

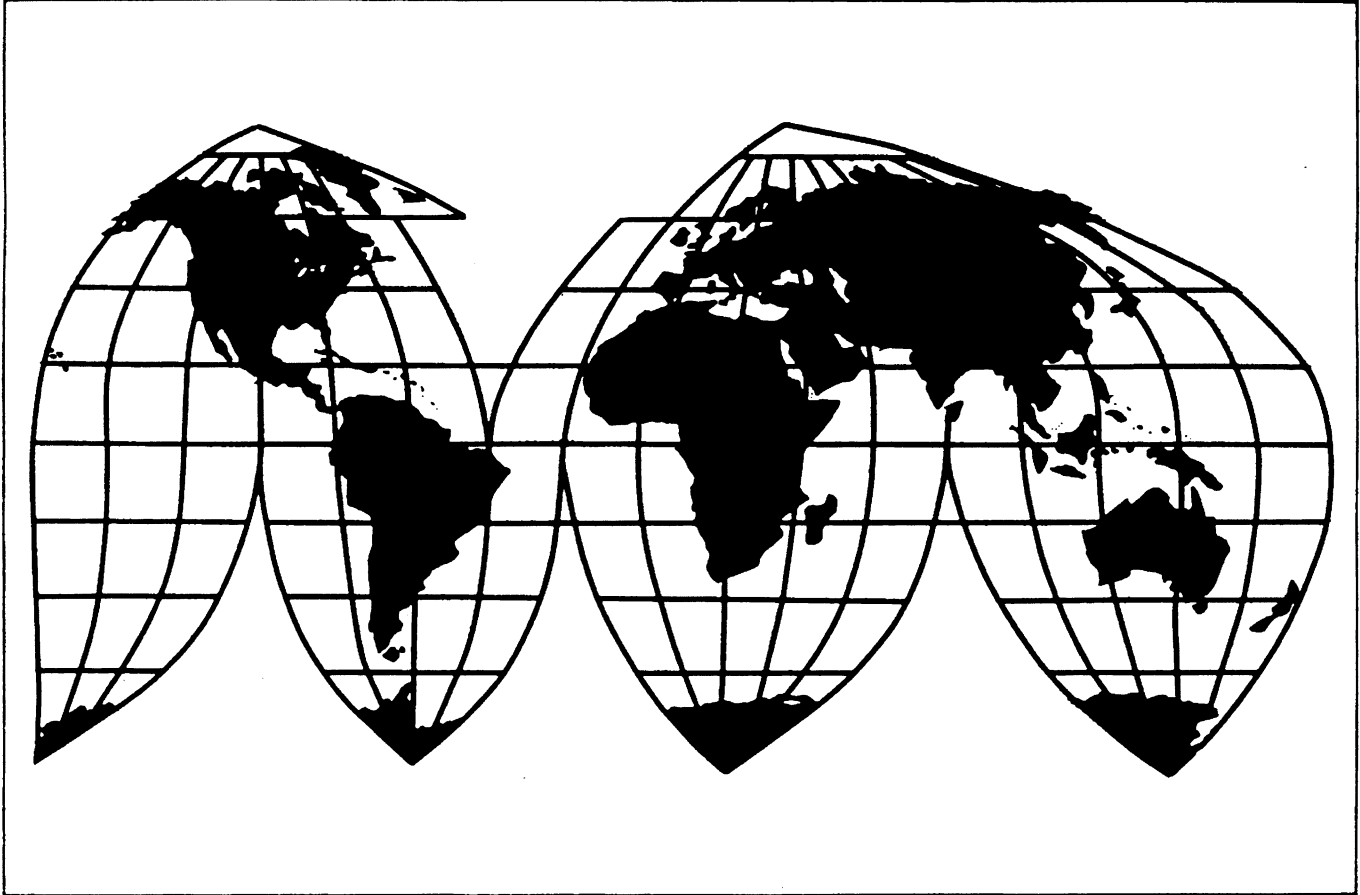
Certain Paintbrushes From China and Indonesia

Investigations Nos. 731-TA-857-858 (Preliminary)

Publication 3237

September 1999

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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NOTE

Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-857-858 (Preliminary)

CERTAIN PAINTBRUSHES FROM CHINA AND INDONESIA

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission determines,² pursuant to section 733(a) of the Tariff Act of 1930,³ that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports of synthetic filament paintbrushes from China,⁴ and imports of natural bristle and synthetic filament paintbrushes from Indonesia,⁵ that are alleged to be sold in the United States at less than fair value (LTFV).

BACKGROUND

On August 2, 1999, a petition was filed with the Commission and the Department of Commerce by the Paintbrush Trade Action Coalition (PATAC) whose member firms include EZ Paint Corp., St. Francis, WI; Bestt Liebco, Philadelphia, PA; The Wooster Brush Co., Wooster, OH; Purdy Corp., Portland, OR; and TruServ Manufacturing, Cary, IL, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of synthetic filament

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 Crawford voting in the affirmative with respect to imports of the subject merchandise from China.

³ 19 U.S.C. § 1673b(a).

⁴ The products covered by the investigation concerning China include all paintbrushes and paintbrush heads that are used to apply paint, stain, varnish, shellac, or any other type of protective coating, other than natural bristle paintbrushes and paintbrush heads that are classifiable under statistical reporting number 9603.40.4040 of the Harmonized Tariff Schedule of the United States (HTS). The scope includes paintbrushes and paintbrush heads with a blend of natural bristle and synthetic filaments, provided that synthetic filaments comprise over 50 percent of the total filler material in the finished paintbrush or paintbrush head. The merchandise subject to this investigation is classifiable under statistical reporting number 9603.40.4060 of the HTS. Excluded from the scope are artists' brushes classified under statistical reporting numbers 9603.30.2000, 9603.30.4000, or 9603.30.6000 of the HTS, or other non-paintbrush products classified under statistical reporting number 9603.40.4060 of the HTS such as foam applicators, sponge applicators, or any other type of non-brush paint applicator.

⁵ The products covered by the investigation concerning Indonesia include all paintbrushes and paintbrush heads that are used to apply paint, stain, varnish, shellac, or any other type of protective coating, including natural bristle paintbrushes and paintbrush heads, synthetic filament paintbrushes and paintbrush heads, and paintbrushes and paintbrush heads made with a blend of natural bristle and synthetic filament. The merchandise subject to this investigation is classifiable under statistical reporting numbers 9603.40.4040 and 9603.40.4060 of the HTS. Excluded from the scope are artists' brushes classified under statistical reporting numbers 9603.30.2000, 9603.30.4000, or 9603.30.6000 of the HTS, or other non-paintbrush products classified under statistical reporting number 9603.40.4060 of the HTS such as foam applicators, sponge applicators, or any other type of non-brush paint applicator.

paintbrushes from China and imports of natural bristle and synthetic filament paintbrushes from Indonesia. Accordingly, effective August 2, 1999, the Commission instituted antidumping investigations Nos. 731-TA-857-858 (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 August 11, 1999.⁶ The conference was held in Washington, DC, on August 23, 1999, and all persons who requested the opportunity were permitted to appear in person or by counsel.

⁶ 64 FR 43715.

IEWS OF THE COMMISSION

Based on the record in these investigations, we find that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of certain paintbrushes from China or Indonesia that are allegedly sold in the United States at less than fair value (“LTFV”).⁷

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, 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.⁸ 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.”⁹

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

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.”¹⁰ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Act”), defines the relevant domestic industry as the “[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.”¹¹ 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”¹²

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

⁷ Commissioner Crawford determines that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly LTFV imports of the subject merchandise from China. See Separate and Dissenting Views of Commissioner Carol T. Crawford.

⁸ 19 U.S.C. § 1671b(a); 19 U.S.C. § 1673b(a); see also *American Lamb Co. v. United States*, 785 F.2d 994, 1001-1004 (Fed. Cir. 1986); *Aristech Chemical Corp. v. United States*, 20 CIT ____, Slip Op. 96-51 at 4-6 (March 11, 1996).

⁹ *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).

¹⁰ 19 U.S.C. § 1677(4)(A).

¹¹ 19 U.S.C. § 1677(4)(A).

¹² 19 U.S.C. § 1677(10).

characteristics and uses” on a case-by-case basis.¹³ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹⁴ The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹⁵ Although the Commission must accept the determination of the Department of Commerce (“Commerce”) as to the scope of the imported merchandise allegedly subsidized or sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.¹⁶

B. Product Description

In its notice of institution, Commerce described the merchandise within the scope of the investigation with respect to Chinese imports as follows:

*The scope of the PRC investigation includes all paintbrushes and paintbrush heads that are used to apply paint, stain, varnish, shellac, or any other type of protective coating, other than natural bristle paintbrushes and paintbrush heads that are classifiable under 9603.40.4040 of the Harmonized Tariff Schedule of the United States (HTSUS). The scope of the investigation includes paintbrushes and paintbrush heads with a blend of natural bristle and synthetic filaments, provided that the synthetic filaments comprise over 50 percent of the total filler material in the finished paintbrush or paintbrush head. The merchandise subject to this investigation is classifiable under 9603.40.4060 of the HTSUS. Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive. Excluded from the scope of this investigation are artists' brushes classifiable under 9603.30.2000, 9603.30.4000, or 9603.30.6000 of the HTSUS or other non-paintbrush products classifiable under 9603.40.4060 of the HTSUS, such as foam applicators, sponge applicators, or any other type of non-brush paint applicator.*¹⁷

¹³ See, e.g., NEC Corp. v. Department of Commerce, Slip Op. 98-164 at 8 (Ct. Int’l Trade, Dec. 15, 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).

¹⁴ See, e.g., S. Rep. No. 96-249, at 90-91 (1979).

¹⁵ 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 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.”).

¹⁶ Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

¹⁷ 64 Fed. Reg. 46881, 46882 (August 27, 1999).

Commerce described the merchandise within the scope of the investigation with respect to Indonesian imports as follows:

The scope of the Indonesian investigation includes all paintbrushes and paintbrush heads that are used to apply paint, stain, varnish, shellac, or any other type of protective coating, including natural bristle paintbrushes and paintbrush heads, synthetic filament paintbrushes and paintbrush heads, and paintbrushes and paintbrush heads made with a blend of natural bristle and synthetic filament. The merchandise subject to this investigation is classifiable under 9603.40.4040 and 9603.40.4060 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive. Excluded from the scope of this investigation are artists' brushes classifiable under 9603.30.2000, 9603.30.4000, or 9603.30.6000 of the HTSUS or other non-paintbrush products classifiable under 9603.40.4060 of the HTSUS, such as foam applicators, sponge applicators, or any other type of non-brush paint applicator.¹⁸

Therefore, the scope of the Chinese investigation includes paintbrushes containing more than 50 percent synthetic filaments, while the scope of the Indonesian investigation encompasses both natural bristle and synthetic filament paintbrushes.

C. Domestic Like Product Issues

In its 1986 final determination concerning LTFV natural bristle paintbrushes from China, the Commission found that the domestic product like imported natural bristle paintbrushes consisted of natural bristle and synthetic filament paintbrushes.¹⁹ The Commission reached the same conclusion in the recently concluded five-year review of the resulting antidumping order, defining the like product to include both natural bristle and synthetic filament paintbrushes.²⁰ No party in these investigations urged the Commission to define natural and synthetic paintbrushes as separate like products.²¹

¹⁸ 64 Fed. Reg. 46881, 46882 (August 27, 1999).

¹⁹ Natural Bristle Paint Brushes from the People's Republic of China, Inv. No. 731-TA-244 (Final), USITC Pub. 1805 at 7 (Jan. 1986).

²⁰ Natural Bristle Paint Brushes from China, Inv. No. 731-TA-244 (Review), USITC Pub. 3199 (June 1999) at 4.

²¹ The Commission must base its domestic like product determination on the record in these investigations, and is not bound by prior determinations concerning the same imported products. Nippon Steel, 19 CIT at 455; Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1088 (Ct. Int'l Trade 1988). However, in the event that the Commission finds a different domestic like product or products than it has in prior investigations, it should provide a reasoned explanation of its decision. Id. We do not place great weight on the findings in the recent expedited five-year review of the order covering natural bristle paintbrushes from China, which was based on a different, and much more limited, record than these investigations.

In these investigations, petitioners²² urge the Commission to adopt a single like product definition consisting of all domestically produced paintbrushes.²³ The Joint Respondents²⁴ contend that the Commission should find three domestic like products: chip brushes, low-quality paintbrushes, and high-quality paintbrushes.²⁵ We conclude that there is one domestic like product consisting of all types of chip brushes and paintbrushes, whether natural bristle, synthetic filament or a blend of the two.

1. Whether Chip Brushes Should Constitute a Separate Like Product

Chip brushes or utility brushes are made with natural bristles and have wooden handles.²⁶ They are generally 2 inches or less in width and are relatively thin because they have fewer rows of bristles compared to higher quality paintbrushes.²⁷ Like other lower quality brushes, chip brushes have bristles of the same length. Chip brushes are used in the industrial market for removing chips and scrap during machining operations and for applying glue, adhesives, or lubricants.²⁸ The record indicates that chip brushes and paint brushes share many physical characteristics and uses. Both paintbrushes and chip brushes consist of bristles or filaments attached to the ferrule with adhesive to make the head of the brush, and both have handles attached to that head. The record indicates that some consumers use chip brushes for painting.²⁹ The record does indicate some differences, most notably that chip brushes are primarily disposable while paintbrushes generally are not.³⁰ However, we conclude that the similarities between chip brushes and paintbrushes outweigh the differences.

The record indicates some interchangeability between chip brushes and paintbrushes. Although a chip brush may be unsatisfactory as a paint applicator for high-quality finishes,³¹ consumers may use chip brushes to apply paint or other protective coatings.³² Natural bristle paintbrushes could presumably also be used in some of the main chip brush applications: applying adhesives and lubricants and cleaning metal chips off hot machinery.³³ Because consumers may take advantage of this interchangeability to paint with chip brushes, they apparently view chip brushes as paintbrushes, albeit low-quality ones.³⁴

²² The petitioners are Bestt Liebco, EZ Paint Corp., Purdy Corp., Wooster Brush Co., and Tru*Serv Manufacturing.

²³ Petitioners' Postconference Brief at 2.

²⁴ The Joint Respondents are Linzer Products Corp., Best B International Products, Wuxi Shengfa Brush Co., and PT Ace Oldfields.

²⁵ Joint Respondents' Brief at 5.

²⁶ Confidential Report (CR) CR at I-10 & Public Report (PR) at I-10.

²⁷ CR at I-9, I-13 & PR at II-1.

²⁸ CR at I-9 & PR at II-1

²⁹ CR at I-13-14 & PR at I-10.

³⁰ Conference Transcript (Tr.) at 71 (testimony of Alan Benson of Linzer Products). However, we note that some paintbrushes are disposable. CR & PR at II-1.

³¹ CR at I-13 & PR at I-10.

³² CR at I-14 & PR at I-10.

³³ Because synthetic filaments and plastic handles can melt in intense heat, paintbrushes with wood handles and natural bristles are typically used for working with hot machinery. Tr. at 71 (testimony of Alan Benson of Linzer Products).

³⁴ CR at I-13 & PR at I-10.

Chip brushes and paintbrushes share channels of distribution.³⁵ Both are sold through mass merchandisers, such as Home Depot, although chip brushes are also sold directly to industrial end users.³⁶ U.S. producers manufacture paintbrushes and chip brushes in the same facilities, with the same employees and machinery.³⁷

There is little question that chip brushes have lower prices than other types of paintbrushes.³⁸ However, paintbrush prices vary with the quality of the brush, and these low prices are commensurate with the position of chip brushes at the low end of the paintbrush quality scale.³⁹

In sum, while there are some differences between chip brushes and paintbrushes in physical characteristics, end uses, and price, the record shows numerous similarities between chip brushes and paintbrushes in all of the relevant factors. These similarities suggest that there is a continuum of paintbrushes of various quality levels. Low prices for chip brushes reflect the position of chip brushes at the low end of the quality spectrum, but do not constitute a clear dividing line in the continuum sufficient to justify a separate like product finding.

2. Whether Low-Quality Paintbrushes Should Constitute a Separate Like Product

We further conclude that low- and high-quality paintbrushes should not be separate like products. Low-quality and high-quality paintbrushes share the same physical characteristics except for minor differences related to quality of construction and of the bristles or filaments.⁴⁰ They are used for painting, and thus are interchangeable.⁴¹ Both quality levels are sold to consumers at retail outlets and mass merchandisers.⁴² Some of the highest quality brushes are handcrafted,⁴³ but all of these paintbrushes are typically made by the same production process and by the same employees.⁴⁴ Professional painters and manufacturers perceive differences between the two types of brushes, though the average consumer may not.⁴⁵ There does appear to be a substantial price premium for the high-quality paintbrushes.⁴⁶ However, the many similarities between high- and low-quality paintbrushes again demonstrate that there is a continuum of products of varying quality levels with no clear dividing lines.⁴⁷ Consequently, we find a single like product consisting of all paintbrushes.

³⁵ CR at I-14 & PR at I-10.

³⁶ CR at I-14 & PR at I-10.

³⁷ CR at I-13 & PR at I-10.

³⁸ Tr. at 21-24 (testimony of Frederick Burns, formerly of EZ Painttr).

³⁹ CR at II-1 & PR at II-1.

⁴⁰ The thickness of the filler, ferrule, length out, and packaging, typically distinguish the different quality levels of brushes. CR at II-1 & PR at I-10.

⁴¹ Tr. at 18 (testimony of Frederick Burns, formerly of EZ Painttr).

⁴² Tr. at 60 (testimony of Alan Benson of Linzer Products).

⁴³ Tr. at 19 (testimony of Frederick Burns, formerly of EZ Painttr).

⁴⁴ Tr. at 18 (testimony of Frederick Burns, formerly of EZ Painttr).

⁴⁵ Tr. at 18 (testimony of Frederick Burns, formerly of EZ Painttr).

⁴⁶ Tr. at 23-24 (testimony of Frederick Burns, formerly of EZ Painttr).

⁴⁷ Tr. at 19, 23-24 (testimony of Frederick Burns, formerly of EZ Painttr).

D. Domestic Industry and Related Parties

The domestic industry is defined as “the producers as a [w]hole of a domestic like product . . .”⁴⁸ In defining the domestic industry, the Commission’s general practice has been to include in the industry all of the domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.⁴⁹ Based on our finding that the domestic like product consists of all paintbrushes, we find that the domestic industry consists of all domestic producers of paintbrushes.

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to 19 U.S.C. § 1677(4)(B). 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.⁵⁰ Exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each case.⁵¹

Two domestic producers, Linzer and EZ Paintr, meet the criteria for potential exclusion from the domestic industry pursuant to section 771(4)(B) of the Act because they are importers of the subject merchandise.⁵² We find that appropriate circumstances do not exist to exclude from the domestic industry either of these producers as related parties. Both Linzer and EZ Paintr accounted for a *** of U.S. production during the investigation period.⁵³ Their primary interest appears to lie with domestic production, rather than importation. EZ Paintr and Linzer are, respectively, *** domestic producers,⁵⁴ and domestically produced brushes accounted for *** for both.⁵⁵ In addition, both companies

⁴⁸ 19 U.S.C. § 1677(4)(A).

⁴⁹ 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).

⁵⁰ 19 U.S.C. § 1677(4)(B).

⁵¹ Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int’l Trade 1989), aff’d without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int’l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producers vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, *e.g.*, Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int’l Trade 1992), aff’d without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, *e.g.*, Melamine Institutional Dinnerware from China, Indonesia, and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 (Feb. 1997) at 14, n.81.

⁵² CR at IV-6, PR at IV-6.

⁵³ CR at III-3& PR at III-2-3. Linzer was responsible for *** percent and EZ Paintr for *** percent of production of domestic paintbrushes in 1998. Id.

⁵⁴ CR & PR at Table III-1.

⁵⁵ Measured by value, subject imports accounted for *** percent of EZ Paintr’s total U.S. shipments of paintbrushes in 1998. In terms of units sold, subject imports were *** percent of EZ Paintr’s U.S. shipments of paintbrushes in 1998. CR & PR at IV-6, nn.4-5. As for Linzer, subject imports accounted for *** percent of the

(continued...)

emphasized their commitment to U.S. production.⁵⁶ We also note that direct imports of the subject merchandise do not appear to have shielded EZ Paintr and Linzer from any effects of the subject imports. While Linzer's financial performance is *** than the industry average, Linzer and EZ Paintr registered operating profit margins between *** percent, which are consistent with those of the rest of the domestic industry.⁵⁷ Therefore, we find that appropriate circumstances to exclude either company do not exist.

In addition, three domestic producers purchased significant volumes of subject merchandise from unrelated importers.⁵⁸ Because these producers were neither owners of nor were owned by the exporters or importers of the subject merchandise, neither the producers nor the importers or exporters directly controlled the other so as to qualify the domestic producers as a related party under section 771(4)(B). Also, although sizable, the purchases of subject merchandise were not large enough to amount to direct or indirect control of a producer, importer, or exporter, and thus we consider none of these three producers to be a related party.⁵⁹

IV. CUMULATION

A. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, section 771(7)(G)(i) of the Act requires the Commission to cumulatively assess 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.⁶⁰ In assessing whether subject imports compete with each other and with the domestic like product,⁶¹ the Commission has generally considered four factors, including:

⁵⁵ (...continued)

value of its total U.S. shipments of paintbrushes in 1998. In terms of units sold, subject imports were *** percent of Linzer's paintbrush shipments in 1998. CR & PR at IV-6, nn.6-7 and data compiled from questionnaires submitted to the Commission.

⁵⁶ Tr. at 110 (testimony of Alan Benson of Linzer); Tr. at 50 (testimony of Jeff Burbach, of Newell Rubbermaid, corporate parent of EZ Paintr).

⁵⁷ CR & PR, Table VI-2.

⁵⁸ These producers were ***. CR at III-11 & PR at III-7.

⁵⁹ 19 U.S.C. § 1677(4)(B)(ii) ("a party shall be considered to directly or indirectly control another party if the party is legally or operationally in a position to exercise restraint or direct over the other party."). Two importers – ***- reported making sales to domestic producers. In one case, the largest domestic producer customer accounted for about *** of the importer's business. *** Questionnaire Response at 16. The other importer reported having multiple brush manufacturers as customers. *** Questionnaire Response at 7. Therefore, it does not appear that either importer was so reliant on any producer as to place that producer in a position of "control" of the importer. Conversely, purchases of imported merchandise do not appear to have accounted for a large enough share of the three domestic producers' total sales to have given the importers operational control over any of the domestic producers. CR at III-11 & PR at III-7.

⁶⁰ 19 U.S.C. § 1677(7)(G)(I).

⁶¹ The SAA (at 848) 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," 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).

- (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;*⁶²
- (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.*⁶³

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.⁶⁴ Only a “reasonable overlap” of competition is required.⁶⁵

B. Analysis

As a threshold issue, we are presented with the question whether it is appropriate to cumulate imports subject to investigations that have different scopes. In these investigations, the scope definitions include all paintbrushes from Indonesia and synthetic filament paintbrushes from China. We conclude that it is appropriate to cumulate imports subject to petitions filed on the same day if the subject imports compete with each other and the domestic like product, notwithstanding differences in the scope of the subject merchandise among the investigations.⁶⁶ For the reasons discussed below, we have determined to cumulate the subject imports.⁶⁷

⁶² Commissioner Crawford finds that substitutability, not fungibility, is a more accurate reflection of the statute. See Dissenting Views of Commissioner Carol T. Crawford in Stainless Steel Bar from Brazil, India, Japan, and Spain, Inv. Nos. 731-TA-678, 679, 681, and 682 (Final), USITC Pub. 2856 (Feb. 1995), for a description of her views on cumulation.

⁶³ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

⁶⁴ See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

⁶⁵ See Goss Graphic System, Inc. v. United States, ___ CIT ___, slip op. 98-147 at 8 (Oct. 16, 1998) (“cumulation does not require two products to be highly fungible”); Mukand Ltd., 937 F. Supp. at 916; Wieland Werke, AG, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”).

⁶⁶ Commissioner Crawford finds that the statute precludes the Commission from cumulatively assessing the volume and effect of allegedly unfairly traded imports from two countries when such imports do not consist of the same subject merchandise. See Separate and Dissenting Views of Commissioner Carol T. Crawford.

⁶⁷ In Certain Special Quality Hot-Rolled and Semifinished Carbon and Alloy Steel Products from Brazil, the Commission declined to cumulate the subject imports when the scopes were mutually exclusive. In declining to cumulate, the Commission stated that, given the mutually exclusive scopes, it was “not persuaded that there is a sufficiently reasonable overlap of competition between the special quality lead and bismuth bar and rod imports and the much broader range of special quality semifinished and hot-rolled bar imports in this investigation to justify cumulation.” Inv. No. 731-TA-572 (Preliminary), USITC Pub. 2537 (July 1992) at 28 n.104. In these investigations, the scopes overlap and encompass synthetic paintbrushes from China and Indonesia.

We find that there is some substitutability among the Chinese, Indonesian, and domestic paintbrushes. Virtually all of the Chinese imports and 72 percent of the domestic product were of consumer paintbrushes.⁶⁸ While 82 percent of the Indonesian imports were of chip brushes, 18 percent of Indonesian imports were consumer brushes.⁶⁹ Moreover, as noted above, there is at least some interchangeability at the consumer level between chip brushes and paintbrushes, as both can be used for painting.⁷⁰ Further, while subject imports from the subject countries also differed because subject imports from Indonesia consisted exclusively of natural bristle brushes, while those from China were exclusively synthetic filament paintbrushes,⁷¹ users may view these types of brushes as being somewhat interchangeable.⁷²

Imports from subject countries were generally fungible with the U.S. product, as there was substantial U.S. production of both types of brushes during the investigation period.⁷³ While, as discussed below, there are important limits to the substitutability of subject imports and the domestic product, we find the subject imports and domestic product to be at least somewhat fungible.

There is also a geographic overlap in sales. All of the U.S. producers and a majority of importers reported that they sell paintbrushes nationwide.⁷⁴ Significant quantities of subject imports from both countries were present throughout the period of investigation,⁷⁵ and therefore, were simultaneously present in the marketplace.⁷⁶

Subject imports and domestic paintbrushes are sold through the same channels of distribution.⁷⁷ Paintbrushes are sold by domestic producers and importers to mass merchandisers and hardware stores. Both imported and domestic paintbrushes are also sold, to a lesser degree, to hardware distributors that then sell them to hardware stores and mass merchandisers.⁷⁸ Some mass merchandisers import paintbrushes directly.⁷⁹ Moreover, a large portion of the subject imports were reported as distributed to U.S. paintbrush producers, suggesting that they then traveled through the same channels of distribution as the U.S. producers' domestically-produced brushes.⁸⁰

Based on the analysis above, we find a reasonable overlap of competition and cumulate subject imports from China and Indonesia for purposes of our analysis of present material injury.

⁶⁸ CR & PR at Table II-1.

⁶⁹ CR & PR at Table II-1.

⁷⁰ CR at I-13-14 & PR at I-10.

⁷¹ CR at IV-2; CR & PR at Table IV-2.

⁷² Although the recommended uses are different – natural bristle paintbrushes work best with oil-based coatings and synthetic filament paintbrushes with water-based coatings – synthetic filament brushes may also be used with oil-based paints. CR at I-9 & PR at I-7. Technological developments are increasing this overlap, and a new type of synthetic filament that closely matches the properties of natural bristle is becoming available. CR at I-9 & PR at I-7. Furthermore, consumers may not always differentiate between different types of paint brushes. Tr. at 14 (testimony of Stan Welty, formerly of Wooster Brush).

⁷³ CR & PR, Table III-2.

⁷⁴ CR at V-2 & PR at V-1.

⁷⁵ CR & PR at Table IV-2.

⁷⁶ See also Petitioners' Postconference Brief at 20.

⁷⁷ CR at II-3 & PR at II-2.

⁷⁸ CR at II-3 & PR at II-2.

⁷⁹ CR at II-3 & PR at II-2.

⁸⁰ CR & PR at Table II-2.

V. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS⁸¹

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 by reason of the imports under investigation.^{82 83} 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.⁸⁴ The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."⁸⁵ 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.⁸⁶ 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."⁸⁷

⁸¹ Commissioner Crawford determines that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly LTFV imports of the subject merchandise from China.

⁸² 19 U.S.C. § 1671b(a) and 1673b(a).

⁸³ Commissioner Crawford notes that the statute requires that the Commission determine whether there is a reasonable indication that a domestic industry is "materially injured by reason of" the allegedly subsidized and LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of unfairly traded imports, not by reason of the unfairly traded imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports." S. Rep. No. 249, 96th Cong., 1st Sess. 75 (1979). However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. *Id.* at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the unfairly traded imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 96-249 at 74 (1979). Rather, it is to determine whether any injury "by reason of" the unfairly traded imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added); Gerald Metals v. United States, 132 F.3d 716 (Fed. Cir. 1997)(rehearing denied).

For a detailed description and application of Commissioner Crawford's analytical framework, see Certain Steel Wire Rod from Canada, Germany, Trinidad & Tobago, and Venezuela, Inv. Nos. 731-TA-763-766 (Final), USITC Pub. 3087 at 29 (March 1998) and Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745(Final), USITC Pub. 3034 at 35 (April 1997). Both the Court of International Trade and the United States Court of Appeals for the Federal Circuit have held that the "statutory language fits very well" with Commissioner Crawford's mode of analysis, expressly holding that her mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of subject imports. United States Steel Group v. United States, 96 F.3d 1352, 1361 (Fed. Cir. 1996), *aff'g*, 873 F. Supp. 673, 694-95 (Ct. Int'l Trade 1994).

⁸⁴ 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).

⁸⁵ 19 U.S.C. § 1677(7)(A).

⁸⁶ 19 U.S.C. § 1677(7)(C)(iii).

⁸⁷ 19 U.S.C. § 1677(7)(C)(iii).

