	150	187	1,438
Total	675	376	1,351	1,763	1,706	931	2,134	1,067	377	1,665	450	790	13,287
Germany													
East region	0	143	230	115	167	95	50	202	194	41	170	58	1,467
Great Lakes region	89	129	86	43	129	43	43	43	86	86	86	0	863
Gulf Coast region	0	0	0	83	0	33	33	89	90	0	0	50	378
West region	0	43	11	0	41	0	0	0	0	0	0	0	95
Total	89	316	328	241	337	172	126	335	370	127	256	108	2,804
Japan													
East region	119	71	72	93	36	104	109	37	70	113	55	267	1,144
Great Lakes region	181	88	316	40	137	58	215	152	170	182	67	130	1,737
Gulf Coast region	182	221	453	295	185	323	421	111	316	301	229	255	3,291
West region	38	198	89	16	9	5	117	11	41	78	54	36	693
Total	520	578	930	443	367	490	862	310	597	674	405	688	6,865
Korea													
East region	269	229	379	446	142	213	88	243	97	66	194	293	2,660
Great Lakes region	0	0	0	0	0	0	31	62	31	0	0	31	155
Gulf Coast region	0	0	0	0	0	0	30	0	30	31	31	0	121
West region	91	35	0	149	0	28	32	60	63	171	166	58	854
Total	360	265	379	595	142	241	180	365	221	269	391	382	3,789
Singapore													
East region	0	0	1	1	0	0	0	0	0	3	3	0	7
Great Lakes region	0	96	0	0	0	0	4	0	0	212	0	0	312
Gulf Coast region	0	0	0	0	0	0	0	0	0	0	0	0	0
West region	0	0	0	2	0	0	0	0	0	0	0	0	2
Total	0	96	1	3	0	0	4	0	0	214	3	0	322
Total	1,644	1,631	2,989	3,045	2,552	1,834	3,306	2,077	1,565	2,949	1,505	1,968	27,067

Source: Compiled from Commerce statistics.

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of PVA are based on U.S. producers' shipments as reported in the Commission's questionnaires and imports as recorded by the Department of Commerce. Data on total apparent U.S. consumption are presented in table IV-5. Data on only apparent U.S. consumption in the commercial market are presented in table IV-6.

U.S. MARKET SHARES

Data on market shares in the total U.S. market for PVA are presented in table IV-7. Data on U.S. commercial market shares only are presented in table IV-8.

Table IV-5
PVA: U.S. shipments of domestic product, U.S. imports, by source, and apparent U.S. consumption, 1999-2001, January-June 2001, and January-June 2002

Item	Calendar year			January-June	
	1999	2000	2001	2001	2002
			Quantity (*1,000 lbs.*)		
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
China	15,198	19,588	13,287	6,802	7,221
Germany	1,319	1,774	2,804	1,482	947
Japan	6,814	8,128	6,865	3,328	4,186
Korea	480	2,584	3,789	1,981	1,758
Singapore	33	96	322	100	325
Subtotal	23,844	32,170	27,067	13,694	14,437
All others	19,028	26,140	23,754	12,260	10,572
Total imports	42,872	58,310	50,821	25,954	25,009
Apparent U.S. consumption	***	***	***	***	***
			Value (*$1,000*)		
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
China	8,768	11,968	10,227	5,095	4,513
Germany	1,578	1,897	2,664	1,360	877
Japan	12,793	14,297	11,006	5,854	5,961
Korea	355	1,986	3,215	1,629	1,413
Singapore	37	99	170	81	211
Subtotal	23,532	30,247	27,282	14,019	12,974
All others	19,664	24,013	25,804	13,411	9,740
Total imports	43,196	54,260	53,086	27,430	22,714
Apparent U.S. consumption	***	***	***	***	***

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

Source: Compiled from data submitted in response to Commission questionnaires and from Commerce statistics.

Table IV-6
PVA: U.S. commercial market shipments of domestic product, U.S. imports, by source, and apparent U.S. commercial market consumption, 1999-2001, January-June 2001, and January-June 2002

Item	Calendar year			January-June	
	1999	2000	2001	2001	2002
			Quantity (*1,000 lbs.*)		
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
China	15,198	19,588	13,287	6,802	7,221
Germany	1,319	1,774	2,804	1,482	947
Japan	6,814	8,128	6,865	3,328	4,186
Korea	480	2,584	3,789	1,981	1,758
Singapore	33	96	322	100	325
Subtotal	23,844	32,170	27,067	13,694	14,437
All others	19,028	26,140	23,754	12,260	10,572
Total imports	42,872	58,310	50,821	25,954	25,009
Apparent U.S. consumption	***	***	***	***	***
			Value (*$1,000*)		
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
China	8,768	11,968	10,227	5,095	4,513
Germany	1,578	1,897	2,664	1,360	877
Japan	12,793	14,297	11,006	5,854	5,961
Korea	355	1,986	3,215	1,629	1,413
Singapore	37	99	170	81	211
Subtotal	23,532	30,247	27,282	14,019	12,974
All others	19,664	24,013	25,804	13,411	9,740
Total imports	43,196	54,260	53,086	27,430	22,714
Apparent U.S. consumption	***	***	***	***	***

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

Source: Compiled from data submitted in response to Commission questionnaires and from Commerce statistics.

Table IV-7
PVA: Apparent U.S. consumption and market shares, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

Table IV-8
PVA: Apparent U.S. commercial market consumption and market shares, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

The main raw materials used in the production of PVA are ethylene, acetic acid, and methanol, or VAM and methanol. Ethylene and acetic acid are combined to produce VAM which is polymerized and combined with methanol to produce PVA. Raw material costs are discussed in Part VI. The petitioners reported that the costs of inputs increased by *** per pound between 1999 and 2001, largely because the increased cost of natural gas which is used to produce of ethylene.

U.S. Inland Transportation Costs and Geographic Markets

Transportation costs from the subject countries to the U.S. market are estimated to be as follows: China–14.0 percent, Germany–7.1 percent, Japan–10.5 percent, Korea–12.5 percent, and Singapore–20.8 percent of the total delivered value of PVA. U.S. producers reported that U.S. inland transportation costs accounted for 2 to 5 percent of the total delivered value of PVA. Ten importers reported U.S. inland transportation costs; 6 of these reported that they accounted for 1 to 5 percent of the total delivered value of PVA, 2 reported that transportation costs were zero, and 2 reported that transportation costs were over 6 percent.

Producers reported selling nationwide. Nine importers provided usable responses to this question; only 1, ***, reported selling nationwide, while the others reported serving markets only in sections of the United States. Producers and importers were also requested to provide estimates of the percentages of their shipments that were made within specified distance ranges. The U.S. producers reported that between *** and *** percent were shipped within 100 miles, *** and *** percent were shipped within 101 to 1,000 miles, and *** and *** percent were shipped over 1,000 miles. Of the 9 responding importers, 5 reported selling 80 to 100 percent of shipments within 100 miles, 2 reported selling 89 to 100 percent within 101 to 1,000 miles, and 1 reported selling 100 percent at distances over 1,000 miles.[1]

Exchange Rates

Quarterly exchange rates reported by the International Monetary Fund and the St. Louis Federal Reserve Bank for the 5 subject countries during the period January 1999-June 2002 are shown in figure V-1.

PRICING PRACTICES

Pricing Methods

Available information from the conference and questionnaires reveals that sales of PVA in the United States more frequently are contract rather than spot sales, although spot sales are common. Celanese reported that *** percent of its sales were contract sales and DuPont reported that *** percent of its sales were on contract. Contracts were typically ***, with quantities or the shares of purchases set. As prices tend to fluctuate, most contracts had a meet-or-release provision and truckload minimum

[1] The other importer shipped 60 percent of its PVA between 101 and 1,000 miles.

orders. Eight importers reported how they sold PVA. Of these 8 firms, half sold mainly by contract and the other half sold mainly in the spot market, with 3 selling only by contract and 2 selling only in the spot market. Six importers reported contract conditions. There was a wider range of contract durations than for the U.S. producers, with 3 reporting contracts of 3 months or less and 3 reporting contracts of 1 to 2 years. Three importers reported that both price and quantity were fixed in the contract, 2 reported fixed prices, and 1 reported that it varied. Two firms reported meet-or-release provisions, but the other 4 reported none. Three of the 6 importers reported no minimum quantity.