For the reasons discussed below, we determine that there is no reasonable indication that the domestic industry producing paintbrushes is materially injured by reason of subject imports from China and Indonesia that are allegedly sold in the United States at less than fair value.

A. Conditions of Competition

We find several conditions of competition relevant to these investigations. Demand for paintbrushes is generally derived from demand for paint.⁸⁸ Demand is also influenced by housing starts and construction activity and is somewhat seasonal.⁸⁹ Apparent domestic consumption of paintbrushes grew from 232.0 million brushes in 1996 to 255.4 million brushes in 1998.⁹⁰ In the first quarter of 1999, apparent domestic consumption was 55.1 million as compared to 60.0 million brushes in the first quarter of 1998.⁹¹

The U.S. producers increased paintbrush production and production capacity during the period of investigation. Capacity increased from 119 million brushes in 1996 to 126.7 million in 1998,⁹² primarily because investments in machinery enhanced productivity.⁹³ Domestic production of all paintbrushes increased from 75.9 million brushes in 1996 to 78.3 million in 1998.⁹⁴ The domestic industry's capacity utilization rates declined from 61.1 to 55.0 percent over the same period, as capacity levels increased faster than production levels.⁹⁵

Measured by volume, subject imports account for a substantial portion of U.S. consumption.⁹⁶ However, a large portion of these imports are sold by or through domestic producers, including petitioners.⁹⁷ These direct importations and sales of imported products accounted for *** percent of the imports by volume from Indonesia,⁹⁸ and *** percent of the imports from China, during 1998.⁹⁹

Finally, the market is divided between professional and consumer segments.¹⁰⁰ The professional segment represents *** percent of U.S. shipments of U.S. produced paintbrushes or *** percent of the U.S. market, and is not known to face any subject import competition.¹⁰¹ The consumer segment is subdivided further, with product offerings falling into four groups – chip brushes and what the domestic

⁸⁸ Petitioners' Postconference Brief at 13.

⁸⁹ CR at II-6 & PR at II-4.

⁹⁰ CR & PR at Table IV-5.

⁹¹ CR & PR at Table IV-5.

⁹² CR at II-4 & PR at II-3.

⁹³ Petitioners' Postconference Brief, Exh. 1, at 3; Tr. at 45 (testimony of Jeff Burbach, of Newell Rubbermaid, corporate parent of EZ Paintr); Tr. at 45 (testimony of Stan Welty, formerly of Wooster Brush).

⁹⁴ CR at II-4 & PR at II-3.

⁹⁵ CR at II-4 & PR at II-3.

⁹⁶ Subject imports increased their U.S. market share from 33 percent to 46 percent by volume over the period of investigation. CR & PR at Table IV-5.

⁹⁷ CR at IV-6.

⁹⁸ CR & PR at Table IV-6.

⁹⁹ CR & PR at Table IV-6.

¹⁰⁰ CR & PR at II-1.

¹⁰¹ CR & PR at Table II-1. This figure does not include nonsubject imports, which are also not known to be sold in the professional segment. Tr. at 19-20 (testimony of Frederick Burns, formerly of EZ Paintr).

industry describes as “good,” “better,” and “best” levels of paintbrushes.¹⁰² Chip brushes account for approximately *** percent of the U.S. market, while the “good,” “better,” and “best” consumer brushes collectively account for *** percent.¹⁰³ Domestic production is concentrated in the higher-valued consumer and professional segments, whereas subject imports are mostly chip brushes and lower-valued consumer paintbrushes.^{104 105}

B. Volume

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.”¹⁰⁶ The volume of subject imports increased steadily, from 76.5 million brushes in 1996, to 94.7 million in 1997, and 117.4 million in 1998, with shipments of 22.9 million in the first quarter of 1998 and 25.9 million in the first quarter of 1999.¹⁰⁷ The value of subject imports also increased, from \$17.9 million in 1996 to \$25.9 million in 1998, with interim period values of \$5.4 million in 1998 and \$6.9 million in 1999.¹⁰⁸

Subject imports increased their market share in terms of units from 33 percent to 46 percent from 1996 to 1998.¹⁰⁹ However, in terms of value, the subject import market share only increased from 10.4 percent to 13.1 percent.¹¹⁰ The domestic industry’s market share in terms of units declined from 34.4 percent to 29.1 percent over the period of investigation, with market shares of 26.2 percent in the first quarter of 1998 and 31.4 in the first quarter of 1999.¹¹¹ But in terms of value, the domestic industry’s market share actually increased from 76.5 percent in 1996 to 79.8 percent in 1998, with a 77.4 percent market share in the first quarter of 1998 and 77.6 percent in the first quarter of 1999.¹¹² Nonsubject imports’ share of value of the market declined from 13.1 percent to 7.1 percent from 1996 to 1998.¹¹³

The volume of subject imports at the end of the period of investigation, when viewed in isolation, could be considered significant.¹¹⁴ However, there are important limits to the substitutability of the subject imports and the domestic product. The subject imports consist primarily of lower-valued paintbrushes, including chip brushes, whereas domestic production is concentrated in the higher-valued paintbrushes, including professional paintbrushes. For this reason, we do not find that the volume of subject imports is significant. We note that this finding is consistent with our determinations that subject imports did not have any significant negative price effects or impact on the domestic industry, as discussed below.

¹⁰² CR & PR at II-1.

¹⁰³ See Table II-1. The calculations of the sizes of segments do not include nonsubject imports.

¹⁰⁴ Tr. at 50 (testimony of Jeff Burbach, of Newell Rubbermaid, corporate parent of EZ Paint).

¹⁰⁵ Commissioner Crawford does not join in the rest of the Commission’s views.

¹⁰⁶ 19 U.S.C. § 1677(7)(C)(I).

¹⁰⁷ CR & PR at Table IV-2.

¹⁰⁸ CR & PR at Table IV-2.

¹⁰⁹ CR & PR at Table IV-5.

¹¹⁰ CR & PR at Table IV-5.

¹¹¹ CR & PR at Table IV-5.

¹¹² CR & PR at Table IV-5.

¹¹³ CR & PR at Table IV-5. This figure includes nonsubject Chinese natural bristle paintbrushes.

¹¹⁴ Chairman Bragg finds that, although subject import volumes could be deemed significant when viewed in isolation, in the context of the instant preliminary investigations they are not significant given the absence of negative price effects and impact, discussed below.

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.*¹¹⁵

Pricing data reveal pervasive underselling by the subject imports. Pricing comparisons for six specific brushes from the U.S. and subject countries show that subject imports undersold the domestic product in all 160 quarterly price comparisons with an average margin of underselling of 68.4 percent for China and *** percent for Indonesia.¹¹⁶ Nevertheless, we do not find this underselling to be significant because it had no apparent effect on domestic prices reflecting to some extent the concentration in different market segments of the domestic and subject import paintbrushes.

Domestic producers' prices showed a general upward trend during the period of investigation for 5 of the 6 products for which import prices were reported, while prices stayed stable or declined for the four products in which there was no data concerning import competition.¹¹⁷ Our questionnaire pricing data do not exhibit any correlation between the underselling and domestic prices. Therefore, we find that the subject imports did not depress domestic prices.

We also do not find that subject imports suppressed domestic prices. The ratio of costs of goods sold to net sales declined from 57.2 to 56.0 percent during the period of investigation,¹¹⁸ while the domestic producers' average unit values increased. These trends resulted in a noteworthy increase in the domestic industry's operating margins, which suggests that they would not have been able to raise prices even further in the absence of the subject imports. Given the domestic producers' high degree of participation as importers and sellers of subject merchandise,¹¹⁹ they are likely to market those imported paintbrushes in a manner which would not adversely affect prices for their higher-priced domestic paintbrushes. Thus, we do not find significant price suppression by the subject imports. Accordingly, we find that the subject imports did not adversely affect prices for the domestic like product to a significant degree.

¹¹⁵ 19 U.S.C. § 1677(7)(C)(ii).

¹¹⁶ CR at V-19; CR & PR at Table V-8. We recognize that the observed price differences may in part, reflect differences in quality between domestic and imported merchandise. Chinese paintbrushes are constructed of inferior brush filaments, limiting their substitutability with the domestic product and the degree of price competition. CR at II-7. In addition, both Chinese and Indonesian paintbrushes use an inferior acrylic adhesive to bind the bristles, which makes them more likely to shed than domestic brushes. Tr. at 67 (testimony of Alan Benson of Linzer Products).

¹¹⁷ CR & PR at Tables V-2-7

¹¹⁸ CR & PR at Table VI-1.

¹¹⁹ For example, in 1998, the U.S. producers accounted for, either by importing or purchasing, *** percent of the value of imports from Indonesia. CR & PR at Table IV-6.

D. Impact

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.¹²⁰ These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."^{121 122 123}

We do not find that the subject imports had a material adverse impact on the domestic industry. Although subject imports increased during the period of investigation and continually undersold domestic merchandise, the domestic industry registered strong performance most measures, particularly financial indicators.

The volume of U.S. producers' domestic shipments decreased from 79.8 million brushes in 1996 to 73.2 million in 1997, and then increased to 74.4 million in 1998. Their shipments of 17.3 million brushes in the first quarter of 1999 were again higher than shipments of 15.7 million brushes in 1998.¹²⁴ The value of U.S. shipments also increased, from \$132.2 million in 1996 to \$157.9 million in 1998, with \$33.8 million in the first quarter of 1998 and \$35.9 million in the first quarter of 1999.¹²⁵

Operating income margins increased in each year, beginning at 15.8 percent in 1996, then increasing to 15.9 percent in 1997 and 17.3 percent in 1998.¹²⁶ Production initially fell from 75.9 million brushes in 1996 to 73.4 million in 1997, but then increased to 78.3 million in 1998.¹²⁷ Due to productivity enhancing capital investments, average annual capacity increased from 119 million brushes

¹²⁰ 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).

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

¹²² 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 stated that the estimated dumping margins were as follows: China, 10.82 to 148.91 percent; Indonesia, 0.00 percent to 53.12 percent. 64 Fed. Reg. 46881, 46883 (August 27, 1999).

¹²³ Chairman 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 domestic producers. 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).

¹²⁴ CR & PR at Table IV-4.

¹²⁵ CR & PR at Table III-3. In the interim period the value of shipments increased from \$33,760,000 to \$35,892,000.

¹²⁶ CR & PR at Table VI-2. Margins increased during the interim period as well, from 13.0 percent to 15.3 percent. *Id.* Operating income was \$21.8 million in 1996, \$24.1 million in 1997 and \$27.9 million in 1998. Operating income in the first quarter of 1999 was \$5.6 million, which was higher than the \$4.5 million figure for the first quarter of 1998.

¹²⁷ CR & PR at Table III-2. Production was 13.8 million brushes in the first quarter of 1998, and 17.4 million in the same period in 1999.

in 1996 to 126.7 million brushes in 1998.¹²⁸ Capacity utilization declined from 63.8 percent to 61.8 percent over the period of investigation, reflecting the increase in productive capacity.¹²⁹ Domestic producers' employment also increased from 764 workers in 1996 to 820 workers in 1998.¹³⁰ Capital expenditures rose from \$0.9 million in 1996 to \$2.2 million in 1998, and R&D expenses increased from \$209,000 in 1996 to \$568,000 in 1998.¹³¹

As discussed above, most performance measures indicate that the industry is performing well.¹³² While capacity utilization and productivity displayed negative trends, the decline in capacity utilization occurred because increases in capacity and production occurred at slightly different rates. Moreover, as significant sellers of subject merchandise, the domestic producers were able to control their own capacity utilization by shifting between domestic production and importing subject merchandise.¹³³

In short, the industry's excellent operating performance has resulted from the significant increase in net sales values, reflecting the industry's concentration in the production of higher-valued brushes. The industry also was successful in instituting price increases over the period of investigation. As the increase in net sales values outpaced the increase in unit costs, the industry's operating performance, which was good at the beginning of the period of investigation, improved. Subject imports did not suppress price increases to any significant degree. Accordingly, the subject imports did not have a material adverse impact on the domestic industry.

Therefore, based on the record in these investigations, we find that there is no reasonable indication that an industry in the United States is materially injured by reason of imports of paintbrushes from China or Indonesia that are allegedly sold in the United States at less than fair value.

VI. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

A. Cumulation for Purposes of Analyzing the Threat of Material Injury

Cumulation for threat analysis is treated in Section 771(7)(H) of the Act.¹³⁴ This provision leaves to the Commission's discretion the cumulation of imports in analyzing threat of material injury. Based on an evaluation of the relevant criteria as well as our analysis supporting cumulation in the context of assessing present material injury, we exercise our discretion to cumulate imports from China and Indonesia for purposes of assessing threat of material injury in these preliminary determinations.

¹²⁸ CR at III-2 & PR at II-3.

¹²⁹ CR at III-2 & PR at II-3. Capacity utilization was also down from 61.1 percent to 55.0 percent in the interim period.

¹³⁰ CR & PR at Table III-6. There were 817 workers in the first quarter of 1998, as opposed to 801 workers in the first quarter of 1999. Wages paid increased from \$17.8 million in 1996 to \$18.6 million in 1998, with \$4.6 million in the first quarter of 1998 and \$4.4 million in the first quarter of 1999. CR & PR at Table III-6. Productivity declined slightly, from 47.3 to 44.2 units per hour. CR & PR Table at III-6.

¹³¹ CR & PR at Table VI-5. For the interim periods, capital expenditures were \$765,000 in 1998 and \$482,000 in 1999, while R&D expenditures were \$175,000 in 1998 and \$169 in 1999.

¹³² The interim data suggest this profitability has continued. CR & PR at Table VI-2.

¹³³ Although productivity was lower in 1998 than in 1996, it reached a low point in 1997 and increased in 1998.

¹³⁴ 19 U.S.C. § 1677(7)(H).

B. Statutory Factors

Section 771(7)(F) of the Act directs the Commission to determine whether the U.S. industry 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.”¹³⁵ The Commission may not make such a determination “on the basis of mere conjecture or supposition,” and considers the threat factors “as a whole.”¹³⁶ In making our determination, we have considered all factors that are relevant to this investigation.¹³⁷ Based on an evaluation of the relevant statutory factors, we find that there is no reasonable indication that an industry in the United States is threatened with material injury by reason of imports of certain paintbrushes from China and Indonesia that are allegedly sold in the United States at less than fair value.

As an initial matter, we reiterate our observation that the domestic industry is currently prospering in virtually every respect. In fact, the industry’s fortunes improved significantly over the period of investigation. As a result, we find that it is not vulnerable to import competition.

We find that the rate of increase in the volume and market penetration of subject imports for purposes of our threat analysis is not significant.¹³⁸ We find it useful to consider the likely future volume and market share of natural bristle and synthetic filament paintbrushes before aggregating them for a finding with regard to the cumulated subject merchandise as a whole. Shipments of subject imported natural bristle paintbrushes from Indonesia increased from 37.1 million brushes in 1996 to 49.0 million in 1998, with shipments of 12.1 million brushes in the first quarter of 1999 being higher than the 7.7 million brushes shipped in the first quarter of 1998.¹³⁹ Most of this increase resulted from domestic producers’ own shipments of subject merchandise.¹⁴⁰ Therefore, we find that any increase in the volume of subject

¹³⁵ 19 U.S.C. §§ 1673b(a) and 1677(7)(F)(ii).

¹³⁶ 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon “positive evidence tending to show an intention to increase the levels of importation.” Metallwerken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int’l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int’l Trade 1984). See also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int’l Trade 1992), citing H.R. Rep. No. 98-1156 at 174 (1984).

¹³⁷ 19 U.S.C. § 1677(7)(F)(I). Factor I regarding countervailable subsidies and Factor VII regarding raw and processed agriculture products are inapplicable to the product at issue. See 19 U.S.C. § 1677(7)(F)(I)(I) and (VII).

¹³⁸ 19 U.S.C. § 1677(7)(F)(I)(III).

¹³⁹ CR & PR at Table IV-4. The value of these imports increased from \$7.5 million in 1996 to \$8.8 million in 1999. First quarter shipments had a value of \$1.5 million in 1998 and \$2.5 million in 1999. The market share of imported natural bristle paintbrushes in terms of quantity increased from 47.3 to 53.1 percent from 1996 to 1998, with market shares of 40.4 and 59.9 percent in the first quarters of 1998 and 1999, respectively. In terms of value, the market share of Indonesian brushes was essentially the same from 1996 to 1998, while the market share for the first quarter of 1999 was higher than the same period in 1998. CR & PR at Table IV-5.

¹⁴⁰ CR & PR at Table IV-6. U.S. producers’ shipments of subject merchandise exceeded the quantity and value of importers’ shipments by ***, respectively in 1996. The gap increased, with U.S. producers’ shipments of subject merchandise higher than importers’ shipments by *** in 1998. As measured by value, importers’ market share actual decreased over that period. We placed little weight on the fact that importers’ shipments of natural bristle brushes were much higher in the first quarter of 1999 than they were in the first quarter of 1998. The record indicates that there was not a fixed relationship between first quarter shipments and shipments for the full year in 1998, which indicates that shipments in the first quarter of 1999 are not a reliable indicator of future shipments or

(continued...)

natural bristle paintbrushes is unlikely to be significant.

The volume of subject import synthetic filament paintbrushes from China increased from 39.4 million brushes in 1996, to 57.1 million in 1997, and 68.4 million in 1998. However, the 13.8 million brushes shipped in the first quarter was less than the 15.2 million shipped in the same period in 1998. We note that most of the overall increase in subject imports from China occurred early in the investigation period, between 1996 and 1997, with a much smaller increase in 1998 coming almost exclusively at the expense of nonsubject sources.¹⁴¹ Domestic producers' shipments of synthetic filament brushes stayed essentially flat from 1997 to 1998, while their market share increased.¹⁴² Therefore, current data do not indicate that subject imports from China are likely to accelerate in the imminent future.

While petitioners alleged that improvements in the quality of subject imports threatened the domestic industry's dominance of the high end of the market, Indonesian producers cannot produce synthetic filament brushes, and the inferior production equipment and materials used by Chinese producers do not allow them to match the quality of U.S. producers.¹⁴³ There is no record evidence suggesting that this situation will change in the imminent future.¹⁴⁴ Therefore, we find that any increase in the volume of subject synthetic filament paintbrushes is unlikely to be significant, as it would likely displace imports of a comparable quality from nonsubject sources rather than higher value, higher quality domestic products.¹⁴⁵

The record shows no indication of increased capacity or excess production capacity in the subject countries that would indicate the likelihood of substantially increased imports of subject merchandise into the United States. The Indonesian industry was operating at nearly full capacity and shipping nearly all of its production to the United States during the investigation period.¹⁴⁶ We do not expect that current shipments to Australia or Indonesia would be diverted to the United States, and instead find it likely that these markets will absorb any additional production.¹⁴⁷ Therefore, we conclude that the small increase in Indonesian producers' capacity in 1999 is unlikely to result in a substantial increase in imports into the United States. The record contains little information on Chinese capacity and the parties disagree with

¹⁴⁰ (...continued)

market shares. Moreover, given that the Indonesian producers were producing at nearly full capacity during the investigation period, any such increase would not be sustainable over the full year.

¹⁴¹ CR and PR at Table IV-4.

¹⁴² CR & PR at Table IV-5.

¹⁴³ Tr. at 64-70 (testimony of A. Benson); Tr. at 60 (testimony of K. Walkerden).

¹⁴⁴ The average unit values of subject synthetic filament paintbrushes decreased from 1997 to 1998. Because the Commission's product-specific pricing analysis shows that the prices for subject synthetic filament brushes did not decrease markedly over this period, a decrease in average unit values may indicate a shift in the product mix of subject imports toward less expensive, lower-quality products. Thus, it is clear that imports are not targeting the high end of the market and are, in fact, moving away from it.

¹⁴⁵ This same conclusion holds true for any competition between subject synthetic filament paintbrushes and domestic natural bristle paintbrushes, which is clearly more attenuated than competition between imported and domestic synthetic filament paintbrushes.

¹⁴⁶ CR & PR at Table VII-1. Since natural bristle paintbrushes from China are already subject to an antidumping duty order, likely exports from China are not relevant to this analysis.

¹⁴⁷ PR & CR at Table VII-1, Testimony of K. Walkerden (Tr. at 87). We note that Australia is the home of one Indonesian producer's corporate owner.

respect to Chinese capacity and the rate of capacity utilization.¹⁴⁸ Nevertheless, our finding that any increased imports of subject synthetic filament paintbrushes are unlikely to displace domestic merchandise leads us to conclude that any such excess capacity would not pose a threat to the domestic industry even if it resulted in increased imports to the United States.

We find that there is unlikely to be a significant degree of product shifting in China or Indonesia. Indonesian producers do not make synthetic filament paintbrushes, and any switching of production from natural bristle to synthetic filament paintbrushes in China likely would have already occurred, given the existing antidumping duty order on natural bristle paintbrushes from China.¹⁴⁹ The record contains no indication that the equipment currently used to make synthetic filament paintbrushes in China or natural bristle paintbrushes in Indonesia is used to produce any other product. Therefore, product shifting is not likely.

We note that U.S. importers' inventories of the subject imports increased at the end of the investigation period. However, this appears to be primarily a result of the increased overall volume of subject imports, as the ratios of inventories to both shipments and to imports remained at roughly their historical levels.¹⁵⁰ Moreover, ***.¹⁵¹

Our evaluations of each of the statutory factors with respect to subject imports from China and Indonesia lead us to conclude that neither the volume nor the market penetration of cumulated subject imports is likely to increase substantially.

We do not find that imports of the subject merchandise are likely to enter the U.S. market at prices that are likely to depress or suppress domestic prices to a significant degree. As noted above, despite uniform underselling of domestic products by large margins during the investigation period, subject imports neither suppressed nor depressed U.S. prices. We find no indication that competitive conditions will change to the point that subject imports in the imminent future would have such an effect, as the domestic producers will continue to import and/or market a significant portion of subject imports. Moreover, both capital expenditures and research and development expenditures increased markedly over the investigation period, indicating that imports are unlikely to have any negative effect on development and production efforts of the domestic industry.¹⁵²

Based on these factors, we determine that significantly increasing volumes of subject imports are not imminent, and that material injury will not occur in the absence of an antidumping duty order. Therefore, we find that the domestic industry producing paintbrushes is not threatened with material injury by reason of subject imports from China and Indonesia.

¹⁴⁸ See, e.g., Tr. at 25 (testimony of F. Burns); Tr. at 96 (testimony of S. Weiss).

¹⁴⁹ Petition at 28-29.

¹⁵⁰ CR & PR at Table VII-2.

¹⁵¹ The questionnaire responses of *** indicate that they accounted for *** percent of U.S. importers' inventories of subject imports from Indonesia in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. These companies accounted for *** percent of U.S. importers' inventories of subject imports from China in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. The inventory levels alone would not be sufficient for us to find a reasonable indication of a threat of material injury.

¹⁵² CR & PR at Table VI-5.

CONCLUSION

For the reasons stated above, we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of certain paintbrushes from China or Indonesia that are allegedly sold in the United States at less than fair value.¹⁵³

¹⁵³ Commissioner Crawford dissenting with respect to imports of the subject merchandise from China.

SEPARATE AND DISSENTING VIEWS OF COMMISSIONER CAROL T. CRAWFORD

On the basis of the information obtained in these investigations, I determine that there is a reasonable indication that the industry in the United States producing paintbrushes is materially injured by reason of imports of the subject merchandise from China that are allegedly sold in the United States at less-than-fair-value (“LTFV”), but that there is no reasonable indication that the industry in the United States producing paintbrushes is materially injured or threatened with material injury by reason of imports of the subject merchandise from Indonesia that are allegedly sold in the United States at LTFV. I join my colleagues in the findings with respect to the domestic like product and the domestic industry, as well as in the discussion of the conditions of competition in the U.S. market. However, in light of the different scopes in the two investigations, I have not cumulatively assessed the volume and effect of imports of the subject merchandise from China and Indonesia. Because my analysis and determination differ from those of the majority, my separate and dissenting views follow.

I. ANALYTICAL FRAMEWORK

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

- (I) *the volume of imports of the merchandise which is the subject of the investigation,*
- (II) *the effect of imports of that merchandise on prices in the United States for like products, and*
- (III) *the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States . . .*¹⁵⁴

In making its determination, the Commission may consider “such other economic factors as are relevant to the determination.”¹⁵⁵ In addition, the Commission “shall evaluate all relevant economic factors which have a bearing on the state of the industry . . . within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”¹⁵⁶

The statute directs that we determine whether there is “material injury by reason of the dumped imports.” Thus we are called upon to evaluate the effect of dumped imports on the domestic industry and determine if they are causing material injury. There may be, and often are, other “factors” that are causing injury. These factors may even be causing greater injury than the dumping. However, the statute does not require us to weigh or prioritize the factors that are independently causing material injury. Rather, the Commission is to determine whether any injury “by reason of” the dumped imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. “When determining the effects of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry.”¹⁵⁷ It is important, therefore, to assess the effects of the dumped imports in a way that

¹⁵⁴ 19 U.S.C. § 1677(7)(B)(i).

¹⁵⁵ 19 U.S.C. § 1677(7)(B)(ii).

¹⁵⁶ 19 U.S.C. § 1677(7)(C)(iii).

¹⁵⁷ S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added). Gerald Metals, Inc. v. United States, 132

(continued...)

distinguishes those effects from the effects of other factors unrelated to the dumping. To do this, I compare the current condition of the industry to the industry conditions that would have existed without the dumping, that is, had subject imports all been fairly priced. I then determine whether the change in conditions constitutes material injury. Both the Court of International Trade and the United States Court of Appeals for the Federal Circuit have held that the “statutory language fits very well” with my mode of analysis, expressly holding that my mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of the subject imports.¹⁵⁸

In my analysis of material injury, I evaluate the effects of the dumping¹⁵⁹ on domestic prices, domestic sales, and domestic revenues. To evaluate the effects of the dumping on domestic prices, I compare domestic prices that existed when the imports were dumped with what domestic prices would have been if the imports had been priced fairly. Similarly, to evaluate the effects of dumping on the quantity of domestic sales,¹⁶⁰ I compare the level of domestic sales that existed when imports were dumped with what domestic sales would have been if the imports had been priced fairly. The combined price and quantity effects translate into an overall domestic revenue impact. Understanding the impact on the domestic industry’s prices, sales, and overall revenues is critical to determining the state of the industry, because the impact on other industry indicators (*e.g.*, employment, wages, etc.) is derived from the impact on the domestic industry’s prices, sales, and revenues.

I then determine whether the price, sales, and revenue effects of the dumping, either separately or together, demonstrate that the domestic industry would have been materially better off if the imports had been priced fairly. If so, the domestic industry is materially injured by reason of the dumped imports.

For the reasons discussed below, I determine that there is a reasonable indication that the domestic industry producing paintbrushes is materially injured by reason of allegedly LTFV imports of the subject merchandise from China, but that there is no reasonable indication that the domestic industry producing paintbrushes is materially injured or threatened with material injury by reason of allegedly LTFV imports of the subject merchandise from Indonesia.

II. LIKE PRODUCT AND DOMESTIC INDUSTRY

For each investigation, I concur in the finding that the domestic like product consists of both synthetic filament and natural fiber paintbrushes. I also concur with the finding that high-quality paintbrushes, low-quality paintbrushes, and chip brushes are not separate domestic like products. Finally, I concur in the conclusion that the domestic industry consists of all domestic producers of paintbrushes.

¹⁵⁷ (...continued)

F.3d 716 (Fed. Cir. 1997) (rehearing denied).

¹⁵⁸ United States Steel Group v. United States, 96 F.3rd 1352, at 1361 (Fed.Cir. 1996), *aff’g* 873 F.Supp. 673, 694-695 (Ct. Int’l Trade 1994).

¹⁵⁹ As part of its consideration of the impact of imports, the statute as amended by the URAA now specifies that the Commission is to consider in an antidumping proceeding “the magnitude of the margin of dumping.” 19 U.S.C. § 1677(7)(C)(iii)(V). In these investigations, the alleged dumping margins for subject imports are 10.82 -148.91 percent for the subject merchandise from China and 0.00 - 53.12 percent for the subject merchandise from Indonesia. 64 F.R. at 46881, 46883 (Aug. 27, 1999).

¹⁶⁰ In examining the quantity sold, I take into account sales from both existing inventory and new production.

III. CONDITIONS OF COMPETITION

To understand how an industry is affected by unfair imports, we must examine the conditions of competition in the domestic market. The conditions of competition constitute the commercial environment in which the domestic industry competes with unfair imports, and thus form the foundation for a realistic assessment of the effects of the dumping. I concur with the discussion of the conditions of competition presented in the views of the Commission majority. However, my analysis requires additional evaluation of the commercial environment in which competition takes place. This environment includes demand conditions, substitutability among and between products from different sources, and supply conditions in the market.

A. Demand Conditions

An analysis of demand conditions tells us what options are available to purchasers, and how they are likely to respond to changes in market conditions, such as an increase in the general level of prices in the market. Purchasers generally seek to avoid price increases, but their ability to do so varies with conditions in the market. The willingness of purchasers to pay a higher price will depend on the importance of the product to them (*e.g.*, how large a cost factor), whether they have options that allow them to avoid the price increase, for example by switching to alternative products, or whether they can exercise buying power to negotiate a lower price. An analysis of these demand-side factors tells us whether demand for the product is elastic or inelastic, that is, whether purchasers will reduce the quantity of their purchases if the price of the product increases. For the reasons discussed below, I find that the overall demand for paintbrushes is moderately inelastic.

Importance of the Product and Cost Factor. Key factors that measure the willingness of purchasers to pay higher prices are the importance of the product to purchasers and the significance of its cost. In the case of an end-use product, demand is determined by the importance of the product to the consumer. This importance will depend on whether the product is considered a non-discretionary (necessity) purchase or a discretionary (luxury) purchase by the consumer. When the end use is considered a necessity, changes in the price of the product are less likely to alter demand by the consumer. When the end use is considered a luxury, changes in the price of the product are more likely to alter demand by the consumer.