Figure V-1
Exchange rates: Indices of the nominal and real exchange rates (when available) of the subject countries relative to the U.S. dollar, by quarters, January 1999-June 2002

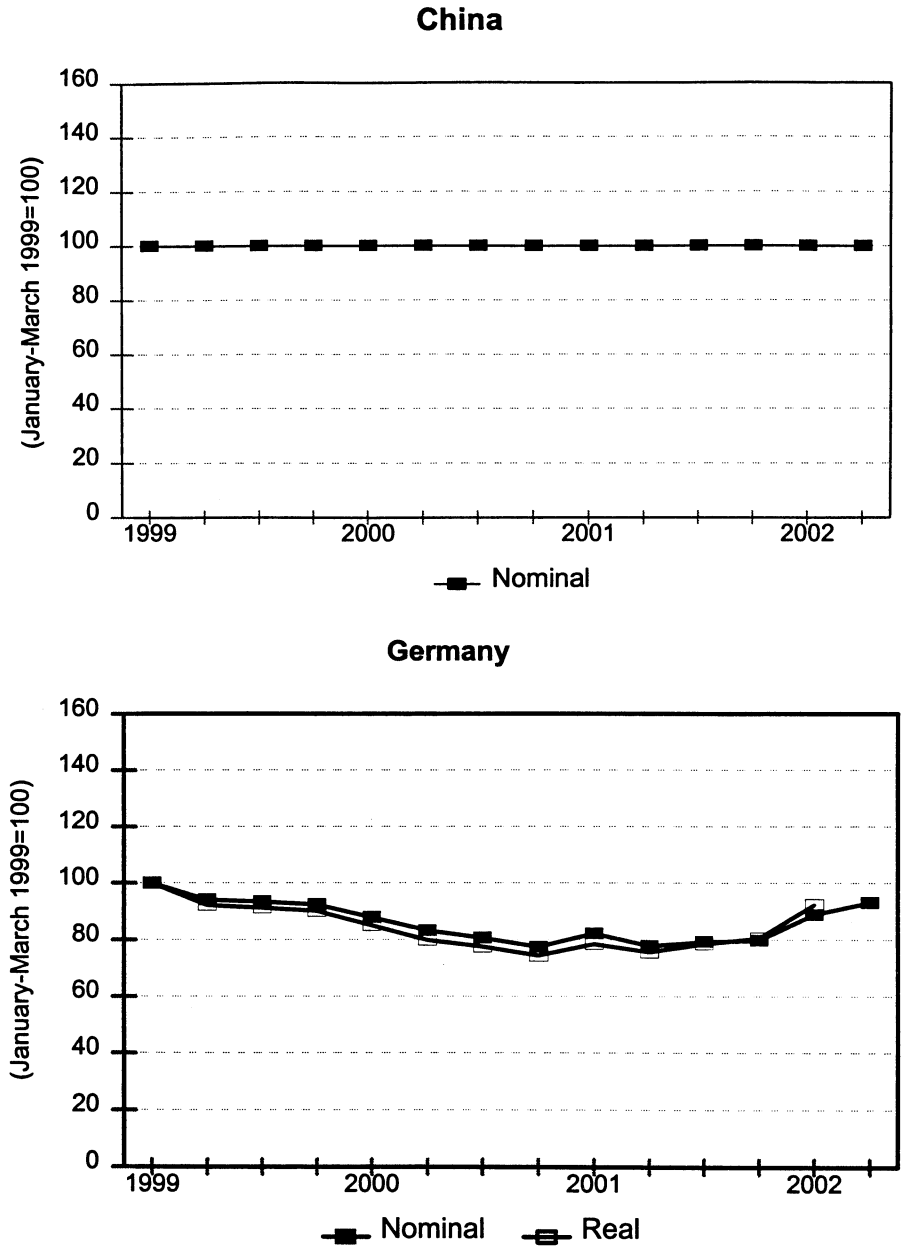


Figure continued on next page.

Figure V-1--*Continued*
Exchange rates: Indices of the nominal and real exchange rates (when available) of the subject countries relative to the U.S. dollar, by quarters, January 1999-June 2002

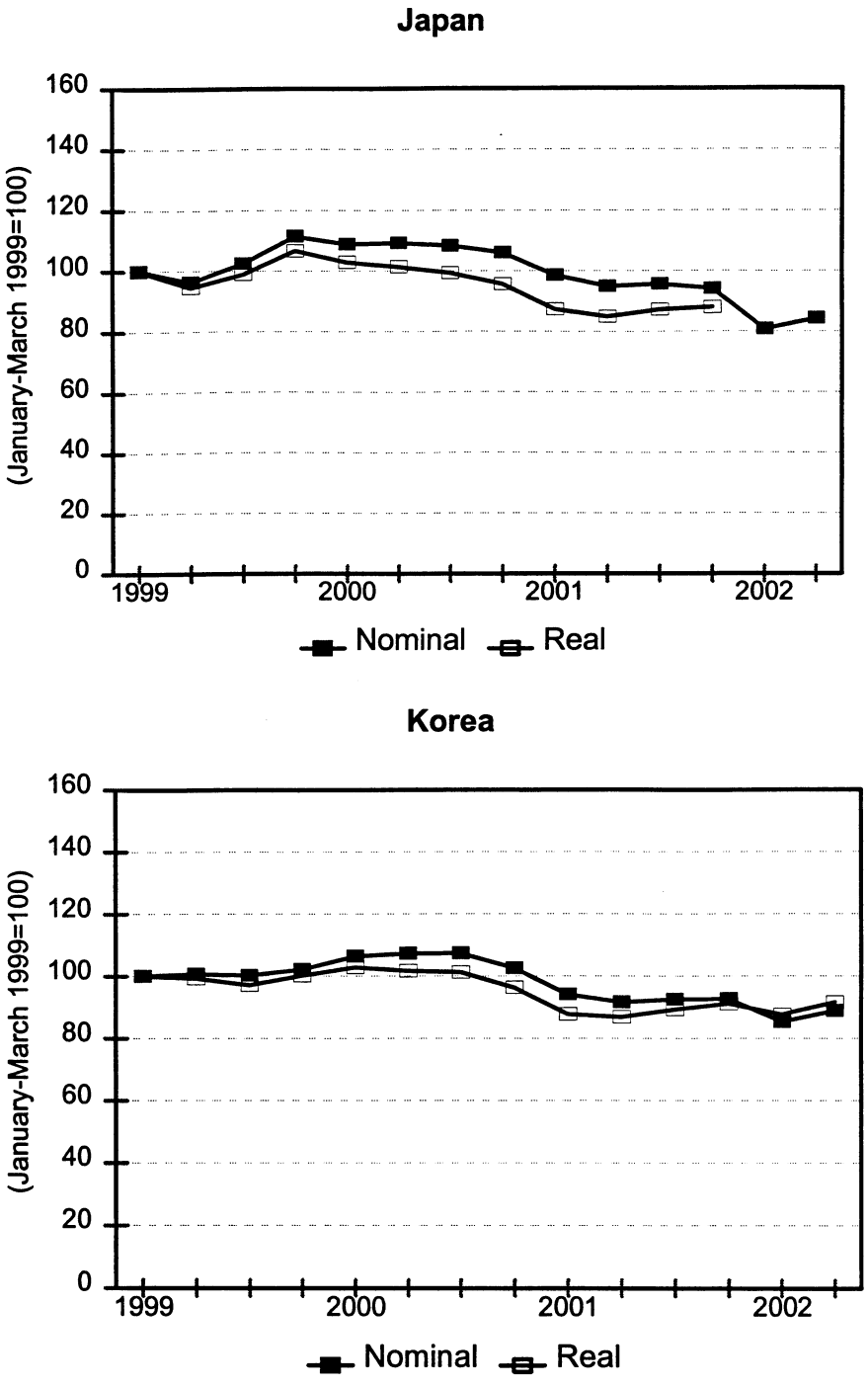
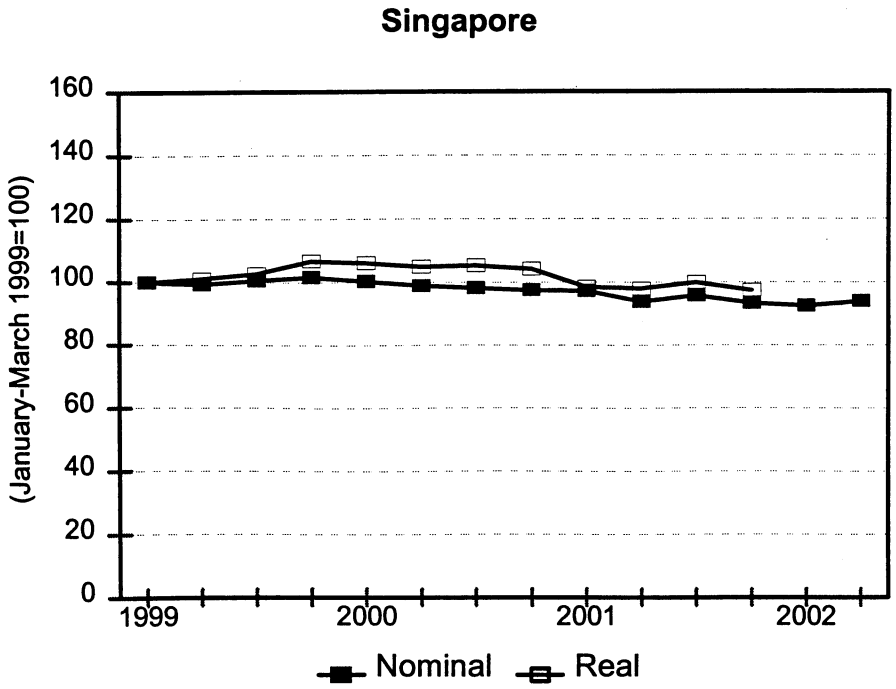


Figure continued on next page.

Figure V-1--*Continued*
Exchange rates: Indices of the nominal and real exchange rates (when available) of the subject countries relative to the U.S. dollar, by quarters, January 1999-June 2002



Source: International Monetary Fund, *International Financial Statistics*, May 2002 and St. Louis Federal Reserve Bank, *http://research.stlouisfed.org/fred/data/exchange.html, September 16, 2002.*

Sales Terms and Discounts

Celanese reported ***. DuPont reported ***. Nine importers reported price-setting and discount policies. Four reported transaction-by-transaction pricing, 2 reported market pricing, 1 reported transaction-by-transaction pricing and contract pricing, 1 reported contract pricing, and 1 reported negotiations for new products but that the price of existing products is based on raw material costs. Seven reported no discounts or no discount policy, 2 reported some quantity discounts, and 1 reported that it ***. Both producers and 7 of 9 responding importers reported sales terms of net 30 days. Celanese reported *** sales and DuPont reported *** sales; 6 of the 8 responding importers sold delivered, 1 sold f.o.b., and 1 sold delivered duty paid.