Demand for paintbrushes is driven by construction and renovation trends and tends to follow paint consumption.¹⁶¹ Most consumers purchasing paint also require some form of paint applicator. There are likely, however, to be some differences in the elasticity of demand across consumers of the different qualities (*e.g.*, good-better-best product distinctions). Moreover, the costs of paintbrushes are likely to be moderate in relation to the costs of paint and other necessary painting equipment. In addition, chip brushes are very inexpensive, disposable articles. The non-discretionary nature of paintbrush (including chip brush) purchases and the moderate cost shares indicate that demand would likely be moderately inelastic.

¹⁶¹ Most producers felt that demand grew over the period examined, although importers had mixed views on demand. This is consistent with the 10.1-percent increase in U.S. consumption from 1996 to 1998, but 8.1-percent decrease in the first quarter of 1999 relative to the first quarter of 1998. Confidential Report ("CR") at II-6, Public Report ("PR") at II-4; table C-1, CR at C-3, PR at C-3.

Alternative Products. Another important factor in determining whether purchasers would be willing to pay higher prices is the availability of viable alternative products. Often purchasers can avoid a price increase by switching to alternative products. If such an option exists, it can impose discipline on producer efforts to increase prices.

Information on the record indicates that there are many alternative forms of paint applicators (*e.g.*, foam brushes, rollers, pads, sprayers) that can be used in a similar fashion as synthetic filament and natural bristle paintbrushes.¹⁶² In general, the choice of which applicators to use for a given project depends upon such considerations as the desired quality of the finish and the size and texture of the surface being finished.¹⁶³ Moreover, despite the reported increase in the use of paint applicators such as foam brushes or rollers,¹⁶⁴ it appears that many projects require the use of paintbrushes in conjunction with other paint applicators.¹⁶⁵ Therefore, in many instances these alternative products are complements, rather than substitutes. Thus, limits on the substitutability of alternative products indicate moderately inelastic demand for paintbrushes.

The non-discretionary nature of paintbrush purchases and the moderate cost share of paintbrushes, combined with the limits on the substitutability of alternative products, reduce the elasticity of demand. For this reason, I find that the demand for paintbrushes is moderately inelastic. That is, purchasers will not reduce significantly the amount of paintbrushes they buy in response to a general increase in the price of paintbrushes.

B. Substitutability

Simply put, substitutability measures the similarity or dissimilarity of imported versus domestic products from the purchaser's perspective. Substitutability depends upon 1) the extent of product differentiation, measured by product attributes such as physical characteristics, suitability for intended use, design, convenience or difficulty of usage, quality, *etc.*; 2) differences in other non-price considerations such as reliability of delivery, technical support, and lead times; and 3) differences in terms and conditions of sale. Products are close substitutes and have high substitutability if product attributes, other non-price considerations, and terms and conditions of sale are similar.

While price is nearly always important in purchasing decisions, non-price factors that differentiate products determine the value that purchasers receive for the price they pay. If products are close substitutes, their value to purchasers is similar, and thus purchasers will respond more readily to relative price changes. On the other hand, if products are not close substitutes, relative price changes are less important and are therefore less likely to induce purchasers to switch from one source to another.

Because demand for paintbrushes is moderately inelastic, overall purchases will not decline significantly if the overall prices of paintbrushes increase. However, purchasers can avoid price increases from one source by seeking other sources of paintbrushes. In addition to any changes in overall demand for paintbrushes, the demand for paintbrushes from different sources will decrease or increase depending on their relative prices and their substitutability. If paintbrushes from different sources are substitutable,

¹⁶² CR at II-6, PR at II-4.

¹⁶³ CR at II-6, PR at II-4.

¹⁶⁴ *See, e.g., Conference Transcript* at 59, 63 (testimony of Mr. Linzer).

¹⁶⁵ *See, e.g., Petitioners' Postconference Brief* at 8, identifying "cutting in," trim work, and touch up as examples of tasks that require the use of paintbrushes in conjunction with other paint applicators.

purchasers are more likely to shift their demand from one source when the products from that source (*i.e.*, subject imports) experience a price increase. The magnitude of this shift in demand is determined by the degree of substitutability among the sources.

Purchasers have a number of available sources of paintbrushes: paintbrushes produced by domestic producers, nonsubject imports, and subject imports. Purchasers are more or less likely to switch from one source to another depending on the similarity, or substitutability, between and among them. I have evaluated the substitutability among paintbrushes from different sources as follows.

Based on the evidence in the record, I find that subject imports from China and domestic paintbrushes are moderate substitutes for each other, while subject imports from Indonesia and domestic paintbrushes are poor substitutes for each other. Nearly all U.S. producers reported that U.S.-produced, Chinese, and Indonesian paintbrushes are interchangeable, a characterization disputed by the majority of importers. U.S. producers and the majority of importers also stated that nonsubject imports and the domestic like product, as well as nonsubject and subject imports, were interchangeable.¹⁶⁶

Subject Merchandise from China. Based on *physical characteristics*, both U.S. and subject Chinese paintbrushes are primarily of synthetic filament (75 percent and 100 percent, respectively); however, the quality of the synthetic filament used by Chinese producers is reportedly inferior to that used by U.S. producers.¹⁶⁷

The most important *non-product characteristics* distinguishing U.S.-produced paintbrushes and Chinese paintbrushes are the segments to which they are marketed. All Chinese brushes are sold to the consumer (do-it-yourself) segment of the market, while 21.5 percent of U.S.-produced brushes are sold to the professional segment.¹⁶⁸ In addition, only 6.2 percent of imports are distributed through paint stores or hardware stores, as opposed to 48.4 percent of U.S.-produced paintbrushes.¹⁶⁹ Finally, domestically produced paintbrushes are supported by advertising and volume incentives equivalent to two to six percent of sales.¹⁷⁰

¹⁶⁶ CR at II-7-12, PR at II-5-7.

¹⁶⁷ CR at II-7, PR at II-5. The synthetic filament used in Chinese paintbrushes reportedly is hollow, as opposed to solid, and lacks the desirable taper of solid filament.

¹⁶⁸ According to Stan Welty, Chairman of the Paintbrush Trade Action Committee Coalition, "It is important for the Commission to focus its investigation on the consumer segment of the market. Imports from China and Indonesia do not currently compete in the professional segment of the market, although they are about to enter that market segment as well." *Conference Transcript* at 10 (emphasis added).

¹⁶⁹ See tables II-1 and II-2, CR at II-3, PR at II-2. The import channel structure is not broken down between Chinese and Indonesian product.

¹⁷⁰ *Petitioners' Postconference Brief* at exh. 1, pp. 6-7. It is not clear if the same level of support is extended to sales by U.S. producers of their imported paintbrushes.

Other issues affecting substitutability include the intentional segregation of product lines between imported and domestic product.¹⁷¹ Given that U.S. producers import directly or purchase a large portion of subject Chinese paintbrushes (***) percent by quantity, (***) percent by value in 1998), this is no small consideration.¹⁷²

Based on the evidence in the record, I find that subject imports from China and domestic paintbrushes are moderate substitutes for each other.

Subject Merchandise from Indonesia. Based on *physical characteristics*, all Indonesian paintbrushes are of natural fiber and none are of synthetic filament. In contrast, less than 25 percent of U.S.-produced paintbrushes are of natural fiber. Moreover, 82 percent of Indonesian brushes are chip brushes, as opposed to 6 percent of U.S. brushes.¹⁷³

The same *non-product characteristics* described earlier distinguish U.S.-produced paintbrushes and Indonesian paintbrushes: the segments to which they are marketed; the distribution channel structure; and the use of advertising and volume incentives.

Other issues affecting substitutability include the aforementioned intentional segregation of product lines between imported and domestic product. Given that U.S. producers import directly or purchase the large majority of Indonesian paintbrushes (***) percent by quantity, (***) percent by value in 1998), this is an important consideration.¹⁷⁴

Based on the evidence in the record, I find that subject imports from Indonesia and domestic paintbrushes are poor substitutes for each other.

Paintbrushes from Nonsubject Countries. Nonsubject imports appear to be at least moderate substitutes for subject imports from China and subject imports from Indonesia. The record does not contain extensive details regarding the marketing of nonsubject paintbrushes. However, approximately 40 percent of nonsubject imports are natural bristle paintbrushes and 60 percent are synthetic filament paintbrushes. Moreover, chip brushes are well-represented among nonsubject imports of natural fiber brushes, originating in such countries as China and Taiwan.¹⁷⁵ More than (***) percent of nonsubject imports are imported directly or purchased by domestic producers. Given the segregation of product lines discussed above and the emphasis on sales of U.S.-produced paintbrushes into the professional segment of the paintbrush market, substitutability between domestically produced paintbrushes and nonsubject imports is likely to be no more than moderate.

¹⁷¹ See, e.g., testimony of Alan Benson, C.E.O of Linzer Products: "The import brush is a niche below our domestic product line. And we do not permit, as I said before, the imports to impinge on that which we make. It is not our business to compete with ourselves in that sense." *Conference Transcript* at 90. See also testimony of Jeff Burbach, VP & Controller of Newell Rubbermaid: "So, in the individual product categories, you won't see a heck of a lot of overlap in domestic production versus what we're importing. There will be some. But it really deals with being able to put together a whole product range of product and to be cost-competitive in certain portions of that range." *Conference Transcript* at 50.

¹⁷² Calculated from table IV-6, CR at IV-15, PR at IV-14.

¹⁷³ Table II-1, CR at II-3, PR at II-2. Indonesian chip brushes are produced by hand, as opposed to the automated production process used in the United States.

¹⁷⁴ Calculated from table IV-6, CR at IV-15, PR at IV-14.

¹⁷⁵ (***) CR at IV-7, PR at IV-6. See also the testimony of Stan Welty, Chairman of the Paintbrush Trade Action Committee Coalition, regarding imports of Chinese and Taiwanese chip brushes. *Conference Transcript* at 41.

For these reasons, I find that subject Chinese imports and domestic paintbrushes are moderate substitutes for each other, while subject imports from Indonesia and domestic paintbrushes are poor substitutes for each other. Therefore, I find that purchasers would have switched portions of their purchases of subject imports from China to both nonsubject imports and the domestic like product, had subject imports been fairly priced. To the limited extent that purchasers would have switched away from purchases of subject imports from Indonesia, I find that they would have switched the vast majority of their purchases to nonsubject imports, had subject imports been fairly priced.

C. Supply Conditions

Supply conditions in the market are a third condition of competition. Supply conditions determine how producers would respond to an increase in demand for their product, and also affect whether producers are able to institute price increases and make them stick. Supply conditions include producers' capacity utilization, their ability to increase their capacity readily, the availability of inventories and products for export markets, production alternatives, and the level of competition in the market. For the reasons discussed below, I find that the elasticity of supply of paintbrushes is high.

Capacity Utilization and Capacity. Unused capacity can exert price discipline in a competitive market, because no individual producer could make a price increase stick. Any attempt at a price increase by any one producer would be beaten back by its competitors who have the available capacity and are willing to sell more at a lower price. In 1998, the domestic industry's capacity utilization stood at 61.8 percent.¹⁷⁶ Therefore, a substantial share of capacity was unused and thus apparently available to increase production.¹⁷⁷ Based on these rates, it would appear that U.S. producers have considerable unused capacity that could have been used to supply the demand for subject imports.

Inventories and Exports. The domestic industry had 15.4 million paintbrushes in inventory as of December 31, 1998. This volume appears to be substantial, with ending inventories equivalent to 20.7 percent of U.S. shipments in 1998.¹⁷⁸ The domestic industry's export shipments were small, and thus do not represent a significant source of supply.¹⁷⁹ Despite minor participation in export markets, the domestic industry's extensive inventories appear to indicate a high elasticity of supply.

Level of Competition. The level of competition in the domestic market has a critical effect on producer responses to demand increases. A competitive market is one with a number of suppliers in which no one producer has the power to influence price significantly. In the U.S. market, there are approximately a dozen companies that produce paintbrushes, and thus there is competition within the domestic industry. Nonsubject imports are a substantial source of competition in this market, as evidenced by their large share of the market during the period examined. Consequently, I find that there is a high level of competition in the U.S. market for paintbrushes.

I find that the elasticity of supply is high, based on the domestic industry's extensive ability to increase the supply of domestic paintbrushes from existing unused capacity and inventories.

¹⁷⁶ Table III-2 CR at III-7, PR at III-5.

¹⁷⁷ U.S. producers reported available capacity sufficient to produce 9.9 million natural fiber paintbrushes and 38.5 million synthetic filament paintbrushes. Tables C-2 and C-3, CR at C-4 and C-6, PR at C-3.

¹⁷⁸ Table III-5, CR at III-14, PR at III-9.

¹⁷⁹ The domestic industry exported *** paintbrushes, valued at ***, in 1998. Exports accounted for approximately *** percent of total shipments in 1998. Table III-3, CR at III-9, PR at III-6.

IV. CUMULATION

I have not cumulated the subject merchandise imported from China and the subject merchandise imported from Indonesia because the scopes of the two investigations are different: synthetic filament paintbrushes from China and natural fiber and synthetic filament paintbrushes from Indonesia. In my view, the statute precludes the Commission from cumulatively assessing the volume and effect of allegedly unfairly traded imports from two countries when such imports do not consist of the same subject merchandise. Section 771(7)(G)(i) of the Tariff Act of 1930, as amended, directs the Commission to cumulatively assess the volume and effects 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 the domestic like products in the U.S. market.¹⁸⁰ The statute specifically defines the term “the subject merchandise” as “the class or kind of merchandise that is within the scope of an investigation . . .”¹⁸¹ Here the classes or kinds of merchandise that are within the scopes of the two investigations before the Commission are different. Because the scopes are different, the plain reading of the statute precludes cumulation. Consequently, the subject imports from China are not eligible under the statute for cumulation with the subject imports from Indonesia.

V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS OF SYNTHETIC FILAMENT PAINTBRUSHES FROM CHINA

The statute requires Commissioners to consider the volume of subject imports, their effect on domestic prices, and their impact on the domestic industry. I consider each requirement in turn.

A. Volume of Subject Imports

The quantity of subject imports of paintbrushes from China increased from 39.4 million units in 1996 to 57.1 million units in 1997 and 68.4 million units in 1998, increasing by 73.5 percent between 1996 and 1998. Apparent U.S. consumption increased by 10.1 percent during the same period. The quantity of subject imports was 15.2 million units in first quarter 1998 compared to 13.8 million units in first quarter 1999. Apparent U.S. consumption was 8.1-percent higher in first quarter 1998 compared to first quarter 1999. Subject imports’ market share by quantity increased from 17.0 percent of U.S. consumption in 1996 to 26.8 percent in 1998, and was 25.4 percent in first quarter 1998 compared to 25.0 percent in first quarter 1999.¹⁸²

The value of subject imports of paintbrushes from China increased from \$10.4 million in 1996 to \$16.5 million in 1997 and \$17.1 million in 1998, increasing by 64.1 percent between 1996 and 1998. Apparent U.S. consumption increased by 14.5 percent during the same period. The value of subject Chinese imports was \$3.9 million in first quarter 1998 compared to \$4.4 million in first quarter 1999. Apparent U.S. consumption was 6.1-percent lower in first quarter 1998 compared to first quarter 1999. Subject imports’ market share by value increased from 6.0 percent of U.S. consumption in 1996 to 8.7 percent in 1998, and was 8.9 percent in first quarter 1998 compared to 9.6 percent in first quarter 1999.¹⁸³

¹⁸⁰ 19 U.S.C. § 1677(7)(G)(i).

¹⁸¹ 19 U.S.C. § 1677(25).

¹⁸² Table C-1, CR at C-3, PR at C-3.

¹⁸³ Table C-1, CR at C-3, PR at C-3.

While it is clear that the larger the volume of subject imports, the larger the effect it will have on the domestic industry, whether the volume is significant cannot be determined in a vacuum, but must be evaluated in the context of its price and volume effects. Based on the market share of subject Chinese imports relative to those of the domestic like product and nonsubject imports and the conditions of competition in the domestic market, I find that the volume of subject imports is significant in light of its price effects and impact.

B. Effect of Subject Imports on Domestic Prices

To determine the effect of subject imports on domestic prices, I examine whether the domestic industry could have increased its prices if the subject imports had not been dumped. As discussed, both demand and supply conditions in the paintbrush market are relevant. Examining demand conditions helps us understand whether purchasers would have been willing to pay higher prices for the domestic product, or buy less of it, if subject imports had been sold at fairly traded prices. Examining supply conditions helps us understand whether unused capacity and competition among suppliers to the market would have imposed discipline and prevented price increases for the domestic product, even if subject imports had not been unfairly priced.

In this investigation, the dumping margins for subject Chinese imports range from moderate to very high: 10.82 -148.91 percent.¹⁸⁴ Therefore, most of the subject imports would have been priced significantly higher had they been fairly traded. Given that demand is moderately inelastic, a large portion of demand likely would have shifted away from these subject imports. Alternative products would not have been likely to capture a significant portion of the shift in demand because they are complements rather than substitutes. Therefore, much of the demand for Chinese subject imports would have shifted to other sources of supply.

In 1998, Chinese subject imports accounted for 26.8 percent of the market, imports from nonsubject countries accounted for 24.9 percent of the market, imports from Indonesia accounted for 19.2 percent of the market, and shipments of domestically produced paint brushes accounted for 29.1 percent of the market. Given moderate substitutability between Chinese subject imports and the domestic like product, at least some of the demand for subject imports likely would have shifted toward domestic producers, had the subject imports been fairly traded. However, nonsubject imports of paint brushes are somewhat better substitutes for Chinese subject imports than the domestic like product or the Indonesian imports (due to product mix),¹⁸⁵ indicating that the larger share of any shift in demand would accrue to nonsubject imports. Nonetheless, given the large market share of the Chinese subject imports, it is likely that there would have been a significant increase in the demand for the domestic like product had the subject imports been fairly traded.

Even though demand is moderately inelastic, had Chinese subject imports been fairly traded, the domestic producers could not have increased their prices. The U.S. industry, which consists of 12 companies, is reasonably competitive. Moreover, the market power of the larger U.S. producers is diluted by the significant presence of nonsubject imports in the U.S. market. In 1998 the domestic industry had sufficient capacity and inventory to satisfy the increase in demand that would have shifted toward the

¹⁸⁴ 64 F. R. 46881, 46883 (Aug. 27, 1999).

¹⁸⁵ All U.S. producers and a majority of importers believe that subject and nonsubject imports can be used interchangeably and that there are no differences in product characteristics or sales conditions. CR at II-10-11, PR at II-7. *See also* earlier cited testimony about the role of imports generally within U.S. producers' product lines.

domestic like product.¹⁸⁶ Therefore, the available capacity and competition within the domestic industry and from other sources of supply would have prevented the domestic industry from increasing its prices.

Consequently, I find that subject imports from China are not having significant effects on the price of paintbrushes produced and sold by the industry in the United States.

C. Impact of Subject Imports on the Domestic Industry

To assess the impact of subject imports on the domestic industry, I consider output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors.¹⁸⁷ These factors together either encompass or reflect the volume and price effects of the dumped imports, and so I gauge the impact of the dumping through those effects.

The domestic industry would not have been able to increase its prices had the subject imports not been dumped. Therefore, any impact on the domestic industry would have been on the domestic industry's output and sales. As I have discussed above, demand for paintbrushes likely would have shifted away from the subject Chinese imports had they been sold at fairly traded prices. In light of the dumping margins ranging from 10.82 -148.91 percent, the 26.8 percent market share held by Chinese subject imports, and the moderately inelastic nature of domestic demand, it is likely that, had the subject imports been fairly traded, the shift in demand toward the domestic product would have been substantial. The domestic industry had sufficient available capacity to satisfy the increased demand for the domestic like product. The overall domestic industry's output and sales, and therefore its revenues, likely would have increased significantly had the subject imports not been dumped. Consequently, the domestic industry would have been materially better off if the subject Chinese imports had been fairly traded.

VI. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS OF PAINTBRUSHES FROM INDONESIA

The statute requires Commissioners to consider the volume of subject imports, their effect on domestic prices, and their impact on the domestic industry. I consider each requirement in turn.

A. Volume of Subject Imports

The quantity of subject imports of paintbrushes from Indonesia increased from 37.1 million units in 1996 to 37.5 million units in 1997 and 49.0 million units in 1998, increasing by 32.1 percent between 1996 and 1998. Apparent U.S. consumption increased by 10.1 percent during the same period. The quantity of Indonesian imports was 7.7 million units in first quarter 1998 compared to 12.1 million units in first quarter 1999. Apparent U.S. consumption was 8.1-percent higher in first quarter 1998 compared to first quarter 1999. Indonesian imports' market share by quantity increased from 16.0 percent of U.S. consumption in 1996 to 19.2 percent in 1998 and was 12.8 percent in first quarter 1998 compared to 22.0 percent in first quarter 1999.¹⁸⁸

¹⁸⁶ The U.S. industry had available capacity to produce 48.4 million units; the available capacity allocated to synthetic filament paintbrushes was 38.5 million units. Table III-2, CR at III-7, PR at III-4.

¹⁸⁷ 19 U.S.C. § 1677(7)(C)(iii).

¹⁸⁸ Table C-1, CR at C-3, PR at C-3.

The value of subject imports of paintbrushes from Indonesia increased from \$7.5 million in 1996 to \$7.7 million in 1997 and \$8.8 million in 1998, increasing by 17.7 percent between 1996 and 1998. Apparent U.S. consumption increased by 14.5 percent during the same period. The value of subject Indonesian imports was \$1.5 million in first quarter 1998 compared to \$2.5 million in first quarter 1999. Apparent U.S. consumption was 6.1 percent lower in first quarter 1998 compared to first quarter 1999. Indonesian imports' market share by value increased from 4.3 percent of U.S. consumption in 1996 to 4.4 percent in 1998, and was 3.5 percent in first quarter 1998 compared to 5.4 percent in first quarter 1999.¹⁸⁹

While it is clear that the larger the volume of subject imports, the larger the effect it will have on the domestic industry, whether the volume is significant cannot be determined in a vacuum, but must be evaluated in the context of its price and volume effects. Based on the poor substitutability of Indonesian imports for the domestic like product, reflecting in part the domestic industry's concentration on the production of synthetic filament paintbrushes and the extremely limited availability of domestic production of chip brushes,¹⁹⁰ I find that the volume of subject imports is not significant in light of the lack of price effects and impact.

B. Effect of Subject Imports on Domestic Prices

To determine the effect of subject imports on domestic prices, I examine whether the domestic industry could have increased its prices if the subject imports had not been dumped. As discussed, both demand and supply conditions in the paintbrush market are relevant. Examining demand conditions helps us understand whether purchasers would have been willing to pay higher prices for the domestic product, or buy less of it, if subject imports had been sold at fairly traded prices. Examining supply conditions helps us understand whether unused capacity and competition among suppliers to the market would have imposed discipline and prevented price increases for the domestic product, even if subject imports had not been unfairly priced.

In this investigation, the dumping margins for subject Indonesia imports range from 0.00 to 53.12 percent.¹⁹¹ Therefore, most of the subject imports likely would have been priced moderately higher had they been fairly traded. Given that demand is moderately inelastic, a marginal portion of demand likely would have shifted away from these subject imports. Alternative products would not have been likely to capture a significant portion of the shift in demand because they are complements rather than substitutes. Therefore, a marginal portion of the demand for Indonesian subject imports would have shifted to other sources of supply.

In 1998, Indonesian subject imports accounted for 19.2 percent of the market, imports from nonsubject countries accounted for 24.9 percent of the market, subject imports from China accounted for 26.8 percent of the market, and shipments of domestically produced paint brushes accounted for 29.1 percent of the market. Given poor substitutability between Indonesian subject imports (82 percent of which are chip brushes) and the domestic like product (6 percent of which are chip brushes), very little of the demand for subject imports would have shifted toward domestic producers, had the subject imports been fairly traded. Nonsubject imports of paint brushes are better substitutes for Indonesian paintbrushes

¹⁸⁹ Table C-1, CR at C-3, PR at C-3.

¹⁹⁰ The ability of the U.S. industry to supply chip brushes is virtually non-existent: one company produced *** units in 1998, compared to industry-wide production of 78.3 million natural and synthetic paintbrushes. *Compare Petitioners' Postconference Brief* at exh. 1, p.1, with table C-1, CR at C-4, PR at C-3.

¹⁹¹ 64 F. R. 46881, 46883 (Aug. 27, 1999).

than the domestic like product or the Chinese subject imports (due to product mix),¹⁹² indicating that most of any shift in demand would accrue to nonsubject imports.

Had Indonesian subject imports been fairly traded, the domestic industry as a whole could not have increased its prices. The U.S. industry, which consists of 12 companies, is reasonably competitive. Moreover, the significant presence of nonsubject imports in the U.S. market would have imposed price discipline. In 1998 the domestic industry had virtually no capacity to meet the increased demand for chip brushes. However, this lack of available capacity is due to the fact that only one petitioning producer produces chip brushes.¹⁹³ Because the other petitioning producers do not produce chip brushes, there could have been no increase in demand for their products, had the subject imports from Indonesia been fairly traded. Thus, if subject imports had been fairly traded, it is likely that nonsubject imports would have captured all or nearly all of any shift in demand away from the subject imports.

Consequently, I find that subject imports from Indonesia are not having significant effects on the price of paintbrushes produced and sold by the industry in the United States.

C. Impact of Subject Imports on the Domestic Industry

To assess the impact of subject imports on the domestic industry, I consider output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors.¹⁹⁴ These factors together either encompass or reflect the volume and price effects of the dumped imports, and so I gauge the impact of the dumping through those effects.

The domestic industry would not have been able to increase its prices had the subject imports not been dumped. Therefore, any impact on the domestic industry would have been on the domestic industry's output and sales. As I have discussed above, it is likely that, had the subject imports been fairly traded, the shift in demand toward the domestic product would have been very small, since only one of the petitioning producers could have increased its output to meet the increased demand for chip brushes. Accordingly, the domestic industry as a whole likely would not have been able to increase significantly its output and sales, and therefore its revenues, had subject imports not been dumped. Consequently, the domestic industry would not have been materially better off if the subject imports had been fairly traded.

¹⁹² All U.S. producers and a majority of importers believe that subject and nonsubject imports can be used interchangeably and that there are no differences in product characteristics or sales conditions. CR at II-10-11, PR at II-7.

¹⁹³ The U.S. industry had available capacity to produce 48.4 million units; however, the reason that domestic producers account for such a large portion of Indonesian imports is because they no longer produce significant quantities of chip brushes. One company, ***, produced *** chip brushes in 1998; that company's maximum chip brush production over the entire period examined never exceeded *** units. *Petitioners' Postconference Brief* at exh. 1, p. 1.

¹⁹⁴ 19 U.S.C. § 1677(7)(C)(iii).

VII. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS FROM INDONESIA

For the purposes of determining whether there is a reasonable indication that a U.S. industry is threatened with material injury by reason of the subject merchandise, Section 771(7)(F) of the Tariff Act of 1930, as amended, lists a number of factors for the Commission to consider.¹⁹⁵ While an analysis of the statutory threat factors necessarily involves projection of future events, “[s]uch a determination may not be made on the basis of mere conjecture or supposition.”¹⁹⁶

Further direction is provided by the amendment to Section 771(7)(F)(ii), which adds that the Commission consider the threat factors “as a whole” in making its determination “whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur” unless an order issues.¹⁹⁷ In addition, the Commission must consider whether dumping findings or antidumping remedies in markets of foreign countries against the same class of merchandise suggest a threat of material injury to the domestic industry.¹⁹⁸ I have considered all of the statutory factors and determined that there is no reasonable indication that the domestic industry is threatened with material injury by reason of the allegedly LTFV imports of paintbrushes from Indonesia.

By quantity, subject imports of paintbrushes from Indonesia increased from 37.1 million units in 1996 to 37.5 million units in 1997 and 49.0 million units in 1998. The corresponding market share of the subject imports from Indonesia declined from 16.0 percent in 1996 to 15.3 percent in 1997, then increased to 19.2 percent in 1998. Most of this increase resulted from domestic producers’ purchases or direct imports of the subject merchandise.¹⁹⁹ The quantity of Indonesian imports was 7.7 million units in first quarter 1998 compared to 12.1 million units in first quarter 1999, while the Indonesian imports’ market share was 12.8 percent in first quarter 1998 compared to 22.0 percent in first quarter 1999.²⁰⁰ In my view, these increases are sufficiently large to justify a conclusion that there has been a significant rate of increase in the volume or market penetration of the subject imports that would indicate the likelihood of substantially increased imports. However, the significance of the rate of increase is limited by the poor substitutability between the domestic like product and the subject imports.

Despite a marked increase in capacity in 1998, unused capacity in Indonesia was *** units, out of *** units of total capacity. Capacity utilization was *** percent, consistent with capacity utilization rates in 1996 and 1997 and projections for 1999 and 2000. The two reporting manufacturers accounted for *** exports to the United States (the market that already accounts for over *** percent of Indonesian paintbrush shipments).²⁰¹ The record contains no indication that the equipment currently used to make natural bristle paintbrushes in Indonesia is used to produce any other product. Therefore, there is no basis to conclude that product shifting is likely.

¹⁹⁵ 19 U.S.C. § 1677(7)(F)(ii); see 19 U.S.C. §§ 1671b(a), 1673b(a).

¹⁹⁶ 19 U.S.C. § 1677(7)(F)(ii); see, e.g., S. Rep. No. 249 at 88-89; see also Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int’l Trade 1990).

¹⁹⁷ 19 U.S.C. § 1677(7)(F)(ii).

¹⁹⁸ 19 U.S.C. § 1677(7)(F)(iii)(I). There are no such findings relevant to this investigation.

¹⁹⁹ Table IV-6, CR at IV-15, PR at IV-14.

²⁰⁰ Table C-1, CR at C-3, PR at C-3. I place little weight on the fact that imports of natural bristle brushes from Indonesia held a greater share of the U.S. market in the first quarter of 1999 they did in the first quarter of 1998, given the shortness of the interim period and the seasonal nature of the market.