PRICE DATA

The Commission requested that U.S. producers and importers provide quarterly data for the total quantity and value of four PVA products that they sold. Data were requested for the period January 1999 through June 2002. The products for which pricing data were requested are as follows:

Product 1.–PVA for use in textile applications with a range of hydrolysis between 95-100 (percent) and a viscosity between 20-35 (centipois)

Product 2.–PVA for use in adhesive applications with a range of hydrolysis between 80-89 (percent) and a viscosity between 20-35 (centipois)

Product 3.–PVA for use in paper applications with a range of hydrolysis between 95-100 (percent) and a viscosity between 20-35 (centipois)

Product 4.–PVA for use in adhesives applications with a range of hydrolysis between 80-89 (percent) and a viscosity between 0-19 (centipois)

Two U.S. producers and 9 importers provided usable pricing data for sales or purchases of the requested products in the U.S. market, although not all firms reported pricing data for all products for all quarters. Selling price data reported by the U.S. producers and importers accounted for *** percent of the quantity of U.S. commercial shipments of PVA during 1999-2001, *** percent of the imports from China, *** percent of the imports from Germany, *** percent of the imports from Japan, *** percent of imports from Korea, and *** percent of imports from Singapore.[2]

Data on selling prices and quantities of products 1 through 4 sold by the U.S. producers and importers are presented in tables V-1 through V-4 and figure V-2. Table V-5 summarizes the pricing data and table V-6 summarize the data on margins.

Table V-1
PVA: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, January 1999-June 2002

* * * * * * *

Table V-2
PVA: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 1999-June 2002

* * * * * * *

Table V-3
PVA: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, January 1999-June 2002

* * * * * * *

Table V-4
PVA: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 and margins of underselling/(overselling), by quarters, January 1999-June 2002

* * * * * * *

[2] These coverage shares use Commerce statistics as the basis for imports. Singapore's export statistics and importers indicate that imports from Singapore are higher than reported in Commerce statistics. Importer questionnaires and Bruce Malashevich, Economic Consulting Services, conference transcript, p. 82.

Figure V-2
PVA: Prices of U.S.-produced and subject imported products, by product and by quarters, January 1999-June 2002

* * * * * * *

Table V-5
PVA: Summary of weighted-average f.o.b. prices for products 1 through 4, by countries

* * * * * * *

Table V-6
PVA: Summary of underselling/overselling

* * * * * * *

LOST SALES AND LOST REVENUES

Celanese and DuPont provided 7 allegations of lost sales and 18 allegations of lost revenues due to imports of PVA from China, Germany, Japan, and Korea.[3] There were no lost sales or lost revenue allegations with respect to product from Singapore. Purchasers were contacted on all the allegations; responses were received for 4 lost sales and 12 lost revenue allegations. No lost sales and 4 lost revenue allegations were confirmed by purchasers, and 3 lost sales and 8 lost revenue allegations were denied by purchasers. One purchaser neither agreed nor disagreed with one of the lost sales allegations. The reported allegations of lost sales totaled ***, and alleged lost revenues totaled $***. The lost sales and lost revenues allegations are reported in tables V-7 and V-8, respectively.

Table V-7
PVA: Lost sales allegations

* * * * * * *

Table V-8
PVA: Lost revenues allegations

* * * * * * *

[3] In addition to the lost sales and lost revenue allegations listed, the U.S. producers gave examples in which the information was not clear enough to check with the purchasers; where customers had not yet responded to the quote; or where no U.S. contact information was provided. In addition, one producer reported some instances in which it was unable to implement an announced price increase. These examples and instances are not reported in this section.

PART VI: FINANCIAL CONDITION OF THE U.S. PRODUCERS

BACKGROUND

Two U.S. firms, Celanese and DuPont, provided financial data on their commercial operations on PVA as well as financial data covering PVA they consumed within their operations. A third firm, Solutia, provided financial data relating to its captive consumption of PVA.[1] These data accounted for all known U.S. production of PVA in 2001.

Celanese acquired the PVA business of Air Products on September 29, 2000.[2] DuPont has produced PVA for many years. Solutia was formed when Monsanto spun off its specialty chemical operations in 1997. Solutia produces and consumes its PVA for the production of PVB.

OPERATIONS ON PVA

The aggregated results of Celanese, DuPont, and Solutia with respect to their operations on PVA are presented in table VI-1. No firm reported transferring PVA to related parties, although each reported at least some internal consumption. The aggregate net sales quantity and value, operating income, and operating income margin decreased in 2000 compared to 1999, and also decreased in 2001 compared to 2000. Net sales value on a per-pound basis declined over the three-year period. The per-pound value of cost of goods sold increased in 2000 compared to 1999, caused by an increase in the per-pound value of raw material partially offset by a decrease in the per-pound value of other factory costs, resulting in a lower operating income per pound. The cost of goods sold per pound increased in 2001 compared to 2000, caused by an increase in the per-pound value of other factory costs partially offset by a decrease in the per-pound value of raw material costs, which resulted in an operating loss per pound.

Table VI-1
Results of operations of Celanese, DuPont, and Solutia with respect to PVA, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

The net sales quantity increased substantially in interim 2002 compared to interim 2001; however, the net sales value increased only slightly because of a lower per-pound net sales value. The per-pound operating loss improved in interim 2002 due to a decrease in the per-pound value of both raw material and other factory costs, which together exceeded the decrease in the per-pound net sales value.

Table VI-2 presents sales and cost data on a firm-by-firm basis.[3] Table VI-3 presents per-pound values on a firm-by-firm basis. The decrease in the net sales quantity in 2001 compared to 2000 is ***. *** incurred a reduction in their operating income margin in 2000 compared to 1999; ***. *** also

---

[1] ***.

[2] Air Products sold its PVA business to Celanese for $326.0 million, realizing a gain of $126.8 million (Air Products 2001 Annual Report, SEC Form 10-K, exhibit 13, pp. 32-33).

[3] When responding to a Commission request to revise the original questionnaire to value internal consumption at market, DuPont also changed the value of the DuPont-produced raw material to market value. Commission staff used the internal consumption valued at market and the raw material valued at cost, as requested in the producers' questionnaire.

incurred a decrease in their operating income margin in 2001 compared to 2000; ***. *** had an improved operating income margin in interim 2002 compared to interim 2001; ***.

Table VI-2
Results of operations of Celanese, DuPont, and Solutia with respect to PVA, by firm, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

Table VI-3
Per pound values of Celanese, DuPont, and Solutia with respect to PVA, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

A variance analysis for the operations of Celanese, DuPont, and Solutia is presented in table VI-4. The information for this variance analysis is derived from table VI-1. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. This analysis is more effective when the product involved is a homogeneous product with no variation in product mix. The analysis shows that the decrease in operating income from 1999 to 2001 is due mainly to an increase in costs, primarily in 2001. The increase in operating income in interim 2002 compared to interim 2001 is due to costs decreasing in excess of the decrease in prices.

Table VI-4
Variance analysis on results of operations of Celanese, DuPont, and Solutia with respect to PVA, 1999-2001, and January-June 2001-2002

* * * * * * *

The combined results of open-market sales of Celanese and DuPont on their PVA operations are presented in table VI-5. ***.

Table VI-5
Results of open-market operations of Celanese and DuPont with respect to PVA, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

A variance analysis for the open-market operations of Celanese and DuPont is presented in table VI-6. The information for this variance analysis is derived from table VI-5. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. This analysis is more effective when the product involved is a homogeneous product with no variation in product mix. The analysis shows that the ***.

Table VI-6
Variance analysis on results of open-market operations of Celanese and DuPont with respect to PVA, 1999-2001, and January-June 2001-2002

* * * * * * *

INVESTMENT IN PRODUCTIVE FACILITIES, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures, research and development ("R&D") expenses, and the value of fixed assets, by firm, are shown in table VI-7. Capital expenditures increased in each comparative period except interim 2002. R&D expenses were relatively stable throughout the period except interim 2002 because of an increase by ***.

Table VI-7
Capital expenditures, research and development expenses, and value of assets of Celanese, DuPont, and Solutia with respect to PVA, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of PVA from China, Germany, Japan, Korea, and/or Singapore on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix D.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN CHINA

Table VII-1 presents data for reported production and shipments of PVA for China. The Commission requested data from three firms believed to export to the United States, which were listed in the petition.[1] The Chinese producer Sinopec Sichuan Vinylon Works ("Sichuan") accounts for 100 percent of China's exports of PVA to the United States.[2]

Sichuan reported that *** percent of its total sales in the most recent fiscal year were sales of PVA.[3] From 1999 to 2001, Sichuan's share of total shipments being exported to the United States *** by *** percent as did its share of total shipments being exported to other world markets. During this period its internal consumption of PVA increased by ***. Sichuan's capacity remained constant throughout the period examined and is projected to *** in 2003 ***. Its production decreased steadily throughout 1999-2001 and is projected to *** in 2003 ***. *** are Sichuan's largest U.S. importers of PVA.

Sichuan contends that *** are intended to fill an ever-expanding Asian demand for PVA.[4] It states that demand has increased in recent years and will continue to increase because of the creation and relocation of many textile producers in China. Moreover, Sichuan contends that PVA has been approved in China to be used as a replacement for asbestos in construction. In support of these contentions, Sichuan points to the fact that China has been a net importer of PVA in 1999, 2001, and interim 2002.[5]

Table VII-1
PVA: China's reported production capacity, production, shipments, and inventories, 1999-2001, January-June 2001, January-June 2002, and projections for 2002 and 2003

* * * * * * *

[1] The Commission also received questionnaire responses from: ***. The questionnaire responses of these firms contained no useable or partial data and were therefore excluded from table VII-1. Morever, ***.

[2] Sichuan contends that other Chinese producers cannot meet the quality standards necessary to enter the U.S. market. Sichuan's postconference brief, p. 4. Wego, an importer of Chinese product, contends that the product that it imports from Sichuan can only be used for low-end applications such as paper and textiles. Wego's postconference brief, p. 6.

[3] Sichuan reported that of the PVA it produced in 2001, ***.

[4] Sichuan's postconference brief, p. 4.

[5] *Id.* at app. A (official Chinese import-export statistics).

THE INDUSTRY IN GERMANY

Table VII-2 presents data for reported production and shipments of PVA for Germany. The Commission requested data from one firm, Kuraray Specialties Europe GmbH ("Kuraray Europe"), which was listed in the petition and accounts for 100 percent of PVA production in Germany.

Kuraray Europe reported that *** percent of its total sales in the most recent fiscal year were sales of PVA.[6] From 1999 to 2001, Kuraray Europe's share of total shipments being exported to the United States *** by *** percent and its share of total shipments being exported to other world markets[7] *** by *** percent. During this period, both its internal consumption and home-market sales of PVA decreased. Kuraray Europe's capacity increased by approximately *** pounds in 2001 and is projected to *** in 2002 ***.[8] Its production increased steadily throughout 1999-2001 and is projected to *** in 2002. *** accounts for 100 percent of U.S. imports of PVA from Germany.

Table VII-2
PVA: Germany's reported production capacity, production, shipments, and inventories, 1999-2001, January-June 2001, January-June 2002, and projections for 2002 and 2003

* * * * * * *

THE INDUSTRY IN JAPAN

Table VII-3 presents data for reported production and shipments of PVA in Japan. The Commission requested data from six firms[9] which were listed in the petition. The Commission received four questionnaire responses from firms which are believed to account for the majority of PVA production in Japan.

From 1999 to 2001, Japanese producers' share of total shipments being exported to the United States was small and remained constant.[10] During this period, their total shipments to Asia and Europe, internal consumption, and home-market shipments all remained relatively constant. Japanese producers' capacity decreased by approximately *** pounds from 1999 to 2001 and is projected to *** in 2002 *** in 2003. Production decreased steadily throughout 1999-2001 and is projected to *** by 2003. *** are among the largest U.S. importers of Japanese PVA.

Table VII-3
PVA: Japan's reported production capacity, production, shipments, and inventories, 1999-2001, January-June 2001, January-June 2002, and projections for 2002 and 2003

* * * * * * *

---

[6] Kuraray Europe reported that of the PVA it produced in 2001, ***.

[7] Kuraray Europe's primary market is ***.

[8] The petition contained an October 2001 press clipping in which it is reported that Kuraray Europe's increases in capacity and production would be aimed at "target[ing] the market in North America." Petition, vol. II, app. G. Kuraray Europe responded that its intention is to produce and to supply to the U.S. market specialty-grade PVA that other PVA producers are not able to produce. Kuraray's postconference brief, app. 2, answers to questions from the staff, p. 3.

[9] These firms are: ***.

[10] As reported by Japanese producers, PVA manufactured in Japan was used for all of the end-use applications listed in the Commission's questionnaire (emulsion polymerization, paper, adhesives, textiles, PVB, and other).

THE INDUSTRY IN KOREA

Table VII-4 presents data for reported production and shipments of PVA for Korea. The Commission requested data from one firm, DC Chemical Co., Ltd. ("DC Chemical"), which was listed in the petition and accounts for 100 percent of PVA production in Korea.

DC Chemical reported that *** percent of its total sales in the most recent fiscal year were sales of PVA.[11] From 1999 to 2001, DC Chemical's share of total shipments being exported to the United States *** by *** percentage points; however, its share of total shipments being exported to other world markets[12] *** by *** percentage points. During this period, both its internal consumption and home-market sales of PVA decreased. DC Chemical's capacity remained constant, but is projected to *** in 2002 by *** pounds. Its production decreased steadily throughout 1999-2001 and is projected to *** in 2002, ***.[13] *** are the major U.S. importers of Korean PVA.

Table VII-4
PVA: Korea's reported production capacity, production, shipments, and inventories, 1999-2001, January-June 2001, January-June 2002, and projections for 2002 and 2003

* * * * * * *

THE INDUSTRY IN SINGAPORE

Table VII-5 presents data for reported production and shipments of PVA for Singapore. The Commission requested data from one firm, Poval Asia Pte, Ltd. ("Poval"), which was listed in the petition and accounts for 100 percent of PVA production in Singapore. Poval is a joint venture between Kuraray and Nippon Gohsei, both of which are Japanese producers of PVA.

Poval reported that *** percent of its total sales in the most recent fiscal year were sales of PVA.[14] From 1999 to 2001, Poval's exports to the United States accounted for between *** percent and *** percent of its total exports of PVA, but increased from *** during that period.[15] Its total shipments exported to other world markets also increased, by *** percent. From 1999 to 2001, Poval's capacity increased by *** pounds, but it is projected to *** in 2002 and 2003.[16] Its production increased by *** pounds from 1999 to 2001 and is projected to *** in 2003 ***. *** are the U.S. importers of Singaporean PVA.

---

[11] DC Chemical ***.

[12] DC Chemical's primary markets are ***.

[13] OCI International points out that Korea was a net importer of PVA during the entire period examined. OCI's postconference brief, p. 13.

[14] Poval produces only *** grades of PVA in Singapore (***). According to Poval, only *** of these grades have been sold in the United States and have been used in emulsion polymerization applications. Poval's postconference brief, p. 37.

[15] Data showing exports from Singapore are taken from Singapore Trade Statistics, StatLink. See Poval's postconference brief, exhibit 31. Reliance on public export data was necessary because Poval *** in its questionnaire response. ***.

[16] The petition contained a press clipping in which it reported that Poval would be greatly increasing its capacity to produce PVA. Petition, vol. II, app. G. Poval responded that the news report is invalid and outdated, and that ***. Poval's postconference brief, p. 39.

Table VII-5
PVA: Singapore's reported production capacity, production, shipments, and inventories, 1999-2001, January-June 2001, January-June 2002, and projections for 2002 and 2003

* * * * * * *

U.S. IMPORTERS' INVENTORIES

Reported inventories held by U.S. importers of subject merchandise from China, Germany, Japan, Korea, and Singapore are shown in table VII-6.

Table VII-6
PVA: U.S. importers' end-of-period inventories of imports, by source, 1999-2001, January-June 2001, and January-June 2002

* * * * * * *

U.S. IMPORTERS' IMPORTS SUBSEQUENT TO JUNE 30, 2002

The Commission requested importers to indicate whether they imported or arranged for the importation of PVA from either China, Germany, Japan, Korea, or Singapore after June 30, 2002. Eight of the 15 responding importers reported that they had imported PVA from a subject country subsequent to June 30, 2002. The tabulation below shows the importer, the quantity of PVA imported subsequent to June 30, 2002, and the country of origin of the imports.

* * * * * * *

DUMPING IN THIRD-COUNTRY MARKETS

On August 18, 1998, Korea imposed antidumping duties ranging from 27.0 percent to 37.5 percent on PVA from Japan. The antidumping duties were imposed retroactively to become effective on April 10, 1998 and are scheduled to have a duration of 5 years.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731–TA–1014–1018 (Preliminary)]

Polyvinyl Alcohol From China, Germany, Japan, Korea, and Singapore

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping investigations Nos. 731-TA–1014–1018 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China, Germany, Japan, Korea, and Singapore of polyvinyl alcohol, provided for in subheading 3905.30.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by October 21, 2002. The Commission's views are due at Commerce within five business days thereafter, or by October 28, 2002.

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

EFFECTIVE DATE: September 5, 2002.

FOR FURTHER INFORMATION CONTACT: Christopher J. Cassise (202–708–5408), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS–ON–LINE) at *http://dockets.usitc.gov/eol/public.*

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on September 5, 2002, by Celanese Chemicals, Ltd. of Dallas, TX and E.I. DuPont de Nemours & Co. of Wilmington, DE.

Participation in the Investigations and Public Service List

Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

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

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigation under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on September 26, 2002, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Christopher J. Cassise (202–708–5408) not later than September 23, 2002, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before October 1, 2002, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

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

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

Issued: September 9, 2002.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 02–23349 Filed 9–12–02; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–428–836, A–588–861, A–570–879, A–580–850, A–559–807]

Notice of Initiation of Antidumping Duty Investigations: Polyvinyl Alcohol From Germany, Japan, the People's Republic of China, the Republic of Korea, and Singapore

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

ACTION: Initiation of antidumping duty investigations.

EFFECTIVE DATE: October 1, 2002.

FOR FURTHER INFORMATION CONTACT: David Goldberger (Singapore, Republic of Korea) at (202) 482–4136, and Michael Strollo (Germany, Japan, the People's Republic of China) at (202) 482–0629, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

Initiation of Investigations

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department of Commerce's ("the Department's") regulations are references to the provisions codified at 19 CFR part 351 (2002).