²⁰¹ Table VII-1, CR at VII-4, PR at VII-2.

Notwithstanding the large increase in the volume and market share of the subject imports, the Indonesian manufacturers have little ability to increase exports to the U.S. market from available capacity or by product shifting. Therefore, I find that further dumped imports are not imminent.

Consistent with the increase in imports of paintbrushes from Indonesia, inventory levels in the United States increased from *** units in 1996 to *** units in 1998. By March 31, 1999, inventory levels in the United States were *** units compared to *** units as of March 31, 1998.²⁰² However, inventories in Indonesia fell from *** units in 1996 to *** units in 1998 and, despite a spike to *** units in March 1999, are projected to stabilize at *** units.²⁰³ Given this decline, I find that inventories of Indonesian paintbrushes do not constitute a threat of material injury.

As discussed previously, the subject imports are not currently having significant effects on domestic prices due to the poor substitutability of imports of Indonesian paintbrushes for domestically produced paint brushes. There is no evidence that these conditions are likely to change. Therefore, I find that Indonesian subject imports are not likely to have a significant effect on the domestic industry's prices or output and sales in the imminent future. Consequently, I find that material injury is not likely to occur unless an order is issued.

For the reasons stated above, I do not find that further dumped imports from Indonesia are imminent or that material injury by reason of the subject imports will occur unless an order is issued. Consequently, I find that there is no reasonable indication that the domestic industry is threatened with material injury by reason of the allegedly LTFV imports of paintbrushes from Indonesia.

CONCLUSION

For the foregoing reasons, I determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of paintbrushes from Indonesia that allegedly are sold in the United States at less than fair value.

²⁰² Table VII-2, CR at VII-5, PR at VII-3. The questionnaire responses of *** indicate that they accounted for ***.

²⁰³ Table VII-1, CR at VII-4, PR at VII-2.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed on August 2, 1999, by the Paintbrush Trade Action Coalition (PATAC), whose member firms include Bestt Liebco, Philadelphia, PA; EZ Paint Corp., St. Francis, WI; Purdy Corp., Portland, OR; TruServ Manufacturing (TruServ), Cary, IL; and The Wooster Brush Co. (Wooster), Wooster, OH, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of synthetic filament paintbrushes¹ from China, and natural bristle and synthetic filament paintbrushes² from Indonesia. Information relating to the background of these investigations is presented in table I-1.³

PREVIOUS INVESTIGATIONS

On February 6, 1986, the Commission made an affirmative injury determination in investigation No. 731-TA-244 (Final): Natural Bristle Paintbrushes From China.⁴ On May 25, 1988, the Commission dismissed a request for institution of a section 751(b) review investigation.⁵ On May 18, 1989, the Commission dismissed a second request for institution of a section 751(b) review investigation.⁶ On

¹ The products covered by the investigation concerning China include all paintbrushes and paintbrush heads that are used to apply paint, stain, varnish, shellac, or any other type of protective coating, other than natural bristle paintbrushes and paintbrush heads that are classifiable under statistical reporting number 9603.40.4040 of the Harmonized Tariff Schedule of the United States (HTS). The scope includes paintbrushes and paintbrush heads with a blend of natural bristle and synthetic filaments, provided that synthetic filaments comprise over 50 percent of the total filler material in the finished paintbrush or paintbrush head. The merchandise subject to this investigation is classifiable under statistical reporting number 9603.40.4060 of the HTS. Excluded from the scope are artists' brushes classified under statistical reporting numbers 9603.30.2000, 9603.30.4000, or 9603.30.6000 of the HTS, or other non-paintbrush products classified under statistical reporting number 9603.40.4060 of the HTS such as foam applicators, sponge applicators, or any other type of non-brush paint applicator.

² The products covered by the investigation concerning Indonesia include all paintbrushes and paintbrush heads that are used to apply paint, stain, varnish, shellac, or any other type of protective coating, including natural bristle paintbrushes and paintbrush heads, synthetic filament paintbrushes and paintbrush heads, and paintbrushes and paintbrush heads made with a blend of natural bristle and synthetic filament. The merchandise subject to this investigation is classifiable under statistical reporting numbers 9603.40.4040 and 9603.40.4060 of the HTS. Excluded from the scope are artists' brushes classified under statistical reporting numbers 9603.30.2000, 9603.30.4000, or 9603.30.6000 of the HTS, or other non-paintbrush products classified under statistical reporting number 9603.40.4060 of the HTS such as foam applicators, sponge applicators, or any other type of non-brush paint applicator.

³ *Federal Register* notices cited in table I-1 are presented in app. A.

⁴ 51 FR 4662, Feb. 6, 1986.

⁵ On Feb. 24, 1988, a 751(b) changed circumstances review request was filed by A. Hirsch, Inc., an importer of natural bristle paintbrushes from China. On Mar. 23, 1988, the Commission published a request for written comments as to whether the changed circumstances alleged by the requestor were sufficient to warrant a review investigation (53 FR 9496). On May 25, 1988, the Commission published its notice of dismissal (53 FR 18912).

⁶ On Feb. 28, 1989, a second 751(b) changed circumstances review request was filed by A. Hirsch, Inc. On Mar. 23, 1989, the Commission published a request for written comments as to whether the changed circumstances

(continued...)

January 4, 1999, the Commission instituted a five-year review concerning the antidumping duty order on natural bristle paintbrushes from China. On June 3, 1999, following an expedited sunset review, the Commission determined, pursuant to section 751(c) of the Act,⁷ that revocation of the antidumping duty order on natural bristle paintbrushes from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.⁸ Table I-2 and table I-3 list actions taken by the Commission and Commerce, respectively, regarding natural bristle paintbrushes from China.

Table I-1 Certain paintbrushes: Chronology of investigations Nos. 731-TA-857-858 (Preliminary)		
Date	Action	Federal Register citation
August 2, 1999	Antidumping petition filed with the Commission and Commerce. ¹ Commission institutes investigations Nos. 731-TA-857-858 (Preliminary)	(²)
August 11, 1999	Commission's notice of institution is published in the <i>Federal Register</i> ³	64 FR 43715
August 27, 1999	Commerce's notice of initiation is published in the <i>Federal Register</i> ³	64 FR 46881
August 23, 1999	Conference ⁴	(²)
September 15, 1999	Commission's vote	(²)
September 23, 1999	Transmittal of determinations and views to Commerce	(²)
¹ The petition was filed by the Paintbrush Trade Action Coalition (PATAC), whose member firms include Bestt Liebco, EZ Paintr, Purdy, TruServ, and Wooster. ² Not applicable. ³ A copy of this notice is presented in app. A. ⁴ A list of witnesses appearing at the conference is presented in app. B. Source: Various notices of the Commission and Commerce.		

⁶ (...continued)

alleged by the requestor were sufficient to warrant a review investigation (53 FR 9496). On May 18, 1989, the Commission published its notice of dismissal (54 FR 21492).

⁷ 19 U.S.C. 1675(c).

⁸ 64 FR 29885, June 3, 1999.

Action	Date of determination	Federal Register citation
Final affirmative determination	02/06/1986	51 FR 4662
Dismissal of request for 751(b) review investigation	05/25/1988	53 FR 18912
Dismissal of request for 751(b) review investigation	05/18/1989	54 FR 21492
Institution of five-year review	01/04/1999	64 FR 374
Expedited five-year review determination	06/03/1999	64 FR 29885

Source: *Federal Register*.

Action	Investigation No./ Order No.	Date	Federal Register citation
Final determination ¹	A-570-501	12/26/1985	50 FR 52812
Antidumping duty order ²	A-570-501	02/14/1986	51 FR 5580
Final results of administrative review ³	A-570-501	10/22/1990	55 FR 42599
Final results of administrative review ⁴	A-570-501	10/09/1996	61 FR 52917
Final results of administrative review ⁵	A-570-501	03/13/1997	62 FR 11824
Final results of administrative review ⁶	A-570-501	03/13/1998	63 FR 12449
Affirmative expedited sunset review	A-570-501	05/10/99	64 FR 25011
Final results of administrative review ⁷	A-570-501	05/20/1999	64 FR 27506

¹ The weighted-average margin for all manufacturers/exporters was 127.07 percent.

² This order required the posting of a cash deposit equal to the estimated weighted-average antidumping duty margin, which was 127.07 percent China-wide. In determining the weighted-average antidumping duty margins, Commerce used a comparison between U.S. price (that was based on packed CIF prices to unrelated purchasers in the United States, as adjusted) and foreign market value (that was based on prices of similar merchandise sold to unrelated purchasers in Sri Lanka and the weighted-average price of imports of similar merchandise into the United States).

³ The period of review was Feb. 1, 1988-Jan. 31, 1989. For one manufacturer, Peace Target, Ltd., a Hong Kong reseller of Chinese natural bristle paint brushes to the United States, the weighted-average margin was reduced to 47.1 percent. For all other manufacturers/exporters, the weighted-average margin remained 127.07 percent.

⁴ The period of review was Feb. 1, 1994-Jan. 31, 1995. The weighted-average margin for all manufacturers/exporters was 351.92 percent.

⁵ The period of review was Feb. 1, 1995-Jan. 31, 1996. The weighted-average margin for all manufacturers/exporters was 351.92 percent.

⁶ The period of review was Feb. 1, 1996-Jan. 31, 1997. The weighted-average margin for Hunan Provincial Native Produce & Animal By-Products I/E Corp. was 0.01 percent. For all other manufacturers/exporters the weighted-average margin was 351.92 percent.

⁷ The period of review was Feb. 1, 1997-Jan. 31, 1998. The weighted-average margin for Hunan Provincial Native Produce & Animal By-Products I/E Corp. was 0.01 percent. For all other manufacturers/exporters the weighted-average margin was 351.92 percent.

Source: *Federal Register*.

ORGANIZATION OF THIS REPORT

Information on the subject merchandise, alleged antidumping duty margins, and the domestic like product are presented in Part I. Information on conditions of competition and other relevant economic factors are presented in Part II. Information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment are presented in Part III. The volume of imports of the subject merchandise is presented in Part IV. Part V presents data on prices in the U.S. market. Part VI presents information on the financial experience of U.S. producers. Information on the subject country foreign producers, U.S. importers' inventories, and countervailing duty and antidumping duty orders in other countries is presented in Part VII.

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C. Except as noted, U.S. industry data are based on questionnaire responses of six firms, accounting for over 80 percent of U.S. production of paintbrushes in 1998.⁹ U.S. import data are based on official statistics of Commerce, except as noted.¹⁰

THE NATURE AND EXTENT OF ALLEGED SALES AT LTFV

China

Based on petitioners' comparisons of export prices (offered for sale by three Chinese exporters) to normal value (on factors of production in surrogate country Indonesia), the petitioner estimates dumping margins of 10.82 to 148.91 percent.¹¹

Indonesia

Based on petitioners' comparisons of export prices (offered for sale by four Indonesian producers and exporters) to home market prices, the petitioner estimates dumping margins of 0.00 to 53.12 percent.¹²

⁹ See, petition at p. 5.

¹⁰ U.S. importers' inventories are based on responses to Commission questionnaires.

¹¹ Petition, pp. 16-18. See also, Commerce's notice of initiation, 64 FR 46881, Aug. 27, 1999.

¹² Petition, pp. 18-22. See also, Commerce's notice of initiation, 64 FR 46881, Aug. 27, 1999

TARIFF RATES

Table I-4 presents current tariff rates for the subject merchandise. Natural paintbrushes and paintbrush heads are classified under statistical reporting number 9603.40.4040 of the HTS.¹³ Synthetic filament paintbrushes and paintbrush heads are classified under statistical reporting number 9603.40.4060 of the HTS.¹⁴ Excluded from the scope of these investigations are artists' brushes classified under statistical reporting numbers 9603.30.2000, 9603.30.4000, or 9603.30.6000 of the HTS, or other non-paintbrush products classified under statistical reporting numbers 9603.40.4040 and 9603.40.4060 of the HTS such as foam applicators, sponge applicators, or any other type of non-brush paint applicator.

Table I-4 Certain paintbrushes: Tariff rates, 1999				
Item	Description	Normal trade relations ¹	Preferential ²	Column 2 ³
		<i>Rates (percent ad valorem, except as noted)</i>		
9603.40.4040	Natural bristle paintbrushes and natural/synthetic blends where natural bristles comprise 50 percent or more of the total filler material in the finished paintbrush or paintbrush head	4.0	Free	50.0
9603.40.4060	Synthetic filament paintbrushes and synthetic/natural blends where synthetic filament comprise over 50 percent of the total filler material in the finished paintbrush or paintbrush head	4.0	Free	50.0

¹ Formerly known as the Most Favored Nation duty rate.
² Includes Generalized System of Preferences, Caribbean Basin Economic Recovery Act, Israel FTA, Andean Trade Preference Act, NAFTA (goods of Canada), and NAFTA (goods of Mexico).
³ Applies to imports from a small number of countries that do not enjoy normal trade relations duty status.

Source: HTS (1999).

¹³ Paintbrushes and paintbrush heads with a blend of natural bristle and synthetic filaments, where natural bristles comprise 50 percent or more of the total filler material in the finished paintbrush or paintbrush head are also classified under this HTS number.

¹⁴ Paintbrushes and paintbrush heads with a blend of natural bristle and synthetic filaments, where synthetic filament comprise over 50 percent of the total filler material in the finished paintbrush or paintbrush head are also classified under this HTS number.

MARKET PARTICIPANTS

U.S. Producers

Six U.S. producers, Bestt Liebco, EZ Paintr, Linzer Products (Linzer), Purdy, TruServ, and Wooster, account for over 80 percent of U.S. production. A more detailed discussion of U.S. production, shipments, and employment data is presented in *Part III: Condition of the U.S. Industry*.

U.S. Importers

Based on responses to the Commission's questionnaires, 16 U.S. companies reported imports of paintbrushes from the subject countries during the period 1996-98. The largest U.S. importers were ***. A more detailed discussion of U.S. imports and apparent consumption is presented in *Part IV: U.S. Imports, Apparent Consumption, and Market Shares*.

U.S. Purchasers

The principal U.S. purchasers of paintbrushes are hardware stores, paint stores, and discounters/mass merchandisers. A more detailed discussion of purchasers is presented in *Part II: Conditions of Competition in the U.S. Market* and to a lesser extent in *Part V: Pricing and Related Data*.

THE PRODUCT¹⁵

Scope

With respect to China, the imported products subject to this investigation are synthetic filament paintbrushes and paintbrush heads.¹⁶ With respect to Indonesia, the imported products subject to this investigation are natural bristle paintbrushes and paintbrush heads¹⁷ and synthetic filament paintbrushes and paintbrush heads.¹⁸ Collectively, subject paintbrushes and paintbrush heads are referred to as "certain paintbrushes" throughout this report.

¹⁵ The discussion in this section is from the Commission's original Natural Bristle Paintbrushes From China investigation, unless otherwise noted. See, *Staff Report of Jan. 16, 1986*, pp. A-2 through A-5.

¹⁶ Included are paintbrushes and paintbrush heads with a blend of natural bristle and synthetic filaments, provided that synthetic filaments comprise over 50 percent of the total filler material in the finished paintbrush or paintbrush head.

¹⁷ Included are paintbrushes and paintbrush heads with a blend of natural bristle and synthetic filaments, provided that natural bristles comprise 50 percent or more of the total filler material in the finished paintbrush or paintbrush head.

¹⁸ Excluded from these investigations are artists' brushes or other non-paintbrush products such as foam applicators, sponge applicators, or any other type of non-brush paint applicator. For the exact scope language, see footnotes 1 and 2 in this section of the report.

Description and Uses

Paintbrushes are implements used to apply paint, stain, varnish, shellac, or any other type of protective coating, but may also be used for other purposes. The quality of a paintbrush can be determined, in part, by the types of materials used to make the brush. Paintbrushes can be produced with either natural (hog¹⁹ or boar) bristle filler, synthetic (nylon, polyester, polypropylene, or polypropylene) filament filler, or a combination of natural bristle filler and synthetic filament filler.²⁰

Natural bristle paintbrushes are generally recommended for use with oil base paints, stains, varnishes, and shellac. They are usually not recommended for use with water based paint due to the natural bristle's tendency to absorb water, keeping paint on the brush and not on the surface being painted. Synthetic filament paintbrushes are generally recommended for use with water based paint, but may also be used with oil-based paint, and other solvent-soluble coatings. Natural bristle paintbrushes generally provide a smoother finish than synthetic filament paintbrushes, which in turn, are generally more durable and easier to clean.²¹

Dupont recently developed a synthetic filament called Chinex® that reportedly has the performance characteristics of natural bristle, as well as the moisture resistance and durability of synthetic filament. Chinex® is advertised as easy to clean and lasting up to 3 times longer than hog bristles.²²

Paintbrushes come in several quality ranges and in a wide variety of widths and lengths. At the lower end of the market, in terms of quality, are brushes referred by the industry as "chip" or "utility" brushes. Chip brushes are generally 2 inches or less in width, are usually thin (having fewer rows of bristles), and, like other lower quality brushes, are composed of filler of the same length. These brushes are used extensively in the industrial market to remove chips and other scrap generated during machining operations; to apply lubricants, glue, or adhesives; and so forth. Chip brushes are also used by cooks to glaze, braze, and bronze.²³ Chip brushes may be used by some consumers to apply paint. Chip brushes are made of natural bristle attached to an unfinished wooden handle. Because synthetic fibers melt or otherwise deteriorate from heat during use on machinery, they are not generally used in chip brushes.

¹⁹ Hog bristle has different properties depending on the climate in which the hog is grown. Hog bristle from northern China is softer than hog bristle from southern China. Reportedly, black hog bristle that is natural and undyed traditionally spreads the paint better with fewest brush marks, resulting in un-dyed black hog bristle being relatively scarce and more valuable than white or gray hog bristle.

²⁰ Response of PATAC in Inv. No. 731-TA-244 (Review) (response of PATAC), p. 9.

²¹ Response of PATAC, p. 9.

²² Petitioners' postconference brief, p. 11 and exhibit 7.

²³ Conference transcript, p. 71.

Manufacturing Process

The best quality brushes are made by hand. The brush making area frequently consists of a group of tables where a number of people work. Once the filaments and/or bristles are mixed, the next step is to weigh out a specific amount of filament using a balance or an electronic scale. The filament and/or bristle is then combed to remove loose strands, gathered together, and placed inside a metal ferrule.²⁴ A plug is then placed in the butt end of the filament stock. The plug is usually a precut wooden piece²⁵ specific to the size of the brush. The plug serves two functions: (1) it serves as a filler and affects the stiffness of the brush by tightly packing the filament together, and (2) the plug creates a paint reservoir within the filament. This allows the brush to pick up more paint. Brushes can have more than one plug.

Next, a preformed metal insert with several holes is inserted at the butt end of the ferrule. The primary purpose of this piece is to mold and distribute the setting material. The metal insert can also be shaped to cause filament length variations uniformly along the front and back of the brush. In the United States, epoxy is used as the setting material.²⁶ The epoxy is a mixture of agent and hardener and is normally poured into the ferrule from an automatic mixing and metering station. The open end of the ferrule is held under the spout on the machine, a switch is actuated by the operator, and the precise amount of epoxy is placed in the ferrule. After the epoxy compound is hard, the brush is trimmed by hand with scissors across the top to cut off any filaments and/or bristles that extend above the tip of the brush to remove any rough edges. Then, the filaments are either combed or exposed to a mechanical beater to remove loose filaments and/or bristles and any broken tips.

Handles are attached either by nailing the ferrule to the handle using an automatic nailing machine or by crimping (punching) the ferrule into the handle. Nailing is considered higher-quality construction with wood handles because it results in a more durable, longer-lasting product.²⁷ For paintbrush handles, wood is generally considered to be higher quality than plastic and in general preferred by professional painters. However, some plastic handles are manufactured by U.S. producers according to proprietary designs and have “non-slip” grips that are specially balanced to approximate the feel of wood.²⁸

Packaging materials can be either plastic or cardboard. Cardboard packaging is generally considered to be higher quality than plastic, although some manufacturers also offer very high quality plastic packaging. Packaging for paintbrushes is generally called a “keeper,” which is intended to be

²⁴ Ferrules can be made with stainless steel, copper-plated steel, nickel-plated steel, brass-plated steel, or tin-plated steel. Ferrules are made with water-resistant materials to reduce rusting. Stainless steel is the highest-quality and most expensive material used for ferrules.

²⁵ Plugs are typically wood in high-quality paintbrushes and fiberboard in lower-quality paintbrushes made by machines.

²⁶ Foreign producers reportedly do not generally use epoxy resin due to its relatively higher cost. They instead use an acrylic adhesive, which takes a shorter period of time to cure than epoxy resin, which can take up to several hours to penetrate down to the brush to create a firm bond between all of the filaments and/or bristle in the brush, thus preventing shedding. Conference transcript, pp. 66-67.

²⁷ DuPont Filaments technical information booklet, *Premium Quality Paintbrushes with DuPont Tapered Filaments*, p. 8.

²⁸ See, app. D for a detailed description of the major component of paintbrushes and brush construction.

used for storage so that the brush will “keep” its shape over time. Most professional paintbrushes are packaged in cardboard keepers.²⁹

A new innovation in paintbrushes was introduced in 1992 by the 3M Company. The item, “NewStroke Snap-Off Paintbrushes,” was several paintbrushes that snap off a multipack for one-time use. The handles were made of recycled paperboard, and the bristles were made from a special laminated film, then split into tips. The brushes could be used for paints, stains, and varnishes, but not chemical strippers. The product was designed for the do-it-yourself (DIY) market, where paintbrushes are generally used only once.³⁰

DOMESTIC LIKE PRODUCTS

This section presents information on both imported and domestically produced paintbrushes, as well as information related to the Commission’s “domestic like product” determination.³¹

Petitioners argue that the Commission should adopt one like product consisting of all domestically produced paintbrushes,³² including chip brushes that have the same physical characteristics as all other types of paintbrushes and that are also used to paint.³³

Linzer; PT Ace Oldfields (Ace Oldfields), an Indonesian producer; Best B International Products (Best B), an importer; and Wuxi Shengfa Brush (Wuxi Shengfa), a Chinese producer, argue that the Commission should find three domestic like products—chip brushes, low-quality paintbrushes, and high-quality paintbrushes.³⁴ Great American Marketing (GAM), an importer, and Indonesian producer Eterna Jayatama Industries (Eterna Jayatama) argue that the Commission should find two domestic like products—paintbrushes and chip brushes.³⁵

Physical Characteristics and Uses

Domestic and imported paintbrushes and chip brushes share similar physical characteristics and uses. Both paintbrushes and chip brushes consist of bristles or filaments attached to a ferrule with adhesive to make the head of the brush, and both have handles attached to the head of the brush. While paintbrushes may be made with either wooden or plastic handles and either natural bristles or synthetic filaments, chip brushes are made exclusively with wooden handles and natural bristles. Paintbrushes are

²⁹ *How to Evaluate a Paintbrush*, E. I. du Pont de Nemours and Co., 1999, p. 6.

³⁰ *Brooms, Brushes, and Hair-Grooming Articles*, *Industry & Trade Summary*, USITC Publication 2748, March 1994.

³¹ The Commission’s decision regarding the appropriate domestic products that are “like” the subject imported products 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, where appropriate, (6) price. 19 U.S.C. § 1677(4)(A).

³² Petitioners postconference brief, p. 2.

³³ Conference transcript, p. 32, and petitioners’ postconference brief, p. 6.

³⁴ Postconference brief of Linzer, Ace Oldfields, Best B, and Wuxi Shengfa, p. 5.

³⁵ GAM’s postconference brief, pp. 13-15, and Eterna Jayatama’s postconference brief, pp. 3-4.

used to apply paint, stain, varnish, shellac, and other types of protective coatings, while chip brushes are primarily used in the industrial market to remove chips and other scrap from machinery, and to apply lubricants, glues, and other adhesives. However, chip brushes may be used by some consumers to apply paint where the quality of the finish is not paramount. Better quality paint brushes are designed for reuse, while chip brushes and some “toss-away” paintbrushes are intended for single-use applications.

Common Manufacturing Facilities and Production Employees

While some high-quality paintbrushes are made by hand in the United States, most production is automated. Although little production occurs in the United States, chip brushes are manufactured in the United States in the same production facilities using the same production machinery and employees as other types of paintbrushes.³⁶ In contrast, imported chip brushes are made by hand, not by machines.³⁷

Interchangeability and Customer and Producer Perceptions

Since most domestically-produced and imported paintbrushes are used to apply paint, they are often used interchangeably. For some applications, consumers may use chip brushes to paint or to apply varnish or other types of coatings.

Channels of Distribution

Paintbrushes and chip brushes are sold through similar channels of distribution. Both products are sold through discounters/mass merchandisers, hardware stores, paint stores, and distributors. Chip brushes are also sold to industrial end users.

³⁶ Petitioners’ postconference brief, p. 6.

³⁷ Conference transcript, p. 71.

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

U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION

Two market segments exist in the U.S. paintbrush market: consumer- or DIY-quality brushes, and professional-quality brushes. Within the consumer market segment, paintbrushes come in several quality ranges and in a wide variety of widths and lengths. At the lower end of the market, in terms of quality, are brushes referred to by the industry as chip and toss-away brushes.¹ Chip brushes are generally 2 inches or less in width and are usually thin, and like other lower quality brushes are composed of filler of the same length. These brushes are used predominately by the industrial market to remove chips and other scrap generated during machining operations, and to apply lubricants, glue, or other adhesives.² Chip brushes harden with the epoxy or other substance with which they are used, making it difficult to re-use them. Toss-away brushes are slightly better quality than chip brushes and typically have a plastic handle and synthetic filaments. However, some toss-away brushes may be made with natural bristle. Petitioners have reported that they have begun importing the lower level products instead of manufacturing them due to the dumped imports.³

The rest of the consumer segment of the market is denoted as "good," "better," and "best" quality. These brushes are made from either natural bristle, synthetic filament, or a blend of both. These higher quality consumer brushes can either have a plastic or wooden handle. These brushes are thicker than the lower end brushes and have different sized filler for better paint application. What typically distinguishes a "good", "better", and "best" quality paintbrush is the thickness of the filler, the length out, the packaging, and the ferrule. As one moves up the quality continuum, the thickness of filler and the length out tend to increase for a given brush width. "Good" and "better" brushes typically are packaged in a polybag whereas "best" quality are packaged in a vinyl pouch or cardboard. "Good" and "better" quality brushes usually have a tin plate ferrule whereas the "best" quality brushes usually have a gold colored, brass, or nickel plated steel ferrule.⁴

Although brushes with any type of filler can be used to paint or apply other finishes, the quality of the finish will be affected by the filler type used. Natural bristle brushes are recommended for oil based paints due to the bristles being softer and more fine than synthetic fillers. Synthetic fillers are recommended for use with latex paints since the synthetic will not absorb water as will the natural bristle. The blended brushes can be used in either oil or water-based paints. Historically, subject imports have been at the lower end "good" and "better" quality levels in the consumer market segment. However, as these foreign producers become more skilled, they are expected to become more competitive in the "best" quality level as well.

The smaller of the two segments is the professional quality. These brushes are made of the highest quality natural bristle or synthetic filament. These brushes require the largest amount of filler

¹ Although some individuals may use chip brushes for touch-up painting, respondents argue that chip brushes are not paintbrushes and should be a separate like product.

² *Natural Bristle Paint Brushes From the People's Republic of China*, USITC Publication 1805, February 1986, p. A-2.

³ Conference transcript, p. 37.

⁴ Conference exhibit 4.

and generally have nicely finished wood handles.⁵ Although some consumer quality brushes may be handcrafted, the majority are machine made whereas all professional brushes are handcrafted. Additionally, all professional brushes have handles that are nailed, not crimped like many of the consumer quality brushes. Currently no subject imports compete in this market segment. Table II-1 summarizes shipments to the various segments. In table II-1, the consumer segment is broken out into chip brushes and the rest of the consumer market.

Market segment	United States	China	Indonesia
Chip brushes	6.4	0.5	82.2
Rest of consumer	72.1	99.5	17.8
Professional	21.5	0.0	0.0

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

Both the domestic product and the subject imports are sold through the same channels of distribution. Paintbrushes can be sold to wholesale hardware distributors, who then re-sell the product to individual hardware stores, or directly to retail paint stores, retail discounters, or mass merchandisers. Many of the mass merchandisers, such as ***, also import brushes directly. Petitioners estimate that discounters and mass merchandisers account for approximately 60 percent of the market.⁶ Table II-2 summarizes shipments by channel of distribution for 1998.

Channel of distribution	U.S. producers ¹	Importers ²
Paint stores	16.4	4.1
Hardware stores	32.0	2.1
Discounters/mass merchandisers	34.5	16.6
Distributors	15.1	34.3
Other ³	1.9	42.9

¹ Does not include *** since the data were unavailable.
² Does not include *** and *** since the data were unavailable. *** estimated that for all of its sales, including roller pads and other paint application supplies, *** percent was sold to distributors and the remaining *** percent was sold to the retail channels of distribution.
³ The majority of these imports went to U.S. paintbrush producers. "Other" also included grocery and drug stores.

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

⁵ *Natural Bristle Paint Brushes From the People's Republic of China*, USITC Publication 1805, February 1986, p. A-3.

⁶ Petitioners' postconference brief, p. 26. This estimate is for point of sale to the consumer and not necessarily the channel that the imports first enter the U.S. market.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, U.S. paintbrush producers are likely to respond to changes in prices with moderate changes in the quantity of shipments of U.S.-produced paintbrushes to the U.S. market. Factors contributing to the moderate responsiveness of supply are discussed below.

Industry capacity

Both capacity and production increased during the period of investigation. U.S. producers' capacity increased from 118,951,000 paintbrushes in 1996 to 126,738,000 paintbrushes in 1998. Production of all paintbrushes increased from 75,933,000 in 1996 to 78,329,000 in 1998. U.S. producers' capacity utilization rates declined from 63.8 percent in 1996 to 61.8 percent in 1998. In the interim periods of 1998 and 1999, capacity utilization rates declined from 61.1 percent to 55 percent. Capacity utilization rates declined despite increased production levels in part due to the new capacity added during the period of investigation.