The Petitions

On September 5, 2002, the Department received petitions filed in proper form by Celanese Chemicals Ltd. and E.I. Dupont de Nemours & Co. (collectively, "the petitioners"). The Department received supplemental information to the petitions from September 16 through 20, 2002.

In accordance with section 732(b)(1) of the Act, the petitioners allege that imports of polyvinyl alcohol ("PVA") from Germany, Japan, the People's Republic of China ("the PRC"), the Republic of Korea ("Korea"), and Singapore are, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that imports from Germany, Japan, Korea and the PRC, are materially injuring, or are threatening to materially injure an industry in the United States.[1]

The Department finds that the petitioners filed these petitions on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) of the Act and they have demonstrated sufficient industry support with respect to each of the antidumping investigations that they are requesting the Department to initiate. *See infra,* "Determination of Industry Support for the Petitions."

[1] We note that the petitioners have only alleged that imports from Singapore are threatening to materially injure an industry in the United States.

Scope of Investigations

The merchandise covered by these investigations is polyvinyl alcohol. This product consists of all polyvinyl alcohol hydrolyzed in excess of 80 percent, whether or not mixed or diluted with commercial levels of defoamer or boric acid. Polyvinyl alcohol in fiber form is not included in the scope of these investigations. The merchandise under investigation is currently classifiable under subheading 3905.30.00 of the *Harmonized Tariff Schedule of the United States* ("HTSUS"). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

As discussed in the preamble to the Department's regulations (*Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for parties to raise issues regarding product coverage. The Department encourages all parties to submit such comments within 20 calendar days of publication of this notice. Comments should be addressed to Import Administration's Central Records Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determinations.

Determination of Industry Support for the Petitions

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that the Department's industry support determination, which is to be made before the initiation of the investigation, be based on whether a minimum percentage of the relevant industry supports the petition. A petition meets this requirement if the domestic

producers or workers who support the petition account for: (1) At least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall either poll the industry or rely on other information in order to determine if there is support for the petition.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law.[2]

Section 771(10) of the Act defines the 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 title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

We reviewed the description of the domestic like product presented in the petitions. Based upon our review of the petitioners' claims, we concur that there is a single domestic like product, which is defined in the "Scope of Investigations" section above. This is consistent with the Department's determinations in past investigations to treat all PVA products as a single class or kind of merchandise. *See, e.g., Notice of Antidumping Orders: Polyvinyl Alcohol From Japan, the People's Republic of China, and Taiwan,* 61 FR 24286 (May 14, 1996).

Finally, the Department has determined that, pursuant to section 732(c)(4)(A) of the Act, the petitions contain adequate evidence of industry support and, therefore, polling is unnecessary. *See* the Import Administration Antidumping Investigations Initiation Checklist, Industry Support section, September 25, 2002 (the "Initiation Checklist"), on file in the Central Records Unit, Room B–099 of the main Department of Commerce building.

For all countries, we determined that the petitioners have demonstrated industry support representing over 50 percent of total production of the domestic like product. Therefore, the domestic producers or workers who support the petitions account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) of the Act are met. Furthermore, because the Department received no opposition to the petitions, the domestic producers or workers who support the petitions account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for or opposition to the petitions. Thus, the requirements of section 732(c)(4)(A)(ii) are also met. Accordingly, we determine that these petitions are filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

Initiation Standard for Cost Investigations

Pursuant to section 773(b) of the Act, the petitioners provided information demonstrating reasonable grounds to believe or suspect that sales in the home markets of Germany, Japan, Korea, and Singapore were made at prices below the cost of production ("COP") and, accordingly, requested that the Department conduct country-wide sales-below-COP investigations in connection with these investigations. The Statement of Administrative Action ("SAA"), submitted to the Congress in connection with the interpretation and application of the URAA, states that an allegation of sales below COP need not be specific to individual exporters or producers. SAA, H.R. Doc. No. 103–316 at 833 (1994). The SAA, at 833, states that "Commerce will consider allegations of below-cost sales in the aggregate for a foreign country, just as Commerce currently considers allegations of sales at less than fair value on a country-wide basis for purposes of initiating an antidumping investigation."

Further, the SAA provides that section 773(b)(2)(A) of the Act retains the requirement that the Department have "reasonable grounds to believe or suspect" that below-cost sales have occurred before initiating such an investigation. Reasonable grounds exist when an interested party provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices. *Id.* We have analyzed the country-specific allegations as described below.

Export Price and Normal Value

The following are descriptions of the allegations of sales at less than fair value upon which the Department based its decision to initiate these investigations. The sources of data for the deductions and adjustments relating to U.S. and home market prices, constructed value ("CV"), and factors of production are discussed in greater detail in the Initiation Checklist. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we may re-examine the information and revise the margin calculations, if appropriate.

Regarding the information involving non-market economies ("NME"), the Department presumes, based on the extent of central government control in an NME, that a single dumping margin, should there be one, is appropriate for all NME exporters in the given country. In the course of these investigations, all parties will have the opportunity to provide relevant information related to the issues of a country's NME status and the granting of separate rates to individual exporters. *See, e.g., Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China,* 59 FR 22585 (May 2, 1994).

Germany

Export Price

The petitioners based export price ("EP") on price quotes within the POI for the sale of delivered PVA produced by Kuraray Europe from a U.S. distributor to a customer in the United States. The petitioners calculated a net U.S. price by deducting a distributor mark-up, international freight, brokerage and handling, and insurance expenses,

[2] *See Algoma Steel Corp. Ltd.*, v. *United States*, 688 F. Supp. 639, 642–44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32380–81 (July 16, 1991).

U.S. customs duties, U.S. inland freight from the warehouse to the customer, and U.S. credit expenses. We adjusted the petitioners' EP calculation by not deducting an amount for imputed U.S. credit expenses; instead, we made an adjustment to normal value ("NV"), in accordance with the Department's EP circumstance-of-sale calculation methodology.

Normal Value

With respect to NV, the petitioners provided home market price quotes within the POI for applications and grades comparable to the products exported to the United States which serve as the basis for EP. The petitioners made an adjustment to home market price for home market credit expenses. As noted above, we made a circumstance-of-sale adjustment for U.S. credit expenses. Moreover, we recalculated NV using exchange rates published by the Federal Reserve in accordance with our practice.

The petitioners have provided information demonstrating reasonable grounds to believe or suspect that sales of PVA in the home market were made at prices below the fully absorbed COP, within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales-below-cost investigation. Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing ("COM"); selling, general, and administrative expenses ("SG&A"); financial expenses; and packing expenses. The petitioners calculated COM based on their own production experience, adjusted for known differences between costs incurred to produce PVA in the United States and in Germany. To calculate SG&A and financial expenses, the petitioners relied upon amounts reported in the 2001 consolidated financial statements of Clariant Corporation, the predecessor to Kuraray Europe. Based upon a comparison of the prices of the foreign like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country-wide cost investigation.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, the petitioners also based NV for sales in Germany on CV. The petitioners calculated CV using the same COM, SG&A, and financial expense figures used to compute the German home market costs. Consistent with 773(e)(2) of the Act, the petitioners included in CV an amount for profit. For profit, the petitioners relied upon amounts reported in the German PVA producer's 2001 financial statements. The petitioners' calculation of profit was based on operating profit and not on the net income of the German PVA producer. Therefore, for initiation purposes, we have recalculated the CV profit rate to include non-operating items. Because this calculation resulted in a loss, we used a profit rate of zero. Should the need arise to use the profit rate provided by the petitioners as facts available under section 776 of the Act in our preliminary or final determination, we may re-examine the information and, if appropriate, revise the margin calculations. Finally, we adjusted the petitioners' CV to make a circumstance-of-sale adjustment for credit expenses, in accordance with our statutory EP calculation methodology.

The estimated dumping margin for Germany based on a comparison between the adjusted EP and home market price is 2.45 percent. The estimated dumping margin for Germany based on a comparison between the adjusted EP and CV is 19.05 percent.

Japan

Export Price

The petitioners based EP on price quotes within the POI for the sale of delivered adhesive-application and textile-application PVA produced by Kuraray Co., Ltd. of Japan (Kuraray) to customers in the United States. The petitioners calculated a net U.S. price for adhesive-application PVA by deducting international freight, brokerage and handling, and insurance expenses, U.S. customs duties, and U.S. inland freight from the warehouse to the customer. For textile-application PVA, the petitioners calculated a net U.S. price by deducting a distributor mark-up, international freight, brokerage and handling, and insurance expenses, U.S. customs duties, U.S. inland freight from the warehouse to the customer, and additional expenses incurred in the United States.

Normal Value

With respect to NV, the petitioners provided home market price quotes within the POI for applications and grades comparable to the products exported to the United States which serve as the basis for EP. The petitioners made an adjustment to home market price for home market credit expenses.

The petitioners have provided information demonstrating reasonable grounds to believe or suspect that sales of PVA in the home market were made at prices below the fully absorbed COP, within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales-below-cost investigation. Pursuant to section 773(b)(3) of the Act, COP consists of the COM, SG&A, financial expenses, and packing expenses. The petitioners calculated COM based on their own production experience, adjusted for known differences between costs incurred to produce PVA in the United States and in Japan. To calculate SG&A and financial expenses, the petitioners relied upon amounts reported in the 2001 consolidated financial statements of Kuraray. Based upon a comparison of the prices of the foreign like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country-wide cost investigation.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, the petitioners also based NV for sales in Japan on CV. The petitioners calculated CV using the same COM, SG&A, and financial expense figures used to compute the Japanese home market costs. Consistent with 773(e)(2) of the Act, the petitioners included in CV an amount for profit based upon Kuraray's 2001 financial statements. The petitioners made a circumstance-of-sale adjustment to CV for credit expenses.

The estimated dumping margins for Japan based on a comparison between EP and home market price range from 15.46 to 29.04 percent. The estimated dumping margins based on a comparison between EP and CV range from 118.46 to 144.16 percent.

Korea

Export Price

The petitioners based EP on price quotes within the POI for the sale of delivered PVA produced and sold by DC Chemical Co., Ltd. ("DC Chemical") to customers in the United States. The petitioners calculated a net U.S. price by deducting a distributor mark-up, international freight, brokerage and handling, and insurance expenses, U.S. customs duties, U.S. inland freight from the warehouse to the customer, and imputed U.S. credit expenses. We adjusted the petitioners' EP calculation by not deducting an amount for imputed U.S. credit expenses; instead, we made an adjustment to NV, in accordance with the Department's EP circumstance-of-sale calculation methodology.

Normal Value

With respect to NV, the petitioners provided a home market price quote within the POI for an application and grade comparable to the products exported to the United States which serve as the basis for EP. The petitioners made an adjustment to home market price for home market credit expenses. We revised the petitioners' calculation of home market credit expenses to base this expense on the Korean won price, rather than the U.S. dollar equivalent price. As noted above, we made a circumstance-of-sale adjustment for U.S. credit expenses. Moreover, we recalculated NV using exchange rates published by the Federal Reserve in accordance with our practice.

The petitioners have provided information demonstrating reasonable grounds to believe or suspect that sales of PVA in the home market were made at prices below the fully absorbed COP, within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales-below-cost investigation. Pursuant to section 773(b)(3) of the Act, COP consists of the COM, SG&A, financial expenses, and packing expenses. The petitioners calculated COM based on their own production experience, adjusted for known differences between costs incurred to produce PVA in the United States and in Korea. In order to calculate SG&A and financial expenses, the petitioners relied upon amounts reported in the 2001 financial statements of DC Chemical. Based upon a comparison of the prices of the foreign like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country-wide cost investigation.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, the petitioners also based NV for sales in Korea on CV. The petitioners calculated CV using the same COM, SG&A, and financial expense figures used to compute the Korean home market costs. Consistent with 773(e)(2) of the Act, the petitioners included in CV an amount for profit based upon DC Chemical's 2001 financial statements. The petitioners' calculation of profit was based on operating profit and not the net income of the Korean PVA producer. Therefore, for initiation purposes, we have recalculated the CV profit rate to include non-operating items. Because this calculation resulted in a loss, we used a profit rate of zero. Should the need arise to use the profit rate provided by the petitioners as facts available under section 776 of the Act in our preliminary or final determination, we may re-examine the information and, if appropriate, revise the margin calculations. Finally, we adjusted the petitioners' CV to make a circumstance-of-sale adjustment for credit expenses, in accordance with our statutory EP calculation methodology.

The estimated dumping margin for Korea based on a comparison of the adjusted EP and home market price is 25.41 percent. The estimated dumping margin based on a comparison between the adjusted EP and CV is 31.54 percent.

The PRC

Export Price

The petitioners based EP on price quotes within the POI for the sale of PVA produced in the PRC from a U.S. distributor to a customer in the United States. The petitioners calculated a net U.S. price by deducting a distributor mark-up, international freight, brokerage and handling, and insurance expenses, U.S. customs duties, and U.S. inland freight from the warehouse to the customer. The petitioners also adjusted net U.S. price for inland freight expenses in the PRC using a surrogate value for rail freight in accordance with our NME methodology.

Normal Value

The petitioners allege that the PRC is an NME country, and that in all previous investigations the Department has determined that the PRC is an NME. *See, e.g., Notice of Final Determination in the Less Than Fair Value Investigation of Steel Wire Rope From the People's Republic of China,* 66 FR 12759, 12761 (Feb. 28, 2001). In accordance with section 771(18)(c) of the Act, any determination that a foreign country has at one time been considered an NME shall remain in effect until revoked. Therefore, the PRC will continue to be treated as an NME unless and until its NME status is revoked. Pursuant to section 771(18)(C)(i) of the Act, because the PRC's status as an NME remains in effect, the petitioners determined the dumping margin using an NME analysis.

The petitioners assert that India is the most appropriate surrogate country for the PRC, claiming that India is: (1) A market economy; (2) a significant producer of comparable merchandise; and (3) at a level of economic development comparable to that of the PRC in terms of per-capita gross national income. Based on the information provided by the petitioners, we believe that the petitioners' use of India as a surrogate country is appropriate for purposes of initiation of this investigation.

The petitioners valued the factors of production using the quantities of inputs reported by the U.S. surrogate to produce PVA because current reliable information about PRC factor quantities was not reasonably available. The factors of production and usage amounts were derived from the actual production records of the U.S. surrogate generated for fully-hydrolyzed PVA during the period January through June 2002.

Values for vinyl acetate monomer, acetic acid, and steam were based on the 2000–2001 annual report of Vinyl Chemicals (India) Ltd., an Indian chemical producer. The value for methanol and certain other raw material inputs were based on the values reported in the publication *Chemical Weekly*. Electricity was valued using electricity purchases taken from the 2000–2001 annual report of VAM Organic Chemical Ltd. ("VOCL"), an Indian producer of PVA. All surrogate values that fell outside the anticipated period of investigation, which in the PRC case is January 1, 2002, through June 30, 2002, were adjusted for inflation.

The petitioners valued several material, labor, and energy inputs using U.S. producer costs rather than the costs of an Indian surrogate producer. We did not accept the valuation of certain of these inputs for purposes of initiation because non-U.S. surrogate prices were reasonably available to the petitioners. In addition, we did not accept the separate valuation of water and steam because these items appear to be included in the factory overhead rate derived from the surrogate producer's financial statements (see discussion of factory overhead below). Consequently, we recalculated NV to exclude each of the costs identified above because it is the most conservative approach in calculating an alleged dumping margin.

To determine factory overhead, SG&A, and financial expenses, the petitioners relied on rates derived from the financial statements of VOCL. Based on the information provided by the petitioners, we believe that the surrogate values represent information reasonably available to the petitioners and are acceptable for purposes of initiation of this investigation.

Based upon a comparison of EP to adjusted NV, the revised estimated dumping margin is 97.86 percent.

Singapore

Export Price

The petitioners based EP on the average customs unit value of PVA imports during the period July 2001 through June 2002, as the petitioners stated they were unable to obtain price data for U.S. imports from Singapore.

Normal Value

With respect to NV, the petitioners provided a range of prices for PVA sold in Singapore within the POI. For purposes of the petition, the petitioners used the lowest price in the range as a conservative estimate of the home market sales price for PVA. The petitioners made a circumstance-of-sale adjustment for credit expenses. We revised the petitioners' calculation of home market credit expenses to base this expense on the Singapore dollar price, rather than the U.S. dollar equivalent price.

The petitioners have provided information demonstrating reasonable grounds to believe or suspect that sales of PVA in the home market were made at prices below the fully absorbed COP, within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales-below-cost investigation. Pursuant to section 773(b)(3) of the Act, COP consists of the COM, SG&A, financial expenses, and packing expenses. The petitioners calculated COM based on their own production experience, adjusted for known differences between costs incurred to produce PVA in the United States and in Singapore. In order to calculate SG&A and financial expenses, the petitioners relied upon amounts reported in the 2001 unconsolidated financial statements of Chemical Industries Ltd., a Singaporean producer of comparable merchandise. We recalculated financial expenses based on the 2001 consolidated financial statements of this company. Based upon a comparison of the prices of the foreign like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country-wide cost investigation.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, the petitioners also based NV for sales in Singapore on CV. The petitioners calculated CV using the same COM, SG&A, and financial expense figures used to compute the Singapore home market costs. Consistent with 773(e)(2) of the Act, the petitioners calculated an amount for profit based upon Chemical Industries Ltd.'s 2001 financial statements. Because these statements showed a net loss, petitioners included a zero profit in CV. We recalculated financial expenses as noted above. Furthermore, the petitioners made a circumstance-of-sale adjustment to CV for credit expenses.

The estimated dumping margin for Singapore based on a comparison between the adjusted EP and home market price is 35.11 percent. The estimated dumping margin based on a comparison between the adjusted EP and CV is 61.94 percent.

Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of PVA from Germany, Japan, Korea, the PRC, and Singapore are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

With regard to Germany, Japan, Korea, and the PRC, the petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV. With respect to Singapore, while the imports from Singapore do not meet the statutory requirement for cumulation, in its analysis for threat, the petitioners allege that imports from Singapore will imminently account for more than three percent of all PVA imports of the subject merchandise and therefore are not negligible. See section 771(24)(A)(ii) of the Act.

The petitioners contend that the industry's injured condition is evident in the declining trends in net operating profits, net sales volumes, profit-to-sales ratios, production employment, and capacity utilization. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, lost sales, and pricing information. We have assessed the allegations and supporting evidence regarding material injury and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. *See* the Initiation Checklist.

Initiation of Antidumping Investigations

Based upon our examination of the petitions on PVA, we have found that they meet the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of PVA from Germany, Japan, Korea, the PRC, and Singapore are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended pursuant to section 733(b)(1)(A) of the Act, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of each petition has been provided to the representatives of the governments of Germany, Japan, Korea, the PRC, and Singapore. We will attempt to provide a copy of the public version of each petition to each exporter named in the petitions, as provided for under 19 CFR 351.203(c)(2).