Alternative markets

Four of 7 responding U.S. producers indicated that they exported during the period of investigation. The primary export markets included Canada, Chile, Japan, and the United Kingdom. The most common market was Canada.

U.S. producers' export shipments were small compared to shipments to the U.S. market. Export shipments increased during the period of investigation. The percentage of the quantity of U.S. producers' export shipments relative to their total shipments increased from 2.7 percent in 1996 to 3.8 percent in 1998.⁷

Petitioners state that prospects for expanding exports in the near future are not good. Petitioners report that every market in the world has unique specifications, styles, and shape preferences. The only exception to this rule is Canada, where consumers tend to use products that are similar to products used by U.S. consumers. Since the opportunities in most export markets are limited for the U.S. producers, there is no justification for the market development expenditures that would be necessary to become competitive in these other markets.⁸

⁷ In value terms, exports increased from 3.2 percent to 4.2 percent.

⁸ Petitioners' postconference brief, exhibit 1.

Inventory levels

U.S. producers' inventories increased during the period of investigation. The ratio of inventories to total shipments increased from 14.5 percent in 1996 to 19.9 percent in 1998. During the interim periods of 1998 and 1999, the ratio of inventories to total shipments declined from 23.6 percent to 21.3 percent.

Production alternatives

The majority of U.S. producers do not use their production equipment or personnel to produce other products. The exceptions were ***. *** reported that it used the same production and related workers to produce rollers and flat pads. *** reported that it uses the same production equipment and production and related workers in the production of parts-cleaning brushes as it does for the production of paintbrushes.

U.S. Demand

Demand Characteristics

Demand for paintbrushes depends on housing starts and renovations. When housing starts and construction are strong, demand tends to increase. Although, there is some influence from the general economy, the industry is isolated from the extreme highs and lows of the economy since a large portion of demand is derived from fix-up and renovation projects. The industry tends to be more seasonal than cyclic.⁹ Linzer stated that demand is strongest in June, July, September, and October, and that 80 percent of its total year's business occurs in the eight months comprising Spring, Summer, and early Fall.¹⁰

Five of 6 U.S. producers and 1 of 7 importers indicated that demand for paintbrushes has increased since January 1996 due to the strong U.S. economy and the increase in the construction industry. Two importers indicated that demand for paintbrushes had declined due to new innovations in rollers and pads, substitute products for paintbrushes. *** reported that demand has shifted within the paintbrush market from the natural bristle brushes to synthetic and synthetic blend brushes due to the increased use of latex paint. *** also stated that demand for synthetic filament brushes has increased due to the increased utilization of water-based latex paints.

Substitute Products

The majority of U.S. producers and importers reported that roller covers, pad applicators, sprayers, and foam brushes could be used as substitutes for paintbrushes. The majority of respondents indicated that the desired quality of the finish determines the degree of substitutability between these products and paintbrushes. The size and texture of the surface being painted can also determine the degree of substitutability. Paintbrushes usually provide the best finish.

⁹ Conference transcript, pp. 44 and 63.

¹⁰ Ibid., p. 64.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported paintbrushes depends upon such factors as relative prices, quality (e.g., filler, handle, ferrule, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is high substitutability between the U.S.-produced chip, toss-away, “good”, and “better” quality brushes and subject imported chip, toss-away, “good”, and “better” quality brushes. Staff believes that the substitutability is low to moderate for the “best” quality DIY consumer-quality paintbrushes and low for professional level paintbrushes.

Comparisons of Domestic Products and Subject Imports

United States Versus China

Five of 6 U.S. producers and 6 of 14 importers indicated that paintbrushes from China can be used interchangeably with U.S.-produced paintbrushes. The majority of those reporting that the brushes cannot be used interchangeably stated it was due to quality differences between the Chinese-produced and the U.S.-produced products. The major quality difference is the synthetic filament used. ***, the largest importer from China in 1998, reported that the imported synthetic and synthetic blend brushes are made with an inferior quality raw material. The imported product is of a low level hollow material whereas the domestically produced synthetic brushes use a tapered solid synthetic material. The tapered solid filament is preferred since it will last longer and clean easier than a hollow filament. In addition, the tapered shape gives the brush a natural taper for precise cutting-in.¹¹ ***, the fourth largest importer from China in 1998,¹² reported that the higher quality synthetic fibers are not available to the Chinese factories because the filament producers refuse to sell or refuse to sell at competitive prices. This importer added that it believes that this may be due to pressure from the U.S. paintbrush producers. ***, the second largest importer from China in 1998, reported that imported brushes are generally used once and discarded whereas domestically produced brushes are used for higher end purposes and are frequently cleaned and stored for reuse.¹³ *** stated that U.S.-produced brushes are of a higher quality and therefore are used by a different niche market than the market using imported paintbrushes.

Five of 6 U.S. producers reported that there are no differences in product characteristics or sales conditions between U.S.-produced paintbrushes and synthetic filament brushes from China that are a significant factor in their firms’ sales of synthetic filament brushes. ***, the one dissenting U.S. producer, indicated that the filament quality difference is a significant factor in its sales. *** commented that, at similar quality levels, price is almost always the deciding factor.

Ten of 13 importers indicated that differences in product characteristics or sales conditions exist between U.S.-produced synthetic filament paintbrushes and those imported from China that are significant factors in their firm’s sales of paintbrushes. Three importers reported that the United States does not produce either chip brushes or low quality brushes. Seven importers, including ***, reported that the quality difference of the filament is important in the sales of paintbrushes. *** also reported that

¹¹ Petition, exhibit 5. The novice painter probably would not be aware of this difference.

¹² ***.

¹³ For the better quality subject imported paintbrushes, this statement is not necessarily accurate.

the domestic producers provide advertising and point of purchase display support. *** also stated that the domestics provide services such as training.

United States Versus Indonesia

Five of 6 U.S. producers and 5 of 12 importers reported that U.S.-produced and imported paintbrushes from Indonesia can be used interchangeably. Quality and chip brushes were the most common reasons cited by importers as the reason U.S.-produced and imported paintbrushes from Indonesia cannot be used interchangeably. ***, the third largest importer from Indonesia in 1998, reported that they are interchangeable for some consumer brushes depending on quality level, but they are not for chip brushes since imports are effectively all of the market. This importer also added that it is unaware of any synthetic brushes manufactured in Indonesia. ***, the fourth largest importer from Indonesia in 1998, stated that U.S.-produced brushes are superior in quality to imports and that contractors and educated consumers prefer U.S.-produced paintbrushes. ***, the largest importer from Indonesia in 1998, ***, and *** reported that U.S. producers rarely, if at all, produce chip brushes.

Five of 6 U.S. producers and 4 of 10 importers indicated that there are no differences in product characteristics or sales conditions between U.S.-produced and imported paintbrushes from Indonesia that are a significant factor in their firms' sales of paintbrushes. Again, those that answered affirmatively to this question based this on the quality difference between U.S.-produced and Indonesian-produced paintbrushes and the availability of chip brushes. *** stated that U.S. products are better quality, better merchandised, better packaged, and more readily available. *** reported that domestic paintbrushes are historically superior in quality to those manufactured in Indonesia. Where quality is comparable, *** stated that the Indonesian brushes are historically lower in cost. *** stated that U.S. manufactures do not produce chip brushes and *** indicated that U.S. producers rarely manufacture chip brushes. *** also added that chip brushes and paintbrushes are marketed for different purposes.

Comparisons of Domestic Products and Nonsubject Imports

All 6 responding U.S. producers and 9 of 13 importers reported that U.S.-produced and nonsubject imported paintbrushes can be used interchangeably. Quality reasons and the lack of chip brushes produced in the United States were the reasons that importers indicated these products could not be used interchangeably.

All 6 responding U.S. producers and 6 of 11 importers reported that there are no differences in product characteristics or sales conditions between U.S.-produced paintbrushes and nonsubject imported paintbrushes that are a significant factor in their firms' sales of paintbrushes. *** indicated it only sells subject paintbrushes. *** indicated that there were differences due to the lack of U.S.-produced chip brushes. *** also added that domestic consumer paintbrushes are historically superior in quality to those manufactured in nonsubject countries. When the quality is comparable, nonsubject imported paintbrushes are historically lower in price. *** stated that the nonsubject imports could not supply the volume required. *** added that U.S. products are better quality, better merchandised, better packaged, and more readily available.

Comparisons of Subject Imports and Nonsubject Imports

All 6 responding U.S. producers and the majority of importers stated that nonsubject imports and subject imports can be used interchangeably. *** were the three importers that said the subject and nonsubject imported paintbrushes cannot be used interchangeably. *** stated that consumer quality and chip brushes are interchangeable, depending on quality. *** indicated that supply is very limited from nonsubject sources. *** did not provide a reason for indicating they are not interchangeable other than that the firm has ***.

All 6 responding U.S. producers and 7 of 11 importers reported there are no differences in product characteristics or sales conditions between nonsubject imported paintbrushes and subject imported paintbrushes that are a significant factor in their firms' sales of paintbrushes.¹⁴ In comparison to China, *** reported that the nonsubject factories could not supply the required volume. In regard to Indonesia, *** reported the difference being that Indonesia only sells natural bristle.

Comparisons of Subject Imports

Petitioners reported that imports from Indonesia and imports other than natural bristle from China can be used interchangeably and that there are no differences in product characteristics or sales conditions that are a significant factor in their sales of paintbrushes.

The majority of importers indicated that imports from Indonesia and imports other than natural bristle from China are not interchangeable. The major reason is that the imports from China are synthetic paintbrushes and the imports from Indonesia are natural bristle brushes. *** was one of the few importers that stated the two imported products could be used interchangeably. *** indicated that some products from Indonesia and China can be used interchangeably. *** added that each country has the capability to produce the same brush specifications, based on customer requirements.

Importers' views as to whether there were any differences in product characteristics or sales conditions that were a significant factor in their sale of paintbrushes varied. *** stated that there are differences due to the fact that the Chinese imports were synthetic filament and the Indonesian were natural bristle. *** stated that the quality of chip brushes from Indonesia exceeds that of China. In addition, the antidumping order on natural bristle paintbrushes from China prevents the firm from purchasing natural bristle paintbrushes from China. *** indicated there are no differences that were significant. *** indicated that there were no differences that were significant to sales since "they are different animals." *** stated that the natural bristle brushes it imports from Indonesia, excluding chip brushes, are to round out its offering of polyester and polyester/bristle blend brushes.

¹⁴ *** indicated there were differences that affected their sales. Both did not specifically say what the difference was between the nonsubject and subject imports but responded to the question by saying that the U.S. producers do not manufacture chip brushes.

PART III: CONDITION OF THE U.S. INDUSTRY

Information on capacity, production, shipments, inventories, and employment is presented in this section of the report, and is based on the questionnaire responses of six U.S. producers that are believed to account for over 80 percent of all U.S. production of paintbrushes during the period 1996-98.¹

U.S. PRODUCERS

Table III-1 presents a list of U.S. producers responding to the Commission's questionnaires, including information on each company's headquarters and production locations, and share of reported production and U.S. shipments in 1998.

Table III-1 Certain paintbrushes: U.S. producers, location of headquarters and production facilities, position with respect to the petition, and shares of U.S. production and U.S. shipments, 1998				
Company	Location of headquarters and production facilities	Position with respect to the petition	Share of U.S. production	Share of U.S. shipments ¹
Bestt Liebco ²	Philadelphia, PA	Petitioner	***	***
EZ Paintr ³	St. Francis, WI Johnson City, TN	Petitioner	***	***
Linzer/American Brush	Wyandanch, NY North Hollywood, CA Claremont, NH ⁴	Opposed	***	***
Purdy ²	Portland, OR	Petitioner	***	***
TruServ ⁵	Cary, IN	Petitioner	***	***
Wooster	Wooster, OH	Petitioner	***	***

¹ Does not include company shipments of subject imports purchased from U.S. importers or direct imports.
² ***
³ EZ Paintr is a wholly-owned subsidiary of Newell Rubbermaid, Inc., Beloit, WI.
⁴ Location of Linzer's subsidiary American Brush Company.
⁵ TruServ is part of TruServ Corp., Chicago, IL, a member-owned cooperative comprised of the True Value, ServiStar, Coast to Coast, Grand Rental Station, Taylor Rental Center, Home & Garden Showplace, and Induserve Supply retail brands.

Note.—Because of rounding, numbers may not total to 100 percent.

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

¹ The Commission did not receive a timely response from Rubberset Co., a division of Sherwin-Williams and Diversified Brands. Rubberset is believed to be the only other significant U.S. producer.

Bestt Liebco

Bestt Liebco, Philadelphia, PA, is a wholly-owned subsidiary of Paint Sundry Brands, LLC, Philadelphia, PA. ***.

Based on 1998 data, Bestt Liebco was *** U.S. producer, accounting for *** percent of U.S. production of natural bristle paintbrushes, *** percent of synthetic filament paintbrushes, and *** percent of total paintbrush production. Natural bristle paintbrushes accounted for *** percent of production while synthetic paintbrushes accounted for *** percent of production.

Approximately *** percent of its sales went to paint stores, *** percent to distributors, and *** to direct commercial accounts, hardware stores, and discounters/mass merchandisers. The company's largest accounts include ***.

EZ Paintr

EZ Paintr, St. Francis, WI, is a wholly-owned subsidiary of Newell Rubbermaid, Inc.,² Freeport, IL, and a manufacturer and full-service marketer of consumer products sold through mass retailers. EZ Paintr has production facilities in St. Francis, WI (a suburb of Milwaukee) and Johnson City, TN. In 1998, EZ Paintr's parent company, Newell Rubbermaid, had sales of approximately \$6 billion, of which EZ Paintr's paintbrushes accounted for ***. EZ Paintr manufactures and sells a full line of consumer DIY and professional paintbrushes under the One Coater brand.

Based on 1998 data, EZ Paintr was *** U.S. producer, accounting for *** percent of U.S. production of natural bristle paintbrushes, *** percent of synthetic filament paintbrushes, and *** percent of total paintbrush production. Natural bristle paintbrushes accounted for *** percent of production while synthetic paintbrushes accounted for *** percent of production.

Approximately *** percent of its sales went to discounters/mass merchandisers³ and hardware stores, with less than *** percent of sales going to distributors and no sales to paint stores. The company's largest accounts include ***.

² Newell Rubbermaid sells products under the Rubbermaid, Levelor, Louver Drape, Rolodex, Kirsch, Goody, Sanford, WearEver, AnchorHocking, Mirro, BernzOmatic, and other brands.

³ Discounters/mass merchandisers are defined as retailers with broad product assortments in categories such as hardware, appliances, clothing, building supplies, lawn/garden supplies, and/or automotive parts, with a minimum store size of 50,000 square feet and no maximum size, and a minimum of at least five stores in multiple locations.

Linzer

Linzer, Wyandanch, NY, is owned by AHI Investment, Inc., No. Hollywood, CA. American Brush Company, Claremont, NH, is a subsidiary of Linzer. Linzer sells a full line of consumer brushes under the Linzer and American Brush Company brand names.

Based on 1998 data, Linzer was *** U.S. producer, accounting for *** percent of U.S. production of natural bristle paintbrushes, *** percent of synthetic filament paintbrushes, and *** percent of total paintbrush production. Natural bristle paintbrushes accounted for *** percent of production while synthetic paintbrushes accounted for *** percent of production.

At least *** percent of its sales went to discounters/mass merchandisers, *** percent to hardware stores, and ***. The company's largest accounts include ***.

Purdy

Purdy, Portland, OR, ***. Purdy sells a full line of professional paintbrushes under the Purdy brand name and consumer paintbrushes under the Purdy and Aviva brand names.

Based on 1998 data, Purdy was *** U.S. producer, accounting for *** percent of U.S. production of natural bristle paintbrushes, *** percent of synthetic filament paintbrushes, and *** percent of total paintbrush production. Natural bristle paintbrushes accounted for *** percent of production while synthetic paintbrushes accounted for *** percent of production.

Approximately *** percent of its sales went to discounters/mass merchandisers, *** percent to paint stores, *** percent to distributors, *** percent to hardware stores, and *** percent to other channels. The company's largest accounts include ***.

TruServ

TruServ, Cary, IL, is wholly-owned subsidiary of TruServ Corp., Chicago, IL, a member-owned cooperative of more than 10,000 independent retailers doing business under the TrueValue, ServiStar, Coast to Coast, Grand Rental Station, Taylor Rental, Home & Garden Showplace, and Induserve Supply brand names.

Based on 1998 data, TruServ was *** U.S. producer, accounting for *** percent of U.S. production of natural bristle paintbrushes, *** percent of synthetic filament paintbrushes, and *** percent of total paintbrush production. Natural bristle paintbrushes accounted for *** percent of production while synthetic paintbrushes accounted for *** percent of production. All of TruServ's paintbrush sales were to cooperative member hardware stores.

Wooster

Wooster, Wooster, OH, is a full-line manufacturer of paint applicators and accessories. Based on 1998 data, Wooster was *** U.S. producer, accounting for *** percent of U.S. production of natural bristle paintbrushes, *** percent of synthetic filament paintbrushes, and *** percent of total paintbrush production. Natural bristle paintbrushes accounted for *** percent of production while synthetic paintbrushes accounted for *** percent of production.

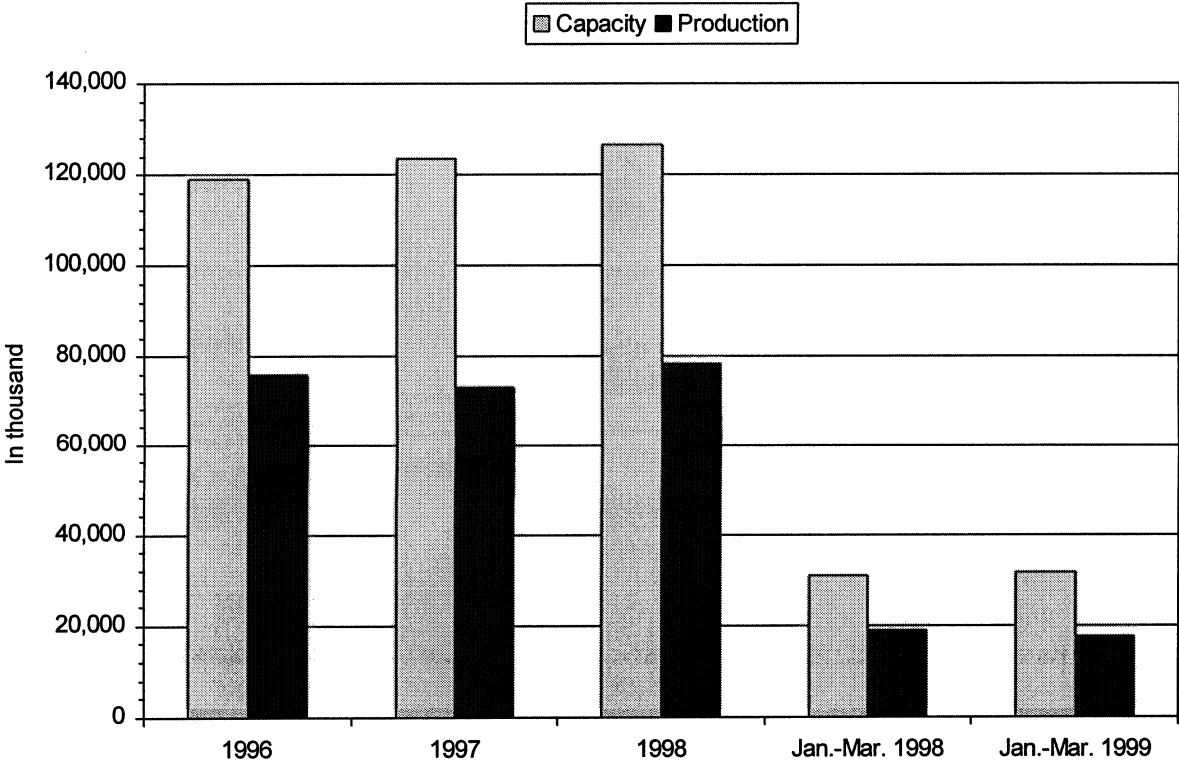
Approximately *** of its sales went to distributors, *** percent to paint stores, *** percent to discounters/mass merchandisers, and *** percent to hardware stores. The company's largest accounts include ***.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data are presented in table III-2 and figure III-2. ***. ***.

Item	Calendar year			January-March	
	1996	1997	1998	1998	1999
Natural bristle					
Capacity (1,000)	26,531	28,584	30,283	7,338	7,619
Production (1,000)	16,149	17,514	20,345	5,102	4,646
Capacity utilization (percent)	60.9	61.3	67.2	69.5	61.0
Synthetic filament:					
Capacity (1,000)	92,420	95,018	96,455	23,647	23,971
Production (1,000)	59,784	55,877	57,984	13,828	12,727
Capacity utilization (percent)	64.7	58.8	60.1	58.5	53.1
All paintbrushes:					
Capacity (1,000)	118,951	123,602	126,738	30,984	31,590
Production (1,000)	75,933	73,391	78,329	18,930	17,372
Capacity utilization (percent)	63.8	59.4	61.8	61.1	55.0
Source: Compiled from data submitted in response to Commission questionnaires.					

Figure III-1
Certain paintbrushes: U.S. producers' capacity and production, 1996-98, January-March 1998, and January-March 1999



Source: Table III-2.

U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments are presented in table III-3.

Table III-3 Certain paintbrushes: U.S. producers' shipments, ¹ by firm and by type, 1996-98, January-March 1998, and January-March 1999					
Item	Calendar year			January-March	
	1996	1997	1998	1998	1999
<i>Quantity (1,000)</i>					
Natural bristle:					
Commercial shipments	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	16,503	17,094	18,293	3,918	4,132
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Synthetic filament:					
Commercial shipments	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	63,331	56,152	56,080	11,824	13,180
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
All paintbrushes:					
Commercial shipments	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	79,834	73,246	74,373	15,741	17,312
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
<i>Value (\$1,000)</i>					
Natural bristle:					
Commercial shipments	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	38,207	41,703	46,917	10,145	10,328
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Synthetic filament:					
Commercial shipments	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	94,003	103,931	110,948	23,615	25,564
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
All paintbrushes:					
Commercial shipments	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	132,209	145,633	157,866	33,760	35,892
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Table continued...					

Table III-3--continued

Certain paintbrushes: U.S. producers' shipments,¹ by firm and by type, 1996-98, January-March 1998, and January-March 1999

Item	Calendar year			January-March	
	1996	1997	1998	1998	1999
	<i>Unit value</i>				
Natural bristle:					
Commercial shipments	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	\$2.32	\$2.44	\$2.56	\$2.59	\$2.50
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Synthetic filament:					
Commercial shipments	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	1.48	1.85	1.98	2.00	1.94
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
All paintbrushes:					
Commercial shipments	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	1.66	1.99	2.12	2.14	2.07
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
¹ Includes shipments of U.S.-produced product only.					
Source: Compiled from data submitted in response to Commission questionnaires.					

U.S. PRODUCERS' PURCHASES

Data on U.S. producers' purchases (other than direct imports), by sources, are presented in table III-4. *** U.S. producers, ***, reported purchasing subject imports during the period of investigation.⁴ *** purchased *** natural bristle chip brushes from Indonesia in 1996, *** in 1997, and *** in 1998.⁵ *** purchased *** natural bristle chip brushes from Indonesia in 1996, *** in 1997, and *** in 1998.⁶

⁴ ***.

⁵ Purchases of subject imports represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. As a share of value, purchases of subject imports from Indonesia represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. The average unit value of *** natural bristle paintbrush import purchases from Indonesia was *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999. This compares with an average unit value of *** domestically produced natural bristle paintbrushes of *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999.

⁶ Purchases of subject imports represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. As a share of value, purchases (continued...)

*** purchased *** natural bristle chip brushes from Indonesia in 1996, *** in 1997, and *** in 1998.⁷ *** also purchased *** synthetic paintbrushes from China in 1996 and *** in 1997.⁸

***.⁹ ***. ***,¹⁰ ***. ***.

Table III-4
Certain paintbrushes: U.S. producers' purchases (other than direct imports), by sources, 1996-98, January-March 1998, and January-March 1999

* * * * *

⁶ (...continued)

of subject imports from Indonesia represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. The average unit value of *** natural bristle paintbrush import purchases from Indonesia was *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999. This compares with an average unit value of *** domestically produced natural bristle paintbrushes of *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999.

⁷ Purchases of subject imports represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. As a share of value, purchases of subject imports from Indonesia represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. The average unit value of *** natural bristle paintbrush import purchases from Indonesia was *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999. This compares with an average unit value of *** domestically produced natural bristle paintbrushes of *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999.

⁸ Purchases of subject synthetic filament paintbrush imports represented *** percent of *** total U.S. shipments of synthetic filament paintbrushes in 1996 and *** percent in 1997. (***) As a share of value, purchases of subject imports from China represented *** percent of *** total U.S. shipments of synthetic filament paintbrushes in 1996 and *** percent in 1997. The average unit value of *** synthetic filament paintbrush import purchases from China was *** in 1996 and *** in 1997. This compares with an average unit value of *** domestically produced natural bristle paintbrushes of *** in 1996 and *** in 1997.

⁹ The Commission did not request separate production data for natural bristle chip brushes.

¹⁰ ***, Submission of ***, Sept. 2, 1999.

U.S. PRODUCERS' INVENTORIES

Data on U.S. producers' inventories are presented in table III-5.

Table III-5					
Certain paintbrushes: U.S. producers' end-of-period-inventories, by firm, 1996-98, January-March 1998, and January-March 1999					
Item	Calendar year			January-March	
	1996	1997	1998	1998	1999
Natural bristle:					
End-of-period inventories (1,000)	2,730	3,192	4,104	3,933	4,416
Ratio to production (percent)	16.9	18.2	20.2	19.3	23.8
Ratio to U.S. shipments (percent)	16.5	18.7	22.4	25.1	26.7
Ratio to total shipments (percent)	***	***	***	***	***
Synthetic filament:					
End-of-period inventories (1,000)	9,155	9,081	11,260	11,491	10,849
Ratio to production (percent)	15.3	16.3	19.4	20.8	21.3
Ratio to U.S. shipments (percent)	14.5	16.2	20.1	24.3	20.6
Ratio to total shipments (percent)	***	***	***	***	***
All paintbrushes:					
End-of-period inventories (1,000)	11,884	12,272	15,364	15,424	15,265
Ratio to production (percent)	15.7	16.7	19.6	20.4	22.0
Ratio to U.S. shipments (percent)	14.9	16.8	20.7	24.5	22.0
Ratio to total shipments (percent)	***	***	***	***	***
Source: Compiled from data submitted in response to Commission questionnaires.					

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

U.S. producers' employment data are presented in table III-6. ***. ***.

Table III-6					
Average number of production and related workers producing paintbrushes, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1996-98, January-March 1998, and January-March 1999					
Item	Calendar year--			January-March--	
	1996	1997	1998	1998	1999
Natural bristle:					
Production and related workers	183	214	222	225	219
Hours worked (1,000)	386	448	478	118	114
Wages paid (\$1,000)	4,145	4,475	4,944	1,223	1,182
Hourly wages	\$10.74	\$9.99	\$10.34	\$10.39	\$10.40
Productivity (units per hour)	41.8	39.1	42.6	43.3	40.9
Unit labor costs	\$0.26	\$0.26	\$0.24	\$0.24	\$0.25
Synthetic filament:					
Production and related workers	581	607	598	592	582
Hours worked (1,000)	1,218	1,258	1,296	316	294
Wages paid (\$1,000)	13,697	13,561	13,668	3,337	3,219
Hourly wages	\$11.25	\$10.78	\$10.55	\$10.58	\$10.93
Productivity (units per hour)	49.1	44.4	44.8	43.8	43.2
Unit labor costs (per 1,000 units)	\$0.23	\$0.24	\$0.24	\$0.24	\$0.25
All paintbrushes:					
Production and related workers	764	821	820	817	801
Hours worked (1,000)	1,604	1,706	1,774	433	408
Wages paid (\$1,000)	17,842	18,036	18,612	4,560	4,401
Hourly wages	\$11.12	\$10.57	\$10.49	\$10.53	\$10.78
Productivity (units per hour)	47.3	43.0	44.2	43.7	42.6
Unit labor costs (per 1,000 units)	\$0.23	\$0.25	\$0.24	\$0.24	\$0.25
Source: Compiled from data submitted in response to Commission questionnaires.					

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

U.S. IMPORTERS

The Commission sent importer questionnaires to 26 U.S. companies that were believed to import or distribute paintbrushes in the United States. Sixteen companies provided the Commission with data on U.S. imports of paintbrushes for the period January 1996-March 1999. Table IV-1 presents a list of U.S. importers responding to the Commission's questionnaires. With respect to imports from China, responding companies represented approximately 26.2 percent of subject imports in 1996, 27.7 percent in 1997, 30.1 percent in 1998, and 38.0 percent in interim 1999. With respect to imports from Indonesia, responding companies represented approximately 66.5 percent of subject imports in 1996, 73.3 percent in 1997, 89.2 percent in 1998, and 99.6 percent in interim 1999.¹

U.S. IMPORTS

U.S. import data presented in this section and throughout this report are based on official statistics of Commerce, except as noted. Table IV-2 presents data on U.S. imports of paintbrushes.

Official statistics of Commerce indicate that there have been imports of synthetic filament paintbrushes from Indonesia during January 1996-March 1999. However, no U.S. importer reported imports of synthetic filament paintbrushes from Indonesia during this period. The petitioners were also unable to confirm at the conference or in their postconference brief that such paintbrushes were being manufactured in or imported from Indonesia.² In addition, the largest Indonesian foreign producer, PT Oldfields, indicated at the conference and in its postconference brief that no such production exists in Indonesia.³ Therefore, official statistics indicating imports of synthetic filament paintbrushes from Indonesia have been reported as imports of natural bristle paintbrushes from Indonesia for purposes of these investigations.

¹ Compared with official statistics of Commerce.

² See, petitioners' postconference brief, pp. 7-8.

³ See, postconference brief of Linzer, Ace Oldfields, Best B, and Wuxi Shengfa, pp. 23-24.

**Table IV-1
Certain paintbrushes: U.S. importers, location, type of paintbrushes imported, and source of imports, 1998**

Company	Location	Source and type of imports ¹
EZ Paint ²	St. Francis, WI	***
Linzer ³	Wyandanch, NY	***
Arett Sales	Cherry Hill, NJ	***
Best B International	Monterey Park, CA	***
Brenner International	Englewood, NJ	***
Faucet Queen	Vernon Hills, IL	***
Great American Marketing	Sun Valley, CA	***
Home Depot	Atlanta, GA	***
Okura Hardware	Miami, FL	***
Quali-Tech Manufacturing	Rancho Dominguez, CA	***
Roem Factory	Palos Verdes Estates, CA	***
Wagman Primus Group	Levittown, PA	***
Wal*Mart	Bentonville, AR	***
Warner Manufacturing	Minneapolis, MN	***
World Bazaars	Commerce, CA	***
Z-Pro International	Portland, OR	***

¹ N=natural bristle paintbrushes; S=synthetic filament paintbrushes.

² U.S. producer and petitioner.

³ U.S. producer.

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

Table IV-2					
Certain paintbrushes: U.S. imports, by source, 1996-98, January-March 1998, and January-March 1999					
Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
<i>Quantity (1,000)</i>					
Natural bristle paintbrushes:					
Indonesia ¹	37,106	37,506	49,031	7,682	12,116
China (nonsubject) ²	3,577	1,225	3,005	582	709
All other sources	21,259	22,578	22,094	6,842	3,262
Total	61,942	61,309	74,130	15,106	16,087
Synthetic filament paintbrushes:					
China	39,427	57,147	68,398	15,218	13,780
Indonesia ³	0	0	0	0	0
Subtotal	39,427	57,147	68,398	15,218	13,780
All other sources	50,750	53,261	38,522	13,964	7,958
Total	90,177	110,408	106,920	29,182	21,738
All paintbrushes:					
China (subject) ⁴	39,427	57,147	68,398	15,218	13,780
Indonesia	37,106	37,506	49,031	7,682	12,116
Subtotal	76,533	94,653	117,428	22,899	25,896
China (nonsubject) ²	3,577	1,225	3,005	582	709
All other sources	72,009	75,839	60,615	20,805	11,221
Total	152,120	171,717	181,049	44,287	37,825
<i>Value (\$1,000)</i>					
Natural bristle paintbrushes:					
Indonesia ¹	7,469	7,688	8,792	1,518	2,489
China (nonsubject) ²	935	335	579	180	128
All other sources	5,741	5,680	5,006	1,843	930
Total	14,145	13,703	14,377	3,541	3,547
Synthetic filament paintbrushes:					
China	10,433	16,482	17,117	3,889	4,443
Indonesia ³	0	0	0	0	0
Subtotal	10,433	16,482	17,117	3,889	4,443
All other sources	15,959	9,397	8,419	2,413	2,374
Total	26,392	25,879	25,536	6,302	6,817
All paintbrushes:					
China (subject) ⁴	10,433	16,482	17,117	3,889	4,443
Indonesia	7,469	7,688	8,792	1,518	2,489
Subtotal	17,902	24,169	25,909	5,408	6,932
China (nonsubject) ²	935	335	579	180	128
All other sources	21,700	15,077	13,425	4,255	3,304
Total	40,537	39,581	39,913	9,843	10,364
Table continued...					

Table IV-2--continued					
Certain paintbrushes: U.S. imports, by source, 1996-98, January-March 1998, and January-March 1999					
Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
<i>Unit value</i>					
Natural bristle paintbrushes:					
Indonesia ¹	\$0.20	\$0.20	\$0.18	\$0.20	\$0.21
China (nonsubject) ²	\$0.26	\$0.27	\$0.19	\$0.31	\$0.18
All other sources	\$0.27	\$0.25	\$0.23	\$0.27	\$0.29
Average	\$0.23	\$0.22	\$0.19	\$0.23	\$0.22
Synthetic filament paintbrushes:					
China	\$0.26	\$0.29	\$0.25	\$0.26	\$0.32
Indonesia ³	(⁵)	(⁵)	(⁵)	(⁵)	(⁵)
Subtotal	\$0.26	\$0.29	\$0.25	\$0.26	\$0.32
All other sources	\$0.31	\$0.18	\$0.22	\$0.17	\$0.30
Average	\$0.28	\$0.23	\$0.23	\$0.22	\$0.28
All paintbrushes:					
China (subject) ⁴	\$0.26	\$0.29	\$0.25	\$0.26	\$0.32
Indonesia	\$0.20	\$0.20	\$0.18	\$0.20	\$0.21
Subtotal	\$0.23	\$0.26	\$0.22	\$0.24	\$0.27
China (nonsubject) ²	\$0.26	\$0.27	\$0.19	\$0.31	\$0.18
All other sources	\$0.30	\$0.20	\$0.22	\$0.20	\$0.29
Average	\$0.27	\$0.23	\$0.22	\$0.22	\$0.27
<i>Share of quantity (percent)</i>					
Natural bristle paintbrushes:					
Indonesia ¹	59.9	61.2	66.1	50.9	75.3
China (nonsubject) ²	5.8	2.0	4.1	3.9	4.4
All other sources	34.3	36.8	29.8	45.3	20.3
Total	100.0	100.0	100.0	100.0	100.0
Synthetic filament paintbrushes:					
China	43.7	51.8	64.0	52.1	63.4
Indonesia ³	0.0	0.0	0.0	0.0	0.0
Subtotal	43.7	51.8	64.0	52.1	63.4
All other sources	56.3	48.2	36.0	47.9	36.6
Total	100.0	100.0	100.0	100.0	100.0
All paintbrushes:					
China (subject) ⁴	25.9	33.3	37.8	34.4	36.4
Indonesia	24.4	21.8	27.1	17.3	32.0
Subtotal	50.3	55.1	64.9	51.7	68.5
China (nonsubject) ²	2.4	0.7	1.7	1.3	1.9
All other sources	47.3	44.2	33.5	47.0	29.7
Total	100.0	100.0	100.0	100.0	100.0
Table continued...					

Table IV-2--continued					
Certain paintbrushes: U.S. imports, by source, 1996-98, January-March 1998, and January-March 1999					
Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
<i>Share of value (percent)</i>					
Natural bristle paintbrushes:					
Indonesia ¹	52.8	56.1	61.2	42.9	70.2
China (nonsubject) ²	6.6	2.4	4.0	5.1	3.6
All other sources	40.6	41.5	34.8	52.0	26.2
Total	100.0	100.0	100.0	100.0	100.0
Synthetic filament paintbrushes:					
China	39.5	63.7	67.0	61.7	65.2
Indonesia ³	0.0	0.0	0.0	0.0	0.0
Subtotal	39.5	63.7	67.0	61.7	65.2
All other sources	60.5	36.3	33.0	38.3	34.8
Total	100.0	100.0	100.0	100.0	100.0
All paintbrushes:					
China (subject) ⁴	25.7	41.6	42.9	39.5	42.9
Indonesia	18.4	19.4	22.0	15.4	24.0
Subtotal	44.2	61.1	64.9	54.9	66.9
China (nonsubject) ²	2.3	0.8	1.5	1.8	1.2
All other sources	53.5	38.1	33.6	43.2	31.9
Total	100.0	100.0	100.0	100.0	100.0
¹ Includes imports of paintbrushes believed to be mis-classified under the statistical reporting number for synthetic filament paintbrushes. According to petitioners and respondents, there was no confirmed production of synthetic filament paintbrushes in Indonesia and no such paintbrushes were exported to the United States during January 1996-March 1999. ² Includes imports of natural bristle paintbrushes from China that are currently subject to antidumping duties and that are not subject to these investigations. ³ Official statistics show that 15.45 million synthetic filament paintbrushes were imported from Indonesia in 1996, 13.99 million in 1997, 15.41 million in 1998, 3.42 million in interim 1998, and 6.93 million in interim 1999. However, petitioners and respondents agree that there was no confirmed production of synthetic filament paintbrushes in Indonesia and that no such paintbrushes were exported to the United States during January 1996-March 1999. Therefore, all synthetic imports were included in the data for natural bristle paintbrushes. ⁴ Synthetic filament paintbrushes only. ⁵ Not applicable.					
Note.—Because of rounding, numbers may not add up to totals shown.					
Source: Compiled from official statistics of Commerce.					

U.S. PRODUCERS' IMPORTS

*** U.S. producers, ***, directly imported subject merchandise during the period January 1996-March 1999. *** imported synthetic filament paintbrushes from China⁴ and natural bristle paintbrushes from Malaysia and Indonesia.⁵ *** imported synthetic filament paintbrushes from China⁶ and natural bristle paintbrushes from Indonesia.⁷ Table IV-3 presents U.S. producers' imports, by sources.

Table IV-3
Certain paintbrushes: U.S. producers' imports, by sources, 1996-98, January-March 1998, and January-March 1999

* * * * *

⁴ *** had U.S. shipments of *** synthetic filament paintbrushes imported from China in 1996, *** in 1997, *** in 1998, and *** in interim 1999. These subject imports represented *** percent of *** total U.S. shipments of synthetic filament paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. As a share of value, subject imports from China represented *** percent of *** total U.S. shipments of synthetic filament paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. The average unit value of *** synthetic filament paintbrush imports from China was *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999. This compares with an average unit value of *** domestically produced synthetic filament paintbrushes of *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999.

⁵ *** imported natural bristle paintbrushes from ***. *** had U.S. shipments of *** natural bristle paintbrushes imported from *** in 1996 and *** in 1997. *** had U.S. shipments of *** natural bristle paintbrushes from *** in 1998, *** in interim 1998, and *** in interim 1999. These subject imports represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1998 and *** percent in interim 1999. As a share of value, subject imports from *** represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1998 and *** percent in interim 1999. The average unit value of *** natural bristle paintbrush imports from *** was *** in 1996 and *** in 1997; the average unit value of its imports from *** was *** in 1998 and *** in interim 1999. This compares with an average unit value of *** domestically produced natural bristle paintbrushes of *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999.

⁶ *** had U.S. shipments of *** synthetic filament paintbrushes imported from China in 1996, *** in 1997, *** in 1998, and *** in interim 1999. These subject imports represented *** percent of *** total U.S. shipments of synthetic filament paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. As a share of value, subject imports from China represented *** percent of *** total U.S. shipments of synthetic filament paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. The average unit value of *** synthetic filament paintbrush imports from China was *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999. This compares with an average unit value of *** domestically produced synthetic filament paintbrushes of *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999.

⁷ *** had U.S. shipments of *** natural filament paintbrushes imported from Indonesia in 1996, *** in 1997, *** in 1998, *** in interim 1998, and *** in interim 1999. These subject imports represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. As a share of value, subject imports from Indonesia represented *** percent of *** total U.S. shipments of natural bristle paintbrushes in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999. The average unit value of *** natural bristle paintbrush imports from Indonesia was *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999. This compares with an average unit value of *** domestically produced natural bristle paintbrushes of *** in 1996, *** in 1997, *** in 1998, and *** in interim 1999.

APPARENT U.S. CONSUMPTION

Table IV-4 presents data on apparent U.S. consumption of paintbrushes.

Table IV-4					
Certain paintbrushes: U.S. shipments of domestic product, U.S. imports, by source, and apparent U.S. consumption, 1996-98, January-March 1998, and January-March 1999					
Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
<i>Quantity (1,000)</i>					
Natural bristle paintbrushes:					
U.S. producers' shipments	16,503	17,094	18,293	3,918	4,132
Imports:					
Indonesia	37,106	37,506	49,031	7,682	12,116
China (nonsubject) ¹	3,577	1,225	3,005	582	709
All other sources	21,259	22,578	22,094	6,842	3,262
Total imports	61,942	61,309	74,130	15,106	16,087
Apparent consumption	78,445	78,404	92,423	19,023	20,219
Synthetic filament paintbrushes:					
U.S. producers' shipments	63,331	56,152	56,080	11,824	13,180
Imports:					
China	39,427	57,147	68,398	15,218	13,780
Indonesia ²	0	0	0	0	0
Subtotal	39,427	57,147	68,398	15,218	13,780
All other sources	50,750	53,261	38,522	13,964	7,958
Total imports	90,177	110,408	106,920	29,182	21,738
Apparent consumption	153,509	166,559	162,999	41,005	34,918
All paintbrushes:					
U.S. producers' shipments	79,834	73,246	74,373	15,741	17,312
Imports:					
China (subject) ³	39,427	57,147	68,398	15,218	13,780
Indonesia	37,106	37,506	49,031	7,682	12,116
Subtotal	76,533	94,653	117,428	22,899	25,896
China (nonsubject) ¹	3,577	1,225	3,005	582	709
All other sources	72,009	75,839	60,615	20,805	11,221
Total imports	152,120	171,717	181,049	44,287	37,825
Apparent consumption	231,954	244,963	255,422	60,028	55,137
Table continued...					

Table IV-4--continued

Certain paintbrushes: U.S. shipments of domestic product, U.S. imports, by source, and apparent U.S. consumption, 1996-98, January-March 1998, and January-March 1999

Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
<i>Value (\$1,000)</i>					
Natural bristle paintbrushes:					
U.S. producers' shipments	38,207	41,703	46,917	10,145	10,328
Imports:					
Indonesia	7,469	7,688	8,792	1,518	2,489
China (nonsubject) ¹	935	335	579	180	128
All other sources	5,741	5,680	5,006	1,843	930
Total imports	14,145	13,703	14,377	3,541	3,547
Apparent consumption	52,351	55,405	61,295	13,686	13,875
Synthetic filament paintbrushes:					
U.S. producers' shipments	94,003	103,931	110,948	23,615	25,564
Imports:					
China	10,433	16,482	17,117	3,889	4,443
Indonesia ²	0	0	0	0	0
Subtotal	10,433	16,482	17,117	3,889	4,443
All other sources	15,959	9,397	8,419	2,413	2,374
Total imports	26,392	25,879	25,536	6,302	6,817
Apparent consumption	120,395	129,809	136,484	29,917	32,381
All paintbrushes:					
U.S. producers' shipments	132,209	145,633	157,866	33,760	35,892
Imports:					
China (subject) ³	10,433	16,482	17,117	2,889	4,443
Indonesia	7,469	7,688	8,792	1,518	2,489
Subtotal	17,902	24,169	25,909	5,408	6,932
China (nonsubject) ¹	935	335	579	180	128
All other sources	21,700	15,077	13,425	4,255	3,304
Total imports	40,537	39,581	39,913	9,843	10,364
Apparent consumption	172,746	185,214	197,778	43,603	46,256
¹ Imports of natural bristle paintbrushes from China are currently subject to antidumping duties and not within the scope of these investigations. ² Official statistics show that 15.45 million synthetic filament paintbrushes were imported from Indonesia in 1996, 13.99 million in 1997, 15.41 million in 1998, 3.42 million in interim 1998, and 6.93 million in interim 1999. However, petitioners and respondents agree that there was no confirmed production of synthetic filament paintbrushes in Indonesia and that no such paintbrushes were exported to the United States during January 1996-March 1999. Therefore, all synthetic imports were included in the data for natural bristle paintbrushes. ³ Imports of synthetic filament brushes from China.					
Source: Compiled from data submitted in response to questionnaires of the Commission and official statistics of Commerce.					

U.S. MARKET SHARES

Table IV-5 presents data on market shares. Table IV-6 presents data on market shares with U.S. producers' direct imports and purchases of subject imports reported separately.

With respect to imports of natural bristle paintbrushes from Indonesia, *** U.S. producers, ***, purchased subject imports from U.S. importers while *** producers, ***, directly imported the subject merchandise. With respect to imports of synthetic filament paintbrushes from China, *** U.S. producer, ***, purchased subject imports from U.S. importers while *** producers, ***, directly imported the subject merchandise.

Table IV-5					
Certain paintbrushes: Apparent U.S. consumption and market shares, 1996-98, January-March 1998, and January-March 1999					
Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
Natural bristle paintbrushes:					
	<i>Quantity (1,000)</i>				
Apparent consumption	78,445	78,404	92,423	19,023	20,219
	<i>Value (\$1,000)</i>				
Apparent consumption	52,351	55,405	61,295	13,686	13,875
	<i>Share of quantity (percent)</i>				
U.S. producers' shipments	21.0	21.8	19.8	20.6	20.4
Imports from—					
Indonesia	47.3	47.8	53.1	40.4	59.9
China (nonsubject) ¹	4.6	1.6	3.3	3.1	3.5
All other sources	27.1	28.8	23.9	36.0	16.1
Total imports	79.0	78.2	80.2	79.4	79.6
	<i>Share of value (percent)</i>				
U.S. producers' shipments	73.0	75.3	76.5	74.1	74.4
Imports from—					
Indonesia	14.3	13.9	14.3	11.1	17.9
China (nonsubject) ¹	1.8	0.6	0.9	1.3	0.9
All other sources	11.0	10.3	8.2	13.5	6.7
Total imports	27.0	24.7	23.5	25.9	25.6
Table continued...					

Table IV-5--continued

Certain paintbrushes: Apparent U.S. consumption and market shares, 1996-98, January-March 1998, and January-March 1999

Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
Synthetic filament paintbrushes:					
	<i>Quantity (1,000)</i>				
Apparent consumption	153,509	166,559	162,999	41,005	34,918
	<i>Value (\$1,000)</i>				
Apparent consumption	120,395	129,809	136,484	29,917	32,381
	<i>Share of quantity (percent)</i>				
U.S. producers' shipments	41.3	33.7	34.4	28.8	37.7
Imports from--					
China	25.7	34.3	42.0	37.1	39.5
Indonesia ²	0.0	0.0	0.0	0.0	0.0
Subtotal	25.7	34.3	42.0	37.1	39.5
All other sources	33.1	32.0	23.6	34.1	22.8
Total imports	58.7	66.3	65.6	71.2	62.3
	<i>Share of value (percent)</i>				
U.S. producers' shipments	78.1	80.1	81.3	78.9	78.9
Imports from--					
China	8.7	12.7	12.5	13.0	13.7
Indonesia ²	0.0	0.0	0.0	0.0	0.0
Subtotal	8.7	12.7	12.5	13.0	13.7
All other sources	13.3	7.2	6.2	8.1	7.3
Total imports	21.9	19.9	18.7	21.1	21.1
Table continued...					

Table IV-5--continued

Certain paintbrushes: Apparent U.S. consumption and market shares, 1996-98, January-March 1998, and January-March 1999

Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
All paintbrushes:					
	<i>Quantity (1,000)</i>				
Apparent consumption	231,954	244,963	255,422	60,028	55,137
	<i>Value (\$1,000)</i>				
Apparent consumption	172,746	185,214	197,778	43,603	46,256
	<i>Share of quantity (percent)</i>				
U.S. producers' shipments	34.4	29.9	29.1	26.2	31.4
Imports from--					
China (subject) ³	17.0	23.3	26.8	25.4	25.0
Indonesia	16.0	15.3	19.2	12.8	22.0
Subtotal	33.0	38.6	46.0	38.1	47.0
China (nonsubject) ¹	1.5	0.5	1.2	1.0	1.3
All other sources	31.0	31.0	23.7	34.7	20.4
Total imports	65.6	70.1	70.9	73.8	68.6
	<i>Share of value (percent)</i>				
U.S. producers' shipments	76.5	78.6	79.8	77.4	77.6
Imports from--					
China (subject) ³	6.0	8.9	8.7	8.9	9.6
Indonesia	4.3	4.2	4.4	3.5	5.4
Subtotal	10.4	13.0	13.1	12.4	15.0
China (nonsubject) ¹	0.5	0.2	0.3	0.4	0.3
All other sources	12.6	8.1	6.8	9.8	7.1
Total imports	23.5	21.4	20.2	22.6	22.4
<p>¹ Imports of natural bristle paintbrushes from China are currently subject to antidumping duties and not within the scope of these investigations.</p> <p>² Official statistics show that 15.45 million synthetic filament paintbrushes were imported from Indonesia in 1996, 13.99 million in 1997, 15.41 million in 1998, 3.42 million in interim 1998, and 6.93 million in interim 1999. However, petitioners and respondents agree that there was no confirmed production of synthetic filament paintbrushes in Indonesia and that no such paintbrushes were exported to the United States during January 1996-March 1999. Therefore, all synthetic imports were included in the data for natural bristle paintbrushes.</p> <p>³ Imports of synthetic filament brushes from China.</p>					
Source: Compiled from data submitted in response to questionnaires of the Commission and official statistics of Commerce.					

Table IV-6

Certain paintbrushes: Apparent U.S. consumption and market shares with U.S. producers' direct imports and purchases of subject imports reported separately, 1996-98, January-March 1998, and January-March 1999

Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
Natural bristle paintbrushes:					
	<i>Quantity (1,000)</i>				
Apparent consumption	78,445	78,404	92,423	19,023	20,219
	<i>Value (\$1,000)</i>				
Apparent consumption	52,351	55,405	61,295	13,686	13,875
	<i>Share of quantity (percent)</i>				
U.S. producers' shipments of domestic production	21.0	21.8	19.8	20.6	20.4
Imports from—					
Indonesia:					
U.S. producers ¹	***	***	***	***	***
U.S. importers ²	***	***	***	***	***
Subtotal	47.3	47.8	53.0	40.4	59.9
China (nonsubject)	4.6	1.6	3.3	3.1	3.5
All other sources	27.1	28.8	23.9	36.0	16.1
Total imports	79.0	78.2	80.2	79.4	79.6
	<i>Share of value (percent)</i>				
U.S. producers' shipments of domestic production	73.0	75.3	76.5	74.1	74.4
Imports from—					
Indonesia:					
U.S. producers ¹	***	***	***	***	***
U.S. importers ²	***	***	***	***	***
Subtotal	14.3	13.8	14.3	11.1	17.9
China (nonsubject)	1.8	6.0	9.0	1.3	0.9
All other sources	11.0	10.3	8.2	13.5	6.7
Total imports	27.0	24.7	23.5	25.9	25.6
Table continued...					

Table IV-6--continued

Certain paintbrushes: Apparent U.S. consumption and market shares with U.S. producers' direct imports and purchases of subject imports reported separately, 1996-98, January-March 1998, and January-March 1999

Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
Synthetic filament paintbrushes:					
<i>Quantity (1,000)</i>					
Apparent consumption	153,509	166,559	162,999	41,005	34,918
<i>Value (\$1,000)</i>					
Apparent consumption	120,395	129,809	136,484	29,917	32,381
<i>Share of quantity (percent)</i>					
U.S. producers' shipments of domestic production	41.3	33.7	34.4	28.8	37.7
Imports from--					
China (subject):					
U.S. producers ¹	***	***	***	***	***
U.S. importers ²	***	***	***	***	***
Subtotal	25.6	34.3	41.9	37.1	39.4
Indonesia:					
U.S. producers ¹	***	***	***	***	***
U.S. importers ²	***	***	***	***	***
Subtotal	0.0	0.0	0.0	0.0	0.0
China (nonsubject)	0.0	0.0	0.0	0.0	0.0
All other sources	33.1	32.0	23.6	34.1	22.8
Total imports	58.7	66.3	65.6	71.2	62.3
<i>Share of value (percent)</i>					
U.S. producers' shipments of domestic production	78.1	80.1	81.3	78.9	78.9
Imports from--					
China (subject):					
U.S. producers ¹	***	***	***	***	***
U.S. importers ²	***	***	***	***	***
Subtotal	8.6	12.7	12.5	13.0	13.7
Indonesia:					
U.S. producers ¹	***	***	***	***	***
U.S. importers ²	***	***	***	***	***
Subtotal	0.0	0.0	0.0	0.0	0.0
China (nonsubject)	0.0	0.0	0.0	0.0	0.0
All other sources	13.3	7.2	6.2	8.1	7.3
Total imports	21.9	19.9	18.7	21.1	21.1
Table continued...					

Table IV-6--continued

Certain paintbrushes: Apparent U.S. consumption and market shares with U.S. producers' direct imports and purchases of subject imports reported separately, 1996-98, January-March 1998, and January-March 1999

Source	Calendar year			January-March	
	1996	1997	1998	1998	1999
All paintbrushes:					
	<i>Quantity (1,000)</i>				
Apparent consumption	231,954	244,963	255,422	60,028	55,137
	<i>Value (\$1,000)</i>				
Apparent consumption	172,746	185,214	197,778	43,603	46,256
	<i>Share of quantity (percent)</i>				
U.S. producers' shipments of domestic production	34.4	29.9	29.1	26.2	31.4
Imports from--					
China (subject):					
U.S. producers ¹	***	***	***	***	***
U.S. importers ²	***	***	***	***	***
Subtotal	17.0	23.4	26.8	25.4	25.0
Indonesia:					
U.S. producers ¹	***	***	***	***	***
Importers ²	***	***	***	***	***
Subtotal	16.0	15.3	19.2	12.8	21.9
China (nonsubject)	1.5	0.5	1.2	1.0	1.3
All other sources	31.0	31.0	23.7	34.7	20.4
Total imports	65.6	70.1	70.9	73.8	68.6
	<i>Share of value (percent)</i>				
U.S. producers' shipments of domestic production	76.5	78.6	79.8	77.4	77.6
Imports from--					
China (subject):					
U.S. producers ¹	***	***	***	***	***
U.S. importers ²	***	***	***	***	***
Subtotal	6.1	8.9	8.7	8.9	9.6
Indonesia:					
U.S. producers ¹	***	***	***	***	***
U.S. importers ²	***	***	***	***	***
Subtotal	4.4	4.1	4.5	3.5	5.4
China (nonsubject)	0.5	0.2	0.3	0.4	0.3
All other sources	12.6	8.1	6.8	9.8	7.1
Total imports	23.5	21.4	20.2	22.6	22.4

¹ Includes U.S. producers' direct imports and purchases of imports of subject merchandise.

² Imports by U.S. importers excluding direct imports and purchases of subject imports by U.S. producers.

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

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

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Producers reported that raw material costs accounted for 54.2 percent of the cost of goods sold (COGS) in 1996, 56.3 percent in 1997, 56 percent in 1998, and 57.4 percent in the interim 1999 period. The major materials purchased are handles, natural bristle or synthetic filament, and materials for the ferrule.

Most paintbrushes are produced with either a wood or plastic handle. Wood handles usually are more costly than plastic handles. Importers and U.S. producers provided estimates of the average selling price differential between paintbrushes with wood or plastic handles which ranged from \$0 to \$10.00 depending on the size and style of the handle.¹

U.S. producers indicated that the price for natural Chinese black bristle and white bristle is increasing, especially for lengths greater than 2-1/2 inches. In addition, the better quality black bristle is becoming harder to locate.² Most petitioners reported that bristle prices had increased from 1996 to 1998 by between 2.8 percent and 47.2 percent, depending on color, length, and quality of the bristle.³ One explanation for the decreasing availability of longer black bristle is the change in the Chinese diet. Pork consumption has increased in China and, therefore, hogs are being sent to slaughter sooner than in the past. The shorter life span of the hog results in lighter colored and shorter bristle.⁴

U.S. Inland Transportation Costs

Inland transportation costs generally account for a small share of the delivered price of paintbrushes. For U.S. producers, estimates ranged from 2.2 percent to 7 percent. Importers' estimates of transportation costs for shipments of imports from China and Indonesia ranged from less than 1 percent to 12 percent.

All the U.S. producers and the majority of importers (10 of 15) reported that they sell paintbrushes nationwide. Two importers indicated they sell just to the continental United States; 2 reported they sell only to the west coast; 1 reported that its market is Miami; and 1 reported that it sells in California.

Exchange Rates

The nominal exchange rate for China and the nominal and real exchange rates for Indonesia are presented on a quarterly basis in figure V-1 and figure V-2. Quarterly data reported by the International

¹ *** reported that there is no price differential between wood and plastic handle paintbrushes from China.

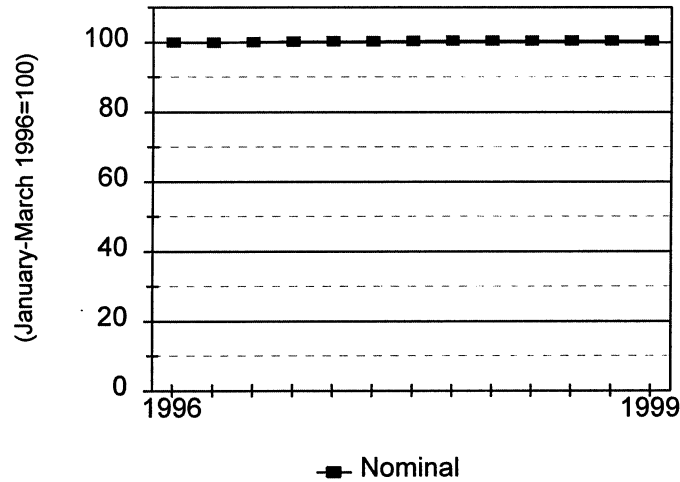
² Conference transcript, p. 53.

³ Petitioners' postconference brief, exhibit 1D. ***. ***.

⁴ Telephone conversation with ***.