ITC Notification

We have notified the ITC of our initiations as required by section 732(d) of the Act.

Preliminary Determinations by the ITC

The ITC will determine no later than October 21, 2002, whether there is a reasonable indication that imports of PVA from Germany, Japan, Korea, the PRC, and Singapore are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination for any country will result in the investigation being terminated with respect to that country; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: September 25, 2002.

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 02–24928 Filed 9–30–02; 8:45 am]

BILLING CODE 3510–DS–P

APPENDIX B

LIST OF CONFERENCE WITNESSES

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference:

Subject:	Polyvinyl Alcohol From China, Germany, Japan, Korea, and Singapore
Invs. Nos.:	731-TA-1014-1018 (Preliminary)
Date and Time:	September 26, 2002 - 9:30 a.m.

The conference was held in connection with these investigations in the Main Hearing Room, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Wilmer, Cutler & Pickering
Washington, DC
on behalf of

Celanese, Ltd.
E.I. du Pont de Nemours & Co.

Bruce Becker, Commercial Director, Polyvinyl Alcohol, Celanese, Ltd.
Bill Mandrona, Marketing Manager, Polyvinyl Alcohol, Celanese, Ltd.
Kathryn Kamins McCord, Global Business Director, Vinyl Products, E.I. du Pont de Nemours & Co.
Jack Welch, Vice President, Vinyls Enterprise, E.I. du Pont de Nemours & Co.

Ronald I. Meltzer)–OF COUNSEL
John D. Greenwald)

In Opposition to the Imposition of Antidumping Duties:

Williams Mullen
Washington, DC
on behalf of

Solutia, Inc.

Glenn S. Ruskin, Vice President, Public Affairs, Solutia Inc.
Mark P. Gold, Manager, Saflex Technology, Solutia Inc.
Holly Nylander Stuber, Commercial Counsel, Solutia Inc.

James R. Cannon, Jr.)–OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:–*Continued*

Sidley Austin Brown & Wood LLP
Washington, DC
on behalf of

Kuraray Co., Ltd.
Kuraray Specialties Europe GmbH
Poval Asia Pte., Ltd.

Bruce Malashevich, Economic Consulting Services
Shannon E. Grossman, Purchasing Manager, Occidental Chemical and Oxy Vinyl

Lawrence R. Walders)–OF COUNSEL

Lafave & Sailer LLP
Washington, DC
on behalf of

Marubeni Specialty Chemicals, Inc.

Al Lee, Director of Business Development, Marubeni Specialty Chemicals, Inc.
Ron Ruffer, Technical Support Specialist, Marubeni Specialty Chemicals, Inc.
Daniel Peterson, Executive Director of Thermal Research & Development, Appleton Papers, Inc.
David R. Schoneker, Director of Global Regulatory Affairs, Colorcon

Francis J. Sailer)–OF COUNSEL

Gardner, Carton & Douglas
Washington, DC
on behalf of

Wego Chemical & Mineral Corp.

Joseph Rabaglia, Product Manager, Polyvinyl Alcohol, Wego Chemical & Mineral Corp.

W.N. Harrell Smith, IV)–OF COUNSEL

Garvey Schubert Barer
Washington, DC
on behalf of

Sinopec Sichuan Vinylon Works

William E. Perry)–OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:–*Continued*

Dorsey & Whitney LLP
Washington, DC
on behalf of

H.B. Fuller Co.

Alan Longstreet, Vice President, North America, H.B. Fuller Co.
Joel Hedberg, General Counsel, H.B. Fuller Co.

Philippe M. Bruno)–OF COUNSEL

Barnes, Richardson & Colburn
Washington, DC
on behalf of

Clariant Corp.

Jeff Saeger, Product Manager, Surface Chemicals, Clariant Corp.

Matthew T. McGrath)–OF COUNSEL

Neville Peterson LLP
Washington, DC
on behalf of

OCI International, Inc.
DC Chemical Co., Ltd.

B.I. Cho, OCI International, Inc.
Steve Kwon, OCI International, Inc.

Lawrence J. Bogard)–OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
PVA: Summary data concerning the total U.S. market, 1999-2001, January-June 2001, and January-June 2002

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

	Reported data					Period changes			
				January-June					Jan.-June
Item	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	2001-2002
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Singapore	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Singapore	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
	***	***	***	***	***				
U.S. imports from--									
China:									
Quantity	15,198	19,588	13,287	6,802	7,221	-12.6	28.9	-32.2	6.2
Value	8,768	11,968	10,227	5,095	4,513	16.6	36.5	-14.5	-11.4
Unit value	$0.58	$0.61	$0.77	$0.75	$0.62	33.4	5.9	26.0	-16.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Germany:									
Quantity	1,319	1,774	2,804	1,482	947	112.6	34.5	58.1	-36.1
Value	1,578	1,897	2,664	1,360	877	68.8	20.1	40.5	-35.5
Unit value	$1.20	$1.07	$0.95	$0.92	$0.93	-20.6	-10.6	-11.2	0.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Japan:									
Quantity	6,814	8,128	6,865	3,328	4,186	0.7	19.3	-15.5	25.8
Value	12,793	14,297	11,006	5,854	5,961	-14.0	11.8	-23.0	1.8
Unit value	$1.88	$1.76	$1.60	$1.76	$1.42	-14.6	-6.3	-8.9	-19.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	480	2,584	3,789	1,981	1,758	690.2	438.9	46.6	-11.3
Value	355	1,986	3,215	1,629	1,413	805.7	459.4	61.9	-13.3
Unit value	$0.74	$0.77	$0.85	$0.82	$0.80	14.6	3.8	10.4	-2.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Singapore:									
Quantity	33	96	322	100	325	879.1	191.9	235.4	224.0
Value	37	99	170	81	211	355.0	165.5	71.4	158.3
Unit value	$1.14	$1.04	$0.53	$0.81	$0.65	-53.5	-9.1	-48.9	-20.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	23,844	32,170	27,067	13,694	14,437	13.5	34.9	-15.9	5.4
Value	23,532	30,247	27,282	14,019	12,974	15.9	28.5	-9.8	-7.5
Unit value	$0.99	$0.94	$1.01	$1.02	$0.90	2.1	-4.7	7.2	-12.2
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	19,028	26,140	23,754	12,260	10,572	24.8	37.4	-9.1	-13.8
Value	19,664	24,013	25,804	13,411	9,740	31.2	22.1	7.5	-27.4
Unit value	$1.03	$0.92	$1.09	$1.09	$0.92	5.1	-11.1	18.3	-15.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	42,872	58,310	50,821	25,954	25,009	18.5	36.0	-12.8	-3.6
Value	43,196	54,260	53,086	27,430	22,714	22.9	25.6	-2.2	-17.2
Unit value	$1.01	$0.93	$1.04	$1.06	$0.91	3.7	-7.6	12.3	-14.1
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-1--Continued
PVA: Summary data concerning the total U.S. market, 1999-2001, January-June 2001, and January-June 2002

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

	Reported data					Period changes			
				January-June					Jan.-June
Item	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	2001-2002
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (pounds per hour)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not Applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table C-2
PVA: Summary data concerning the U.S. commercial market, 1999-2001, January-June 2001, and January-June 2002

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

	Reported data					Period changes			
				January-June					Jan.-June
Item	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	2001-2002
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Singapore	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Singapore	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from--									
China:									
Quantity	15,198	19,588	13,287	6,802	7,221	-12.6	28.9	-32.2	6.2
Value	8,768	11,968	10,227	5,095	4,513	16.6	36.5	-14.5	-11.4
Unit value	$0.58	$0.61	$0.77	$0.75	$0.62	33.4	5.9	26.0	-16.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Germany:									
Quantity	1,319	1,774	2,804	1,482	947	112.6	34.5	58.1	-36.1
Value	1,578	1,897	2,664	1,360	877	68.8	20.1	40.5	-35.5
Unit value	$1.20	$1.07	$0.95	$0.92	$0.93	-20.6	-10.6	-11.2	0.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Japan:									
Quantity	6,814	8,128	6,865	3,328	4,186	0.7	19.3	-15.5	25.8
Value	12,793	14,297	11,006	5,854	5,961	-14.0	11.8	-23.0	1.8
Unit value	$1.88	$1.76	$1.60	$1.76	$1.42	-14.6	-6.3	-8.9	-19.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	480	2,584	3,789	1,981	1,758	690.2	438.9	46.6	-11.3
Value	355	1,986	3,215	1,629	1,413	805.7	459.4	61.9	-13.3
Unit value	$0.74	$0.77	$0.85	$0.82	$0.80	14.6	3.8	10.4	-2.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Singapore:									
Quantity	33	96	322	100	325	879.1	191.9	235.4	224.0
Value	37	99	170	81	211	355.0	165.5	71.4	158.3
Unit value	$1.14	$1.04	$0.53	$0.81	$0.65	-53.5	-9.1	-48.9	-20.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	23,844	32,170	27,067	13,694	14,437	13.5	34.9	-15.9	5.4
Value	23,532	30,247	27,282	14,019	12,974	15.9	28.5	-9.8	-7.5
Unit value	$0.99	$0.94	$1.01	$1.02	$0.90	2.1	-4.7	7.2	-12.2
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	19,028	26,140	23,754	12,260	10,572	24.8	37.4	-9.1	-13.8
Value	19,664	24,013	25,804	13,411	9,740	31.2	22.1	7.5	-27.4
Unit value	$1.03	$0.92	$1.09	$1.09	$0.92	5.1	-11.1	18.3	-15.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	42,872	58,310	50,821	25,954	25,009	18.5	36.0	-12.8	-3.6
Value	43,196	54,260	53,086	27,430	22,714	22.9	25.6	-2.2	-17.2
Unit value	$1.01	$0.93	$1.04	$1.06	$0.91	3.7	-7.6	12.3	-14.1
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-2--Continued
PVA: Summary data concerning the U.S. commercial market, 1999-2001, January-June 2001, and January-June 2002