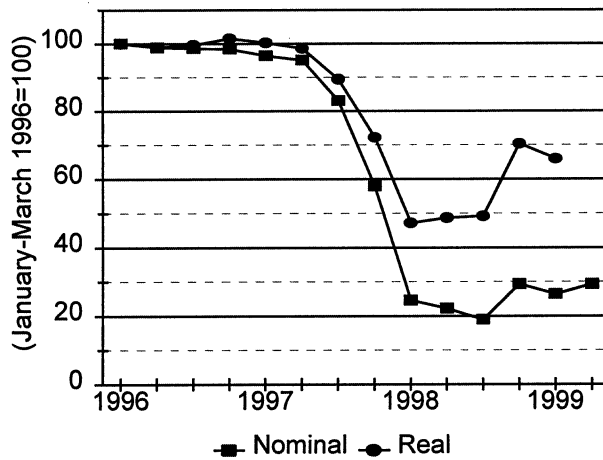
Monetary Fund indicate that the nominal value of the Chinese yuan remained relatively flat with a slight appreciation relative to the U.S. dollar from January 1996 to March 1999. The nominal and real values of the Indonesian rupiah depreciated greatly against the U.S. dollar beginning in 1997 and have begun to rebound in 1999.

Figure V-1
Exchange rates: Index of the nominal exchange rate between the Chinese yuan and the U.S. dollar, by quarters, January 1996-June 1999



Source: International Monetary Fund, *International Financial Statistics*, Aug. 1999.

Figure V-2
Exchange rates: Indices of the nominal and real exchange rates between the Indonesia rupiah and the U.S. dollar, by quarters, January 1996-June 1999¹



¹ Data not available for the second quarter of 1999 for the real exchange rate.

Source: International Monetary Fund, *International Financial Statistics*, Aug. 1999.

PRICING PRACTICES

Pricing Methods

A variety of methods are used to determine pricing. Some firms use multiple methods to determine price. Six of 7 responding U.S. producers and 7 of 14 importers used price lists or set price schedules. Three importers reported that prices are determined transaction by transaction and 2 indicated price is determined by negotiated contracts. *** reported that three factors determine a customer's price level: channel of distribution, number of models carried, and annual sales volume. U.S. producers indicated that the price is based on production costs, sales and administrative expenses, reasonable profit, and the competitive market environment.

Sales Terms and Discounts

Sales terms varied among the firms. There were no consistent sales terms among the U.S. producers.⁵ Importers also had various sales terms. The most common among the importers was net 30.⁶

Many U.S. producers and importers quote prices by various methods. Three U.S. producers quote prices f.o.b. plant or warehouse, 2 producers quote prices delivered, and 1 producer quotes prepaid freight. Six importers quote prices delivered, 4 importers quote prices f.o.b. (free on board), 1 importer quotes from inventory, and 1 importer quotes c.i.f. (customs, insurance, and freight).

The majority of paintbrush sales are spot market sales. Five of 6 U.S. producers and 10 of 14 importers reported that 100 percent of their sales were spot market sales. *** and 2 importers indicated that 100 percent of their sales were by contract. The basic contract terms are similar. Contracts tend to last between 90 days and a year. Some contracts will fix price, or both quantity and price, and contain a meet or release clause.

All responding U.S. producers and the majority of the importers reported that they provide discounts. Only 4 importers indicated that they do not provide discounts. Five of 6 U.S. producers and 6 of 14 importers provide volume discounts.⁷ Other discounts include seasonal/promotional, channel of distribution, early payment, and case pack.

U.S. producers also provide advertising funding for their larger customers.⁸ These advertising payments can range from less than *** percent of sales to less than *** percent of sales.⁹ Importers do not provide any similar type of allowance to their customers.

⁵ ***.

⁶ ***.

⁷ ***.

⁸ ***.

⁹ One petitioner combined volume rebates and advertising funding to calculate its percentages.

PRICE DATA

The Commission requested U.S. producers and importers of paintbrushes to provide quarterly data for the total quantity and value of paintbrushes that were shipped to unrelated customers in the U.S. market. Data were requested for the period January 1996-June 1999. The products for which pricing data were requested are as follows:¹⁰

- Product 1.**— 100% synthetic filament, plastic handle, consumer quality,
2" x 1/2"-9/16" x 2-1/4"-2-3/4"
- Product 2.**— 100% synthetic filament (angle sash), plastic handle, consumer quality,
2" x 1/2"-9/16" x 2-1/8"-2-1/2"
- Product 3.**— Synthetic/natural blend, 60 percent synthetic, plastic handle, consumer quality,
2" x 1/2"-9/16" x 2-1/4"-2-3/4"
- Product 4.**— 100% synthetic filament, wood handle, consumer quality,
2" x 1/2"-9/16" x 2-1/4"-2-3/4"
- Product 5.**— 100% synthetic filament (angle sash), wood handle, consumer quality,
2" x 1/2"-9/16" x 2-1/8"-2-1/2"
- Product 6.**— Synthetic/natural blend, 60 percent synthetic, wood handle, consumer quality,
2" x 1/2"-9/16" x 2-1/4"-2-3/4"
- Product 7.**— 100% natural bristle, plastic handle, consumer quality,
2" x 1/2"-9/16" x 2"-2-1/4"
- Product 8.**— 100% natural bristle (angle sash), plastic handle, consumer quality,
2" x 1/2" x 2"-2-1/4"
- Product 9.**— 100% natural bristle, wood handle, consumer quality,
2" x 1/2"-9/16" x 2"-2-1/4"
- Product 10.**— 100% natural bristle (angle sash), wood handle, consumer quality,
2" x 1/2" x 2"-2-1/4"

Five U.S. producers and 7 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.¹¹ Pricing data reported by these firms accounted for approximately 14.5 percent of U.S. producers' shipments of paintbrushes, 7.9 percent of U.S. shipments of subject imports from China, and 1.4 percent of U.S. shipments of subject imports from Indonesia during the period January 1996-June 1999.

¹⁰ Products 7-10 were for Indonesia only since an antidumping duty already exists on natural bristle brushes from China.

¹¹ Based on conversations with ***, staff divided provided data using the ratio *** percent to distributors and *** percent to retailers. Annual data provided by *** was equally divided among the four quarters.

As table V-1 demonstrates, the pricing data received provide for only pricing comparisons of 5 products from China and 1 product from Indonesia.

Table V-1 Tabulation of pricing data (products) reported for customer categories by country of origin		
Country	Customer type	
	Distributors	Retail
United States	1, 2, 3, 4, 5, 6, 7, 8, 9, 10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
China	1, 2, 4, 5, 6	1, 2, 4, 5, 6
Indonesia	9	9
Source: Compiled from data submitted in response to Commission questionnaires.		

Price Trends

Weighted-average prices and margins of underselling/overselling for U.S.-produced and imported paintbrushes are shown in tables V-2 to V-7 and figures V-3 to V-8 on a quarterly basis for January 1996-June 1999.

During the period of investigation, prices for domestic brushes increased between 0.4 percent to 23.3 percent¹² to both channels of distribution for which pricing data were requested. The exceptions to this general trend were product 1 sold to retailers, product 5 sold to retailers, and products 2, 3, 7, and 10 sold to both distributors and retailers. The decline in prices for these products ranged from 0.2 percent to 21 percent.¹³

In general, prices for imported paintbrushes from China decreased (by 1.5 percent to 51 percent) during the period of investigation to both channels of distribution for which pricing data were requested. The exceptions to this general trend were product 1 to retailers, product 2 to retailers, and product 6 to distributors and retailers. The increase in prices for these products ranged from 1.1 percent to 16.8 percent.

No trend can be established for imported paintbrushes from Indonesia since data were received only for product 9. Prices for product 9 sold to distributors increased by *** percent but prices to retailers decreased by *** percent.

¹² The percentage changes are based on prices in the first quarter and last quarter that pricing data were provided.

¹³ For products 3, 7, and 10, no competing subject import pricing data were received.

Table V-2

Weighted-average f.o.b. prices and quantities of domestic and imported product 1 sold to distributors and retailers and margins of underselling/(overselling), by sources and by quarters, January 1996-June 1999

* * * * *

Table V-3

Weighted-average f.o.b. prices and quantities of domestic and imported product 2 sold to distributors and retailers and margins of underselling/(overselling), by sources and by quarters, January 1996-June 1999

* * * * *

Table V-4

Weighted-average f.o.b. prices and quantities of domestic and imported product 4 sold to distributors and retailers and margins of underselling/(overselling), by sources and by quarters, January 1996-June 1999

* * * * *

Table V-5

Weighted-average f.o.b. prices and quantities of domestic and imported product 5 sold to distributors and retailers and margins of underselling/(overselling), by sources and by quarters, January 1996-June 1999

* * * * *

Table V-6

Weighted-average f.o.b. prices and quantities of domestic and imported product 6 sold to distributors and retailers and margins of underselling/(overselling), by sources and by quarters, January 1996-June 1999

* * * * *

Table V-7

Weighted-average f.o.b. prices and quantities of domestic and imported product 9 sold to distributors and retailers and margins of underselling/(overselling), by sources and by quarters, January 1996-June 1999

* * * * *

Figure V-3
Weighted-average f.o.b. prices and quantities of domestic and imported product 1 sold to distributors and retailers, by quarters, January 1996-June 1999

* * * * *

Figure V-4
Weighted-average f.o.b. prices and quantities of domestic and imported product 2 sold to distributors and retailers, by quarters, January 1996-June 1999

* * * * *

Figure V-5
Weighted-average f.o.b. prices and quantities of domestic and imported product 4 sold to distributors and retailers, by quarters, January 1996-June 1999

* * * * *

Figure V-6
Weighted-average f.o.b. prices and quantities of domestic and imported product 5 sold to distributors and retailers, by quarters, January 1996-June 1999

* * * * *

Figure V-7
Weighted-average f.o.b. prices and quantities of domestic and imported product 6 sold to distributors and retailers, by quarters, January 1996-June 1999

* * * * *

Figure V-8
Weighted-average f.o.b. prices and quantities of domestic and imported product 9 sold to distributors and retailers, by quarters, January 1996-June 1999

* * * * *

Price Comparisons

Overall, there were 160 quarterly price comparisons between U.S.-produced paintbrushes and imports from China and Indonesia. Subject imports undersold domestic product in all 160 quarters, with underselling margins ranging from *** percent to *** percent. Table V-8 provides a summary of underselling information by country for the products for which data were collected.

Country	Number of quarters of underselling	Average margin of underselling
China:		
1996	36	62.1
1997	36	70.6
1998	40	67.5
1999 (January-June)	20	70.0
Subtotal	132	68.4
Indonesia:		
1996	***	***
1997	***	***
1998	***	***
1999 (January-June)	***	***
Subtotal	***	***
Source: Compiled from data submitted in response to Commission questionnaires.		

China

One hundred thirty-two direct price comparisons were made between U.S.-produced paintbrushes and Chinese-produced paintbrushes other than natural bristle. Chinese product undersold U.S. product in all 132 quarters, with underselling margins ranging from *** percent to *** percent. Chinese product 1 undersold U.S. product 1 in 28 quarters with underselling margins ranging from 35.2 percent to 53.4 percent. Chinese product 2 undersold U.S. product 2 in 28 quarters with underselling margins ranging from *** percent to *** percent. Chinese product 4 undersold U.S. product 4 in 28 quarters with underselling margins ranging from 55.3 percent to 80.2 percent. Chinese product 5 undersold U.S. product 5 in 28 quarters with underselling margins ranging from 49.2 percent to 77.5 percent. Chinese product 6 undersold U.S. product 6 in 20 quarters with underselling margins ranging from *** percent to *** percent.

Indonesia

In all 28 direct pricing comparisons made between U.S.-produced paintbrushes and imported paintbrushes from Indonesia, Indonesian product 9 undersold U.S. product 9, with margins of underselling ranging from *** percent to *** percent.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of paintbrushes to report any instances of lost sales or revenues they experienced due to competition from imports of paintbrushes from China and/or Indonesia during January 1996 to June 1999. Of the 7 responding U.S. producers, 2 reported that they had to either reduce prices or roll back announced price increases. None of the responding U.S. producers made any lost revenue allegations. Totals of lost sales allegations by country are shown in table V-10.¹⁴ The Commission contacted 7 purchasers who responded to the specifics of the allegations, which are shown in tables V-10. A discussion of purchaser comments based on the allegations follows.

Table V-9 Totals of lost sales allegations			
Country	Lost sales		
	Number	Volume (number)	Value
China	18	21,555,392	\$16,142,383
Indonesia	3	3,270,750	\$3,803,116
Unknown	1	4,800	(1)
Total	22	21,610,942	\$19,945,499

¹ Data not provided.

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

**Table V-10
U.S. producers' lost sales allegations**

* * * * *

¹⁴ Totals do not include the following lost sales allegations: *** lost sales allegations involving *** since these two could not be verified since these firms are no longer in business, and *** lost sales allegation involving *** since *** did not actually make a quote.

*** disagreed with the lost sale allegation for ***. *** stated that his firm carries both domestic and import lines. Usually, imports are compared to imports and domestics to domestics. *** also was not aware that ***. To his best recollection, only different imported brushes competed for the sale in question.

*** could neither agree or disagree with the allegation. *** reported that *** is not the buyer of the product in question and therefore would not know for sure whether the allegation is true or not. ***.

* * * * *

*** agreed with the allegation that his firm purchased the imported product from *** since it was cheaper than the U.S.-produced equivalent.

*** could not recall specifics about purchases in ***. *** did state however, that from *** firm has purchased all its paintbrushes from *** and that the brushes in the allegation were imports supplied by ***.

*** agreed that *** firm purchases imported paintbrushes from China because they are cheaper than U.S. produced paintbrushes at the lower end of the quality continuum. *** stated that *** firm purchases both domestic paintbrushes (***) and imported paintbrushes. Normally, the firm looks to the domestics for the professional grade brushes and the imports for the low level grade brushes. *** stated that although the domestics include the lower quality brushes in their price catalogs, ***.

*** would not definitely state whether *** agreed or disagreed with the lost sales allegation. *** did state, however, that *** firm has purchased imported ***. Originally, *** purchased these brushes directly from *** but has decided to now purchase the brushes through a distributor so *** will no longer have to warehouse the brushes until they are needed. *** also added that the current distributor purchases the *** brushes from ***.

¹⁵ This would include the quote that is the basis of the allegation.

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

BACKGROUND

Six producers,¹ which together accounted for over 80 percent of all U.S. production of paintbrushes during the period 1996-98, provided financial data.

The producers were requested to provide the results of operations for both trade sales (market sales) and company transfers (intra-company sales and/or internal consumption) combined. Only one producer² reported company transfers, which were a very negligible amount compared to total sales of certain paintbrushes by these producers (less than 1 percent in terms of sales volume).

OPERATIONS ON CERTAIN PAINTBRUSHES

The results of the U.S. producers' operations producing certain paintbrushes are presented in table VI-1. Per-unit sales values for the combined firms increased considerably (by \$0.28 and 17 percent) from 1996 to 1997, and further increased (by \$0.11) from 1997 to 1998, while the cost of goods sold (COGS) for the combined firms increased by less in 1997 (by \$0.16) and less again (by \$0.04) in 1998. Gross margin per unit for the combined firms, accordingly, increased by \$0.12 from 1996 to 1997 and further rose by \$0.07 from 1997 to 1998. Despite continuously rising selling, general, and administrative (SG&A) expenses, operating income per unit increased by \$0.05 from 1996 to 1997 and increased again by \$0.05 from 1997 to 1998. For the interim periods, per-unit net sales values declined in interim 1999 (\$0.08), but by less than the decline in COGS and SG&A expenses (\$0.12), resulting in a somewhat higher operating income (by \$0.03) in interim 1999 compared to interim 1998. Summing up, both net sales values and profitability increased continuously from 1996 to 1998 and from interim 1998 to interim 1999.

The results of operations by individual firm are presented in table VI-2. Five producers had positive operating income in all periods, with the sixth producer suffering an operating loss in one period only. Average operating income margins also increased from 1996 to 1998 and from interim 1998 to interim 1999.

Selected per-unit cost data of the producers on their operations are presented in table VI-3. Raw materials, direct labor costs, and factory overhead continuously increased from 1996 through 1998, while only labor costs remained the same from 1997 to 1998. SG&A expenses continuously increased over time. For the interim periods, material costs, labor costs, and factory overhead fell slightly. SG&A expenses also decreased in interim 1999. As a result, overall total unit costs fell by \$0.12 in interim 1999.

¹ The producer whose fiscal year ends other than Dec. 31 is ***.

² ***.

Table VI-1 Results of U.S. producers in the production of certain paintbrushes, fiscal years 1996-98, January-March 1998, and January-March 1999					
Item	Fiscal year			January-March	
	1996	1997	1998	1998	1999
	<i>Quantity (1,000)</i>				
Trade sales	82,224	77,088	77,014	16,448	18,083
Company transfers	7	12	256	42	49
Total sales	82,231	77,100	77,270	16,490	18,132
	<i>Value (\$1,000)</i>				
Trade sales	137,734	151,354	159,268	34,731	36,743
Company transfers	9	30	480	83	82
Total sales	137,743	151,384	159,748	34,814	36,825
COGS	78,780	86,397	89,403	20,427	20,920
Gross profit	58,963	64,987	70,345	14,387	15,905
SG&A expenses	37,211	40,844	42,661	9,848	10,267
Operating income (loss)	21,752	24,143	27,684	4,539	5,638
Interest expense	468	483	623	121	1,171
Other expense	2,888	2,326	3,436	711	342
Other income items	246	34	0	32	16
Net income (loss)	18,642	21,368	23,625	3,739	4,141
Depreciation/amortization	2,738	3,057	2,741	890	816
Cash flow	21,380	24,425	26,366	4,629	4,957
	<i>Ratio to net sales (percent)</i>				
COGS	57.2	57.1	56.0	58.7	56.8
Gross profit	42.8	42.9	44.0	41.3	43.2
SG&A expenses	27.0	27.0	26.7	28.3	27.9
Operating income (loss)	15.8	15.9	17.3	13.0	15.3
	<i>Number of firms reporting</i>				
Operating losses	0	0	0	0	1
Data	6	6	6	6	6
	<i>Value (per unit)</i>				
Trade sales	\$1.68	\$1.96	\$2.07	\$2.11	\$2.03
Company transfers	1.29	2.50	1.88	1.98	1.67
Total sales	1.68	1.96	2.07	2.11	2.03
COGS	0.96	1.12	1.16	1.24	1.15
Gross profit	0.72	0.84	0.91	0.87	0.88
SG&A expenses	0.45	0.53	0.55	0.60	0.57
Operating income (loss)	0.26	0.31	0.36	0.28	0.31
Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-2
Results of U.S. producers (by firm) in the production of certain paintbrushes, fiscal years 1996-98,
January-March 1998, and January-March 1999

Item	Fiscal year			January-March	
	1996	1997	1998	1998	1999
	<i>Value (\$1,000)</i>				
Total sales:					
Bestt Liebco	***	***	***	***	***
EZ Paintr	***	***	***	***	***
Linzer	***	***	***	***	***
Purdy	***	***	***	***	***
TruServ	***	***	***	***	***
Wooster Brush	***	***	***	***	***
Total	137,743	151,384	159,748	34,814	36,825
	<i>Value (per unit)</i>				
Unit sales					
Bestt Liebco	***	***	***	***	***
EZ Paintr	***	***	***	***	***
Linzer	***	***	***	***	***
Purdy	***	***	***	***	***
TruServ	***	***	***	***	***
Wooster Brush	***	***	***	***	***
Average	1.68	1.96	2.07	2.11	2.03
	<i>Value (\$1,000)</i>				
Operating income (loss)					
Bestt Liebco	***	***	***	***	***
EZ Paintr	***	***	***	***	***
Linzer	***	***	***	***	***
Purdy	***	***	***	***	***
TruServ	***	***	***	***	***
Wooster Brush	***	***	***	***	***
Total	21,752	24,143	27,684	4,539	5,638
	<i>Ratio to net sales (percent)</i>				
Operating income (loss)					
Bestt Liebco	***	***	***	***	***
EZ Paintr	***	***	***	***	***
Linzer	***	***	***	***	***
Purdy	***	***	***	***	***
TruServ	***	***	***	***	***
Wooster Brush	***	***	***	***	***
Average	15.8	15.9	17.3	13.0	15.3
Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-3
Results (per unit) of U.S. producers in the production of certain paintbrushes, fiscal years 1996-98, January-March 1998, and January-March 1999

Item	Fiscal year			January-March	
	1996	1997	1998	1998	1999
	<i>Unit value</i>				
COGS:					
Raw materials	\$0.52	\$0.63	\$0.65	\$0.71	\$0.66
Direct labor	0.13	0.16	0.16	0.17	0.16
Factory overhead	0.31	0.33	0.34	0.36	0.33
Total COGS	0.96	1.12	1.16	1.24	1.15
SG&A expenses:					
Selling expenses	0.22	0.28	0.29	0.33	0.32
G&A expenses	0.23	0.25	0.26	0.27	0.25
Total SG&A expenses	0.45	0.53	0.55	0.60	0.57
Total cost	1.41	1.65	1.71	1.84	1.72

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

The variance analysis showing the effects of prices and volume on the producers' net sales of certain paintbrushes, and of costs and volume on their total cost, is shown in table VI-4. The analysis is summarized at the bottom of the table. Operating income increased by \$2.4 million in 1997 from 1996 and further increased by \$3.5 million in 1998 from 1997. The analysis shows that the substantial increase in operating income (\$5.9 million) between 1996 and 1998 was attributable mainly to higher average prices (price variance), i.e., the positive effect of rising unit sales values (positive \$30.3 million), which was offset by the combined negative effect of increasing costs and expenses (\$23.1 million) and lower volume (a negative \$1.3 million of volume variance). The variance analysis may be affected by the changes of product mix for certain types of paintbrushes.

Table VI-4
Variance analysis of U.S. producers in the production of certain paintbrushes between the fiscal years 1996 and 1998, and the periods January-March 1998 and January-March 1999

Item	Between fiscal years			January-March
	1996-98	1996-97	1997-98	1998-99
	<i>Value (\$1,000)</i>			
Total sales:				
Price variance	30,315	22,236	8,030	(1,456)
Volume variance	(8,310)	(8,595)	334	3,467
Total sales variance	22,005	13,641	8,364	2,011
Cost of sales:				
Cost variance	(15,376)	(12,533)	(2,809)	1,541
Volume variance	4,753	4,916	(190)	(2,034)
Total cost variance	(10,623)	(7,617)	(3,006)	(493)
Gross profit variance	11,382	6,024	5,347	1,518
SG&A expenses:				
Expense variance	(7,695)	(5,955)	(1,727)	562
Volume variance	2,245	2,322	(90)	(981)
SG&A variance	(5,450)	(3,633)	(1,817)	(419)
Operating income variance	5,932	2,391	3,541	1,099
Summarized as:				
Price variance	30,315	22,236	8,030	(1,456)
Net cost/expense variance	(23,071)	(18,488)	(4,542)	2,103
Net volume variance	(1,312)	(1,357)	53	452
Note: Unfavorable variances are shown in parentheses; all others are favorable.				
Source: Compiled from data submitted in response to Commission questionnaires.				

CAPITAL EXPENDITURES, R&D EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

The U.S. producers' capital expenditures and research and development (R&D) expenses, together with the value of their fixed assets, are presented in table VI-7. Capital expenditures increased substantially in 1997 from 1996 and decreased slightly in 1998 from 1997.

Only three producers reported R&D expenses. Aggregated R&D expenses increased in 1998 from 1997 and fell slightly in interim 1999 from interim 1998. The original cost and book value of fixed assets increased over the period.

Table VI-5					
Capital expenditures, R&D expenses, and assets utilized by U.S. producers in their production of certain paintbrushes, fiscal years 1996-98, January-March 1998, and January-March 1999					
Item	Fiscal year			Jan.-Mar.	
	1996	1997	1998	1998	1999
	<i>Value (\$1,000)</i>				
Capital expenditures	880	2,531	2,164	765	482
R&D expenses	209	164	568	175	169
Fixed assets:					
Original cost	35,645	41,374	44,650	41,640	44,846
Book value	13,085	13,213	16,122	13,323	16,128
Source: Compiled from data submitted in response to Commission questionnaires.					

CAPITAL AND INVESTMENT

The producers' comments regarding any actual or potential negative effects of imports of paintbrushes from China and Indonesia on their firms' growth, investment, ability to raise capital, and/or development and production efforts (including efforts to develop a derivative or more advanced version of the product) are presented in appendix E.

PART VII: SUBJECT COUNTRY INDUSTRY DATA

The Commission analyzes a number of factors in making threat determinations.¹ Information on the nature of the alleged margins was presented earlier in this report; 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 Commission sent foreign producers' questionnaires to all foreign producers of paintbrushes represented by counsel and one Chinese producer not represented by counsel.² The Commission received responses from two Indonesian producers. No response was received from Chinese producers.

The Commission also sent State Department telegrams to the U.S. embassies in Beijing, China, and Jakarta, Indonesia, requesting information on capacity, production, shipments, and inventories of paintbrushes in each country.³ The Commission received a response from the U.S. embassy in Beijing.⁴

THE INDUSTRY IN CHINA

The petition cited 42 known producers of paintbrushes in China.⁵ The U.S. embassy in Beijing, in conjunction with U.S. consulates in Guangzhou, Shanghai, Shenyang, Chengdu, and Hong Kong, attempted to contact all firms listed in the petition. The embassy was able to confirm that 15 firms produced and exported paintbrushes. The Chinese State Statistical Information and Consultancy Center (SSICC) stated that paintbrushes, particularly low-end synthetic filament paintbrushes, are relatively low-tech items that are produced on an order basis by thousands of manufacturers in China, including many township and village enterprises.

The petition presented capacity information for 10 large Chinese producers and estimated these firms' annual production capacity to be approximately 180 million paintbrushes.⁶ No data were presented for production, shipments, or inventories.

Respondents argue that China has very limited capacity to produce synthetic filament paintbrushes of the quality that the U.S. market requires because Chinese producers do not have access to the superior synthetic filament available to U.S. producers and they also lack the advanced tipping

¹ See, 19 U.S.C. § 1677(7)(F)(i).

² Questionnaires were sent to two Chinese producers, Wuxi Shengfa and Yashi Household Products Co., and two Indonesian producers, Ace Oldfields and Eterna Jayatama.

³ State Department outgoing telegram Washington, DC 152262, Aug. 13, 1999.

⁴ State Department incoming telegram Beijing 08428, Sept. 2, 1999.

⁵ Petition, exhibit 9. Petitioners did not identify phone or fax numbers for listed Chinese producers.

⁶ Petition, pp. 44-45 and exhibit 33. The Commission was not able to confirm these data from other sources.

machines that grind the tips of brushes that produce a paintbrush with a more desirable tapered finish.⁷

According to data provided by U.S. producers and official statistics of Commerce, U.S. producers accounted for *** percent of purchases of imports of synthetic filament paintbrushes from China in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999.⁸

THE INDUSTRY IN INDONESIA

The petition cited 4 known producers of paintbrushes in Indonesia.⁹ Only two of these firms, Ace Oldfields and Eterna Jayatama, were confirmed to have exported paintbrushes to the United States during the period of investigation. Data for these two firms are presented in table VII-1.

According to Ace Oldfields and Eterna Jayatama, natural bristle chip brushes account for over *** percent of Indonesian production and exports to the United States,¹⁰ and that neither company has the machinery, technology, or expertise to manufacture synthetic filament paintbrushes.¹¹

According to data provided by U.S. producers and official statistics of Commerce, U.S. producers accounted for *** percent of purchases of imports of natural bristle brushes from Indonesia in 1996, *** percent in 1997, *** percent in 1998, and *** percent in interim 1999.¹²

Table VII-1
Certain paintbrushes: Data on the industry in Indonesia, 1996-98, January-March 1998, January-March 1999, and projected 1999-2000

* * * * *

⁷ Postconference brief of Linzer, Ace Oldfields, Best B, and Wuxi Shengfa, pp. 21-22.

⁸ Includes U.S. producers' direct imports and purchases of subject imports from U.S. importers.

⁹ Petition, exhibit 10. These firms are Ace Oldfields, Eterna Jayatama, PT Kata Perkasa J/V, and PT Sentosa Hastareksa.

¹⁰ Foreign producers' questionnaire responses of Ace Oldfields and Eterna Jayatama, and postconference brief of Eterna Jayatama.

¹¹ Postconference brief of Linzer, Ace Oldfields, Best B, and Wuxi Shengfa, pp. 23-24.

¹² Includes U.S. producers' direct imports and purchases of subject imports from U.S. importers.

U.S. IMPORTERS' INVENTORIES

Table VII-2 presents data on U.S. importers' end-of-period inventories of subject imports.

Item	Calendar year			January-March	
	1996	1997	1998	1998	1999
<i>Quantity (1,000)</i>					
Natural bristle paintbrushes:					
End-of-period inventories:					
China	***	***	***	***	***
Indonesia	***	***	***	***	***
<i>(Percent)</i>					
Ratio to imports:					
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Ratio to U.S. shipments:					
China	***	***	***	***	***
Indonesia	***	***	***	***	***
<i>Quantity (1,000)</i>					
Synthetic filament paintbrushes:					
End-of-period inventories:					
China	***	***	***	***	***
Indonesia	***	***	***	***	***
<i>(Percent)</i>					
Ratio to imports:					
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Ratio to U.S. shipments:					
China	***	***	***	***	***
Indonesia	***	***	***	***	***
<i>Quantity (1,000)</i>					
All paintbrushes:					
End-of-period inventories:					
China	2,597	3,738	6,313	3,832	6,081
Indonesia	4,656	5,279	13,171	4,707	10,246
<i>(Percent)</i>					
Ratio to imports:					
China	22.3	21.9	28.5	21.2	28.4
Indonesia	18.9	19.2	30.1	15.9	21.2
Ratio to U.S. shipments:					
China	28.0	28.1	30.9	19.4	24.3
Indonesia	21.2	20.9	31.9	15.3	24.1
Source: Compiled from data submitted in response to Commission questionnaires.					