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

	Reported data					Period changes			
				January-June					Jan.-June
Item	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	2001-2002
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
Commercial shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (pounds per hour)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not Applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table C-3
PVA: Summary data concerning the total U.S. market with imports from Singapore not subtotaled with those from China, Germany, Japan, and Korea, 1999-2001, January-June 2001, January-June 2002

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

	Reported data					Period changes			
				January-June					Jan.-June
Item	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	2001-2002
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Singapore	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Singapore	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from--									
China:									
Quantity	15,198	19,588	13,287	6,802	7,221	-12.6	28.9	-32.2	6.2
Value	8,768	11,968	10,227	5,095	4,513	16.6	36.5	-14.5	-11.4
Unit value	$0.58	$0.61	$0.77	$0.75	$0.62	33.4	5.9	26.0	-16.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Germany:									
Quantity	1,319	1,774	2,804	1,482	947	112.6	34.5	58.1	-36.1
Value	1,578	1,897	2,664	1,360	877	68.8	20.1	40.5	-35.5
Unit value	$1.20	$1.07	$0.95	$0.92	$0.93	-20.6	-10.6	-11.2	0.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Japan:									
Quantity	6,814	8,128	6,865	3,328	4,186	0.7	19.3	-15.5	25.8
Value	12,793	14,297	11,006	5,854	5,961	-14.0	11.8	-23.0	1.8
Unit value	$1.88	$1.76	$1.60	$1.76	$1.42	-14.6	-6.3	-8.9	-19.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	480	2,584	3,789	1,981	1,758	690.2	438.9	46.6	-11.3
Value	355	1,986	3,215	1,629	1,413	805.7	459.4	61.9	-13.3
Unit value	$0.74	$0.77	$0.85	$0.82	$0.80	14.6	3.8	10.4	-2.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	23,811	32,074	26,745	13,594	14,112	12.3	34.7	-16.6	3.8
Value	23,494	30,148	27,112	13,938	12,763	15.4	28.3	-10.1	-8.4
Unit value	$0.99	$0.94	$1.01	$1.03	$0.90	2.7	-4.7	7.8	-11.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Singapore:									
Quantity	33	96	322	100	325	879.1	191.9	235.4	224.0
Value	37	99	170	81	211	355.0	165.5	71.4	158.3
Unit value	$1.14	$1.04	$0.53	$0.81	$0.65	-53.5	-9.1	-48.9	-20.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	19,028	26,140	23,754	12,260	10,572	24.8	37.4	-9.1	-13.8
Value	19,664	24,013	25,804	13,411	9,740	31.2	22.1	7.5	-27.4
Unit value	$1.03	$0.92	$1.09	$1.09	$0.92	5.1	-11.1	18.3	-15.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	42,872	58,310	50,821	25,954	25,009	18.5	36.0	-12.8	-3.6
Value	43,196	54,260	53,086	27,430	22,714	22.9	25.6	-2.2	-17.2
Unit value	$1.01	$0.93	$1.04	$1.06	$0.91	3.7	-7.6	12.3	-14.1
Ending inventory quantity	***	***	***	***	***	***	***	***	***

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Table C-3--Continued
PVA: Summary data concerning the total U.S. market with imports from Singapore not subtotaled with those from China, Germany, Japan, and Korea, 1999-2001, January-June 2001, January-June 2002

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

	Reported data					Period changes			
				January-June					Jan.-June
Item	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	2001-2002
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (pounds per hour)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not Applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table C-4
PVA: Summary data concerning the total U.S. commercial market with imports from Singapore not subtotaled with those from China, Germany, Japan, and Korea, 1999-2001, January-June 2001, January-June 2002

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

	Reported data					Period changes			
				January-June					Jan.-June
Item	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	2001-2002
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Singapore	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Germany	***	***	***	***	***	***	***	***	***
Japan	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Singapore	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from--									
China:									
Quantity	15,198	19,588	13,287	6,802	7,221	-12.6	28.9	-32.2	6.2
Value	8,768	11,968	10,227	5,095	4,513	16.6	36.5	-14.5	-11.4
Unit value	$0.58	$0.61	$0.77	$0.75	$0.62	33.4	5.9	26.0	-16.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Germany:									
Quantity	1,319	1,774	2,804	1,482	947	112.6	34.5	58.1	-36.1
Value	1,578	1,897	2,664	1,360	877	68.8	20.1	40.5	-35.5
Unit value	$1.20	$1.07	$0.95	$0.92	$0.93	-20.6	-10.6	-11.2	0.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Japan:									
Quantity	6,814	8,128	6,865	3,328	4,186	0.7	19.3	-15.5	25.8
Value	12,793	14,297	11,006	5,854	5,961	-14.0	11.8	-23.0	1.8
Unit value	$1.88	$1.76	$1.60	$1.76	$1.42	-14.6	-6.3	-8.9	-19.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	480	2,584	3,789	1,981	1,758	690.2	438.9	46.6	-11.3
Value	355	1,986	3,215	1,629	1,413	805.7	459.4	61.9	-13.3
Unit value	$0.74	$0.77	$0.85	$0.82	$0.80	14.6	3.8	10.4	-2.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	23,811	32,074	26,745	13,594	14,112	12.3	34.7	-16.6	3.8
Value	23,494	30,148	27,112	13,938	12,763	15.4	28.3	-10.1	-8.4
Unit value	$0.99	$0.94	$1.01	$1.03	$0.90	2.7	-4.7	7.8	-11.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Singapore:									
Quantity	33	96	322	100	325	879.1	191.9	235.4	224.0
Value	37	99	170	81	211	355.0	165.5	71.4	158.3
Unit value	$1.14	$1.04	$0.53	$0.81	$0.65	-53.5	-9.1	-48.9	-20.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	19,028	26,140	23,754	12,260	10,572	24.8	37.4	-9.1	-13.8
Value	19,664	24,013	25,804	13,411	9,740	31.2	22.1	7.5	-27.4
Unit value	$1.03	$0.92	$1.09	$1.09	$0.92	5.1	-11.1	18.3	-15.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	42,872	58,310	50,821	25,954	25,009	18.5	36.0	-12.8	-3.6
Value	43,196	54,260	53,086	27,430	22,714	22.9	25.6	-2.2	-17.2
Unit value	$1.01	$0.93	$1.04	$1.06	$0.91	3.7	-7.6	12.3	-14.1
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-4--Continued
PVA: Summary data concerning the total U.S. commercial market with imports from Singapore not subtotaled with those from China, Germany, Japan, and Korea, 1999-2001, January-June 2001, January-June 2002

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

	Reported data					Period changes			
				January-June					Jan.-June
Item	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	2001-2002
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
Commercial shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (pounds per hour)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not Applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table C-5
PVA: Data for producers in subject countries, 1999-2001, January-June 2001, January-June 2002, and projected 2002-2003

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Table C-6
PVA: Data for producers in subject countries, excluding Singapore, 1999-2001, January-June 2001, January- June 2002, and projected 2002-2003

Item	1999	2000	2001	January-June 2001	January-June 2002	Projected 2002	Projected 2003
	Quantity (1,000 pounds)						
Capacity	749,860	739,064	754,087	377,044	378,260	756,519	776,133
Production	714,382	695,055	671,332	350,554	340,817	676,418	692,274
End-of-period inventories	152,642	149,463	148,917	152,914	129,898	138,385	129,513
Shipments:							
Internal consumption/transfers	178,341	186,439	175,196	91,241	92,693	168,648	173,778
Home market	292,990	288,756	271,844	139,114	138,197	269,122	276,891
Exports to:							
United States	23,373	29,109	25,851	14,681	12,864	24,308	23,980
All other markets	238,948	226,752	217,821	112,151	120,167	239,092	238,554
Total exports	262,321	255,861	243,672	126,832	133,031	263,400	262,534
Total shipments	733,652	731,056	690,712	357,187	363,921	701,170	713,203
	Ratios and shares (percent)						
Capacity utilization	95.3	94.0	89.0	93.0	90.1	89.4	89.2
Inventories/production	21.4	21.5	22.2	21.8	19.1	20.5	18.7
Inventories/shipments	20.8	20.4	21.6	21.4	17.8	19.7	18.2
Share of total shipments:							
Internal consumption/transfers	24.3	25.5	25.4	25.5	25.5	24.1	24.4
Home market	39.9	39.5	39.4	38.9	38.0	38.4	38.8
Exports to:							
United States	3.2	4.0	3.7	4.1	3.5	3.5	3.4
All other markets	32.6	31.0	31.5	31.4	33.0	34.1	33.4
Total exports	35.8	35.0	35.3	35.5	36.6	37.6	36.8

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX D

ALLEGED EFFECTS OF SUBJECT IMPORTS ON U.S. FIRMS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

Responses of U.S. firms with respect to PVA to the following question: Since January 1, 1999, has your firm experienced any actual negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of PVA from China, Germany, Japan, Korea, and/or Singapore?

* * * * * * *

Responses of U.S. firms with respect to PVA to to the following question: Does your firm anticipate any negative impact of imports of PVA from China, Germany, Japan, Korea, and/or Singapore?

* * * * * * *