APPENDIX A

FEDERAL REGISTER NOTICES

**INTERNATIONAL TRADE
COMMISSION**

**[Investigations Nos. 731-TA-857-858
(Preliminary)]**

**Certain Paintbrushes From China and
Indonesia**

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-857-858 (Preliminary) under section 733(a) of the Tariff Act of 1930¹ (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

¹ 19 U.S.C. 1673b(a).

industry in the United States is materially retarded, by reason of imports from China of synthetic filament paintbrushes, provided for in subheading 9603.40.4060 of the Harmonized Tariff Schedule of the United States (HTS), and imports from Indonesia of natural bristle and synthetic filament paintbrushes, provided for in subheadings 9603.40.4040 and 9603.40.4060 of the HTS 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,² the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by September 16, 1999. The Commission's views are due at the Department of Commerce within five business days thereafter, or by September 23, 1999.

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,³ and part 207, subparts A and B.⁴

EFFECTIVE DATE: August 2, 1999.

FOR FURTHER INFORMATION CONTACT: Fred Fischer (202-205-3179 or ffischer@usitc.gov), 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>).

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on August 2, 1999, by the Paintbrush Trade Action Coalition (PATAC) whose member firms include EZ Paint Corp., St. Francis, WI; Bestt Liebco, Philadelphia, PA; The Wooster Brush Co., Wooster, OH; Purdy Corp., Portland, OR; and Tru*Serv Manufacturing, Cary, IL.

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 these investigations upon the expiration of the period for filing entries of appearance.

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

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties⁵ who are parties to the investigations 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 10:30 a.m. on August 23, 1999, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Fred Fischer (202-205-3179 or ffischer@ustic.gov) not later than August 18, 1999, 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 August 26, 1999, 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.

By order of the Commission.

Issued: August 4, 1999.

Donna R. Koehnke,

Secretary.

[FR Doc. 99-20720 Filed 8-10-99; 8:45 am]

BILLING CODE 7020-02-P

² 19 U.S.C. 1673a(c)(1)(B).

³ 19 CFR part 201.

⁴ 19 CFR part 207.

⁵ As defined in 19 U.S.C. 1677(9).

EFFECTIVE DATE: August 27, 1999.

FOR FURTHER INFORMATION CONTACT:
Sunkyu Kim, AD/CVD Enforcement
Group I, Office 2, Import
Administration, International Trade
Administration, U.S. Department of
Commerce, 14th Street and Constitution
Avenue, NW., Washington, DC 20230;
telephone: (202) 482-2613.

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 to the current regulations at 19 CFR part 351 (April 1998).

The Petitions

On August 2, 1999, the Department received petitions filed in proper form by The Paintbrush Trade Action Coalition (PATAC) which is comprised of the following companies: EZ Paint Corporation; The Wooster Brush Company; Purdy Corporation; Bestt Liebco; and Tru*Serv Manufacturing, collectively referred to hereinafter as the petitioner. On August 11 and August 16, 1999, the Department received supplemental information to these petitions that it had requested from the petitioner.

In accordance with section 732(b) of the Act, the petitioner alleges that imports of paintbrushes, other than natural bristle paintbrushes, from the People's Republic of China (PRC), and paintbrushes from Indonesia are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring an industry in the United States.

The Department finds that the petitioner filed the petitions on behalf of the domestic industry because it is an interested party as defined in sections 771(9) (C) and (D) of the Act and it has demonstrated sufficient industry support. See "Determination of Industry Support for the Petitions" section, below.

Scope of Investigations

There is an existing antidumping duty order on natural bristle paintbrushes from the PRC. See *Antidumping Duty Order; Natural Bristle Paintbrushes and Brush Heads from the People's Republic of China*, 51 FR 5580 (February 14, 1986). The scope of the petition on

DEPARTMENT OF COMMERCE

International Trade Administration

[A-570-857, A-560-809]

**Initiation of Antidumping
Investigations: Paintbrushes and
Paintbrush Heads, Other Than Natural
Bristle Paintbrushes and Paintbrush
Heads, From the People's Republic of
China and Paintbrushes and
Paintbrush Heads From Indonesia**

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

paintbrushes from the PRC covers all paintbrushes and paintbrush heads imported from the PRC, except those that are already covered by the existing order. For Indonesia, the scope of the petition includes all paintbrushes and paintbrush heads (*i.e.*, natural bristle, synthetic filament, and natural-synthetic filament blended paintbrushes).

People's Republic of China

The scope of the PRC investigation includes all paintbrushes and paintbrush heads that are used to apply paint, stain, varnish, shellac, or any other type of protective coating, other than natural bristle paintbrushes and paintbrush heads that are classifiable under 9603.40.4040 of the Harmonized Tariff Schedule of the United States (HTSUS). The scope of the investigation includes paintbrushes and paintbrush heads with a blend of natural bristle and synthetic filaments, provided that the synthetic filaments comprise over 50 percent of the total filler material in the finished paintbrush or paintbrush head.

The merchandise subject to this investigation is classifiable under 9603.40.4060 of the HTSUS. Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Excluded from the scope of this investigation are artists' brushes classifiable under 9603.30.2000, 9603.30.4000, or 9603.30.6000 of the HTSUS or other non-paintbrush products classifiable under 9603.40.4060 of the HTSUS, such as foam applicators, sponge applicators, or any other type of non-brush paint applicator.

Indonesia

The scope of the Indonesian investigation includes all paintbrushes and paintbrush heads that are used to apply paint, stain, varnish, shellac, or any other type of protective coating, including natural bristle paintbrushes and paintbrush heads, synthetic filament paintbrushes and paintbrush heads, and paintbrushes and paintbrush heads made with a blend of natural bristle and synthetic filament.

The merchandise subject to this investigation is classifiable under 9603.40.4040 and 9603.40.4060 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Excluded from the scope of this investigation are artists' brushes

classifiable under 9603.30.2000, 9603.30.4000, or 9603.30.6000 of the HTSUS or other non-paintbrush products classifiable under 9603.40.4060 of the HTSUS, such as foam applicators, sponge applicators, or any other type of non-brush paint applicator.

During our review of the petitions, we discussed the definitions of the scope of the investigations with the petitioner to ensure that the definitions accurately reflect the products for which it is seeking relief. As we discussed in the preamble to the Department's regulations, we are setting aside a period for parties to raise issues regarding product coverage. See Antidumping Duties; Countervailing Duties: Final Rule, 62 FR 27296, 27323 (May 19, 1997). The Department encourages all parties to submit such comments by September 13, 1999. Comments should be addressed to Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, Pennsylvania Avenue and 14th Street, NW., Washington, DC, 20230. This scope consultation period 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 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.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who account for production of 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 provision regarding the

domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to 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 domestic like product, such differences do not render the decision of either agency contrary to the law.¹ Section 771(10) of the Act defines domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this 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.

In this case, the petitioner claims that all paintbrushes including natural bristle, synthetic filament, and natural-synthetic filament blended paintbrushes, constitute one class or kind of merchandise. In addition, the petitioner notes that the ITC, in its determination in the original investigation on natural bristle paintbrushes from the PRC, defined the domestic like product as all paintbrushes, both natural bristle and synthetic filament paintbrushes. See *Natural Bristle Paint Brushes from the People's Republic of China*, Inv. No. 731-TA-244 (Final), USITC Pub.1805 at 7 (January 1986).

Based on our analysis of the information and arguments presented to the Department, we have determined that for purposes of initiation of these investigations there is a single domestic like product which is defined in the "Scope of Investigations" section, above, with respect to Indonesia.

Moreover, the Department has determined that the petitions and supplemental information contained adequate evidence of sufficient industry support. See August 23, 1999, Initiation Checklist (public version on file in the Central Records Unit of the Department of Commerce, Room B-099). To the best of the Department's knowledge, the producers who support the petitions account for more than 50 percent of the production of the domestic like product. Additionally, no person who would qualify as an interested party pursuant to section 771(9) (C), (D), (E) or (F) of the

¹ See *Algoma Steel Corp., Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass Therefor from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 Fed. Reg. 32376, 32380-81 (July 16, 1991).

Act expressed opposition to the petitions on the record. Accordingly, the Department determines that these petitions are filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

Export Price and Normal Value

The following describes the allegations of sales at less than fair value upon which our decision to initiate these investigations is based. Should the need arise to use any of this information in our preliminary or final determinations for purposes of facts available under section 776 of the Act, we may re-examine the information and revise the margin calculations, if appropriate.

People's Republic of China

The petitioner identified 42 potential PRC exporters and/or producers of paintbrushes. The petitioner based export price (EP) on offers for sale of the subject merchandise by three PRC exporters. The petitioner made no adjustments to the starting prices.

Because the PRC is considered a nonmarket economy (NME) country under section 771(18) of the Act, the petitioner based normal value (NV) on the factors of production valued in a surrogate country, in accordance with section 773(c)(3) of the Act. For purposes of the petition, the petitioner selected Indonesia as the most appropriate surrogate market economy. For the factors of production, the petitioner analyzed sample paintbrushes provided by the PRC exporters that correspond to the price quotations. The petitioner disassembled and weighed each of the inputs in order to derive the consumption amount of each raw material used. For labor and electricity, the petitioner estimated the consumption amounts based on its own experience.

Materials were valued based on Indonesian prices obtained from the petitioner's market research. For wood handles, the petitioner stated that it was unable to obtain any publicly available information specific to wood handles for paintbrushes. Therefore, wood handles were valued using prices obtained from an Indonesian supplier. The remaining materials, including packing materials, were valued based on publicly available information which consisted principally of prices published in official Indonesian government import statistics (*i.e.*, *Foreign Trade Statistical Bulletin: Imports*) for the period January 1997 through October 1997. Labor, including direct and packing labor, was valued using the regression-based wage rate for

the PRC provided by the Department, in accordance with 19 CFR 351.408(c)(3). To value electricity, the petitioner used the value used by the Department in the 1996-1997 administrative review of the antidumping duty order on natural bristle paintbrushes and brush heads from the PRC. This value is based on rates published in *A Brief Guide for Investors 1995*, issued by the Indonesian government's Investment Coordinating Board. The petitioner adjusted the rate for inflation using the wholesale price indices (WPI) published by the International Monetary Fund (IMF). For factory overhead, selling, general, and administrative expenses (SG&A) and profit, the petitioner used information from financial statements pertaining to the Indonesian industrial grouping which includes manufacturers of paintbrushes, as reported in the Indonesian government's *Large and Medium Manufacturing Statistics: Volume I (1997)*.

Based on comparisons of EP to NV, the petitioner estimates dumping margins from 10.82 percent to 148.91 percent.

Indonesia

The petitioner identified the following four exporters and producers of paintbrushes from Indonesia: PT Ace Oldfields; PT Eterna Jayatama Industries; PT Kata Perkasa J/V; and PT Sentosa Hastareksa. For EP, the petitioner used price quotes offered by one of the producers, PT Ace Oldfields, as obtained from its foreign market research.

The petitioner adjusted these prices by subtracting amounts for foreign inland freight and brokerage and handling expenses. The movement expenses were based on information obtained from the petitioner's market research report.

With respect to NV, the petitioner used price quotations obtained from the foreign market researcher for paintbrushes manufactured by Ace Oldfields and sold to customers in Indonesia. The petitioner adjusted these prices by subtracting foreign inland freight amounts which were calculated by using information obtained by the market researcher. In addition, the petitioner made a circumstance of sale adjustment for imputed credit expenses by subtracting home market credit expenses from the starting prices. The petitioner calculated home market imputed credit expenses based on an estimated credit period and the average short-term lending rate in Indonesia during the first quarter of 1999, as published in the *International Financial Statistics*.

Based on comparisons of EP to home market prices, the petitioner estimates margins of 0.00 to 53.12 percent.

Allegation of Sales Below Cost

Pursuant to section 773(b) of the Act, the petitioner alleged that home market sales of the foreign like product in Indonesia were made at prices below the cost of production (COP) and requested that the Department initiate a country-wide sales-below-cost investigation.

Pursuant to section 773(b)(3) of the Act, COP consists of cost of manufacturing (COM), SG&A and packing costs. The petitioner calculated the COP for a sample paintbrush manufactured in Indonesia by PT Ace Oldfields in the following manner: (1) the petitioner calculated the cost of materials by weighing the various material inputs, including packing materials, and valuing the cost of each material using publicly available data; (2) for labor and electricity, the petitioner estimated the consumption amounts based on its analysis of the product and the production experience of its members; and (3) for factory overhead and SG&A, the petitioner used information from publicly available 1997 financial statements pertaining to the Indonesian industrial grouping which includes manufacturers of paintbrushes.

With the exception of the values for labor and natural bristle, the petitioner relied on the information used to value the factors of production of paintbrushes from the PRC, as described above, to calculate the COP of the analyzed paintbrush. To value labor, the petitioner used the April 1999 regional minimum wage rate applicable in West Java, Indonesia, as obtained from the February 1999 issue of the *Indonesian Commercial Newsletter*. The petitioner calculated the cost of natural bristles based on values obtained from the October 1997 issue of the *Foreign Trade Statistical Bulletin: Imports* for the period January 1997 through October 1997.

Based upon the comparison of the adjusted prices from the petition of the foreign like product in Indonesia to the COP calculated in the petition, we do not find "reasonable grounds to believe or suspect" that sales of these foreign like products were made below their respective COP within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, based on information currently on the record, the Department is not initiating a country-wide cost investigation for Indonesia, as requested by the petitioner.

Fair Value Comparisons

Based on the data provided by the petitioner, there is reason to believe that imports of paintbrushes and paintbrush heads, other than natural bristle paintbrushes and paintbrush heads, from the PRC and paintbrushes and paintbrush heads from Indonesia are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petitioner alleges that the U.S. industry producing the domestic like product is being materially injured, and is threatened with material injury, by reason of imports of the subject merchandise sold at less than NV. The allegations of injury and causation are supported by relevant evidence including business proprietary data from the members of PATAC and U.S. Customs import data. The Department assessed the allegations and supporting evidence regarding material injury and causation and determined that these allegations are sufficiently supported by accurate and adequate evidence and meet the statutory requirements for initiation. See Initiation Checklist (public version on file in the Central Records Unit of the Department of Commerce, Room B-099).

Initiation of Antidumping Investigations

We have examined the petitions on paintbrushes and paintbrush heads, other than natural bristle paintbrushes and paintbrush heads, from the PRC and paintbrushes and paintbrush heads from Indonesia and 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 paintbrushes and paintbrush heads, other than natural bristle paintbrushes and paintbrush heads, from the PRC and paintbrushes and paintbrush heads from Indonesia are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determinations for the antidumping duty investigations by January 10, 2000.

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 the PRC and Indonesia. We will attempt to provide a copy of the public version of each petition to each exporter named in the petition (as appropriate).

International Trade Commission 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 by September 16, 1999, whether there is a reasonable indication that imports of paintbrushes and paintbrush heads, other than natural bristle paintbrushes and paintbrush heads, from the PRC and paintbrushes and paintbrush heads from Indonesia are causing material injury, or threatening to cause material injury, to a U.S. industry. Negative ITC determinations will result in the particular investigations being terminated; otherwise, the investigations will proceed according to statutory and regulatory time limits.

This notice is published in accordance with section 777(i)(1) of the Act.

Dated: August 23, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99-22354 Filed 8-26-99; 8:45 am]

BILLING CODE 3510-DS-P

APPENDIX B

CALENDAR OF PUBLIC CONFERENCE



UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, DC

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigations:

**CERTAIN PAINTBRUSHES FROM CHINA AND INDONESIA
Investigations Nos. 731-TA-857-858 (Preliminary)**

August 23, 1999 - 10:30 am

The conference was held in Room 101 (Main Hearing Room) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES:

KING & SPALDING
Washington, DC
on behalf of

Paintbrush Trade Action Coalition (PATAC)
EZ Paint Corp.
Bestt Liebco
The Wooster Brush Co.
Purdy Corp.
Tru*Serv Manufacturing

Stan Welty, President, Chairman, PATAC
Fred Burns, consultant
Jeff Burbach, Vice-President & Controller, Newell Rubbermaid

Stephen A. Jones)
Joseph W. Dorn)-OF COUNSEL
Katherine M. Jones)

CALENDAR OF PUBLIC CONFERENCE—Continued

IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES:

VORYS, SATER, SEYMOUR AND PEASE, LLP
Washington, DC
on behalf of

LINZER PRODUCTS CORP.
BEST B INTERNATIONAL PRODUCTS
PT ACE OLDFIELDS
WUXI SHENGFA BRUSH CO.

Alan Benson, Vice Chairman and CEO, Linzer Products
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Peter A. Martin)—OF COUNSEL

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Los Angeles, CA
on behalf of

GREAT AMERICAN MARKETING

Sherman L. Weiss, President

Joseph P. Cox)—OF COUNSEL

WHITE & CASE
Washington, DC
on behalf of

PT ETERNA JAYATAMA INDUSTRIES

Iwan Nurjdin)—OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
Certain paintbrushes: Summary data concerning the U.S. market, 1996-98, January-March 1998, and January-March 1999

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Table C-2
Natural bristle paintbrushes: Summary data concerning the U.S. market, 1996-98, January-March 1998, and January-March 1999

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Table C-3
Synthetic filament paintbrushes: Summary data concerning the U.S. market, 1996-98, January-March 1998, and January-March 1999

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APPENDIX D

PAINTBRUSH COMPONENTS AND CONSTRUCTION

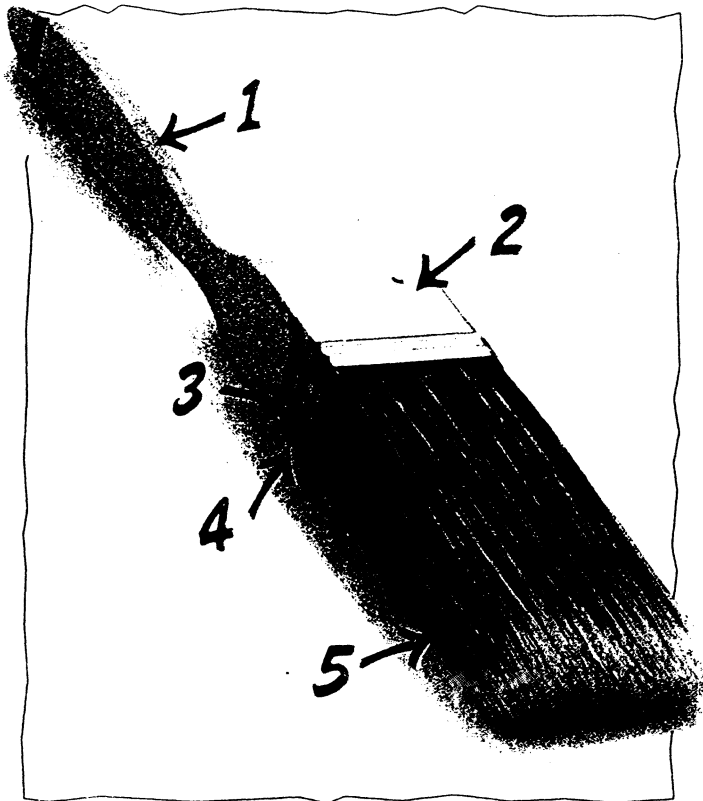
PAINTBRUSHES^{1/}

The first recorded paintbrushes date back to 1330 A.D. during the times of the Phoenicians. Their brushes were made by using twine to bind wild boar hairs in the open end of the horn of an animal. For centuries, paintbrushes remained round in shape. Even today, many European-made paintbrushes are round. Here in the United States, the majority of paintbrushes are flat in shape. Read on to learn about the flat-shaped "hair on a stick" of today.

FIVE MAJOR COMPONENTS OF A PAINTBRUSH

Each component is important because each contributes to the brush quality and its performance.

1. **Handle** — Can be made from wood, plastic or other synthetic materials. Well-designed brush handles provide comfort and good balance. They are attached to the brush by nailing or crimping them to the ferrule.
2. **Ferrule** — Metal band that holds the filament and handle together while adding strength to the brush; can be made of stainless steel, rust-resistant steel, copper-coated steel, brass-plated steel, nickel-plated steel or bright tin. There are also a few professional brushes still made with leather-bound ferrules.
3. **Spacer** — Makes bristle fit tightly in the brush and provides "breathing room" to create a reservoir for the paint. Made of cardboard, plastic, metal, wood or cork.
4. **Epoxy** — Type of cement used to lock filaments permanently into the brush; it resists solvents and chemicals.
5. **Filament** — The most important part of the brush that applies the paint, also called the "business" or "working" end of the brush; made of natural bristles or synthetic materials.



TYPES OF HANDLES

Wood is the traditional standard for professional handles. For a long time now, many contractors have preferred the balance, weight and "feel" of wooden handles.

Wooster makes two unique handles—Shergrip™ and Durapro™. Shergrip handles are made of an elastomeric material that has a softer feel with a non-slip positive grip to provide greater comfort over long days of painting. Durapro foam handles closely match the balance and weight of wooden handles. Both Shergrip and Durapro won't swell or crack when left to soak in water or solvents; brushes with wooden handles should not be left to soak.

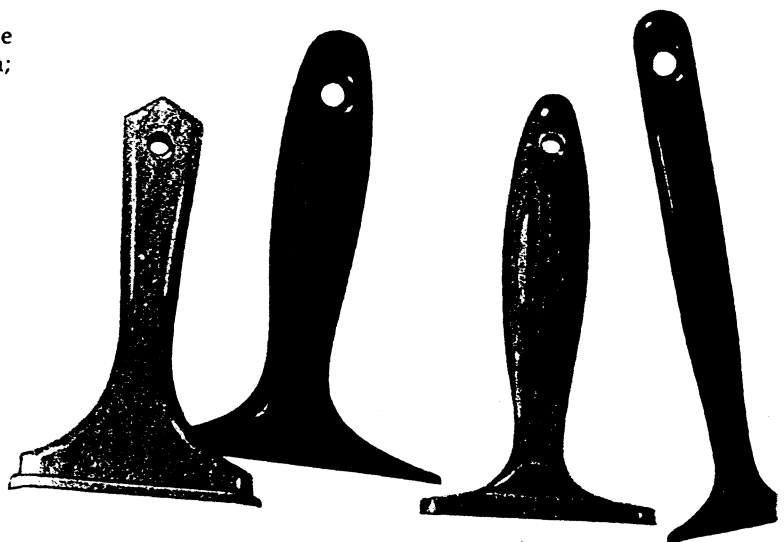
Do-it-yourself quality brushes have plastic handles; some better-quality brushes have thicker plastic handles as well. Plastic is popular because it resists water and solvents so it requires little care; it does not have the same weight or balance as wood. Handle styles and shapes vary, depending on the particular brush and the job it is intended to do.

Sash — Long, thin handles in regular, rat-tail and pencil styles provide extra control for use on narrow to small areas.

Varnish — Medium, contoured handles are designed for a comfortable feel when applying coatings on small to medium areas.

Shasta® — Unique "onyx-style" or "diamond-cut" handle end; also has a characteristic shoulder just above the ferrule. Shasta handles are popular for varnish brushes.

Wall — Large, thick handles allow a good, firm grip for painting large areas.



Shasta®

Wall

Varnish

Sash

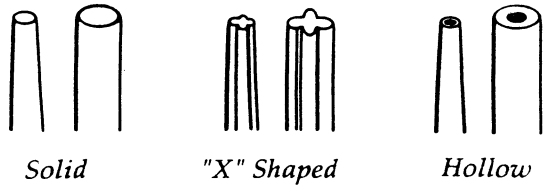
TYPES OF FERRULES

Ferrules are made with either round or square ends. There are no strict rules that determine what brushes have which ferrules. Actually, it is often a matter of convention. As an example, painters from the West Coast of the United States tend to want ferrules with square ends, while those from the East Coast prefer ferrules with round ends.

Most smaller, thinner brushes (1"–3" and up to 11/16" thick) have ferrules with round ends; larger, thicker brushes (3"–4" with 7/8" thickness) usually have ferrules with square ends. Larger brushes tend to have square ferrules so the bristle or filament is evenly distributed from the center to the edges. As long as they are good quality, both types of ferrules perform well.

^{1/} Source: The Wooster Brush Co., "Certain Paint Brushes from China and Indonesia," (petitioner's response before the U.S. International Trade Commission, exhibit 5, Aug. 2, 1999).

TYPES OF FILAMENT



China bristle was the preferred brush material up to the 1940's, when paints were oil-based; water-based paints were not yet on the market. Then two things happened. The Chinese trade embargo in 1951 necessitated a substitute for bristle, and latex paint, with its lower cost and easy cleanup, was invented.

Today, because of the popularity of water-based paints which make China bristle soften and flare, synthetic materials are both necessary and widely used.

Synthetic filament is generally made of nylon or polyester. It can be made in many cross-sectional shapes and quality levels. The best filament is round and solid (not hollow). It lasts the longest and cleans up easiest. Filament with a solid X-shape gives good performance while reducing costs. Hollow filament wears out quickly and is hard to clean but costs the least.

The best synthetic filament is made with a tapered shape. This gives the brush a natural taper for precise cutting-in. Because man-made filament does not have natural flags, tipping processes were developed to improve the spreading ability of filament (see "Brush Construction, Trim and Tipping").

Because it is a porous natural-hair product, bristle can absorb up to 40% of its own weight in water. After about a half-hour of painting with latex paint, which contains up to 50% water, bristle brushes become too floppy to paint effectively. For this reason, bristle is not recommended for use in water-based paints. Bristle is also not good to use on rough surfaces which can break the flags and quickly wear down the brush.

Bristle brushes are perfect for oil-based and alkyd paints, stains, varnishes, urethanes and shellac. (These coatings do not contain water that will effect the bristle.) Their naturally soft tips leave fewer brushmarks in the coating than other brushes.

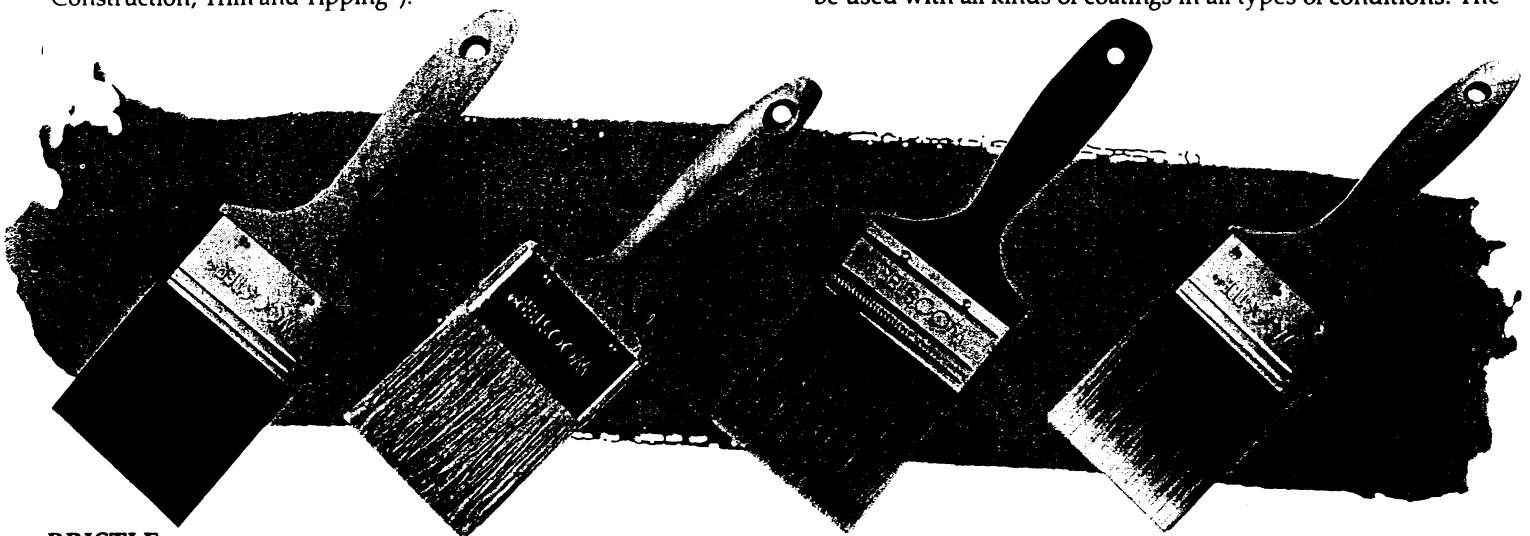
NYLON

When nylon was first used in paintbrushes, it was simply tapered filament mixed with horsehair. Over time, the processing of nylon has greatly improved so that now many contractors use nylon brushes. The tips of nylon filament can be processed very precisely. Nylon is also very durable, outwearing China bristle 5 to 1, so the tips last well. Finally, nylon cleans up easier than any other filament.

Although nylon absorbs only 4% of its weight in water, 100% nylon paintbrushes are not the best choice for prolonged use in latex paints. They also get flimsy on hot days. Because it is so durable, nylon is great to use on rough surfaces. Easy cleanability makes it the best material to use with fast-drying paints like acrylics.

POLYESTER

Because of their lower price, polyester brushes are popular with DIY painters. Polyester absorbs no moisture, so it retains its stiffness better than any other brushing material. Polyester also resists heat well (temperatures must reach 140° before it is affected). So, polyester can be used with all kinds of coatings in all types of conditions. The



BRISTLE

Bristle is the most popular natural filament, "made" by a long-haired hog. The best quality comes from mainland China. Bristle varies in length, stiffness and thickness, depending on the climate in which the hog was raised — the colder the climate, the shorter and finer the bristle. (This insulates the hog in the same way that a goose-down coat insulates a person.) Along with the many different lengths and thicknesses, China bristle has the natural flex ideal for paintbrushes—not too floppy and not too stiff. These natural characteristics are difficult to duplicate with synthetic materials.

Like some human hair, bristle has naturally split ends called "flags." Flags are very important. They help to hold paint in the brush so it is released evenly throughout the stroke instead of all at once on the first contact point. Flags also provide an extra-smooth finish with minimal brushmarks because there are more "individual paint spreaders." The soft, natural flags on bristle must be manufactured on synthetic filament.

drawbacks are it tends to be stiffer so it does not have the proper amount of flex, it leaves brushmarks in the coating, it cannot be precisely tipped, and it is not as durable or as easy to clean as nylon.

BLENDS

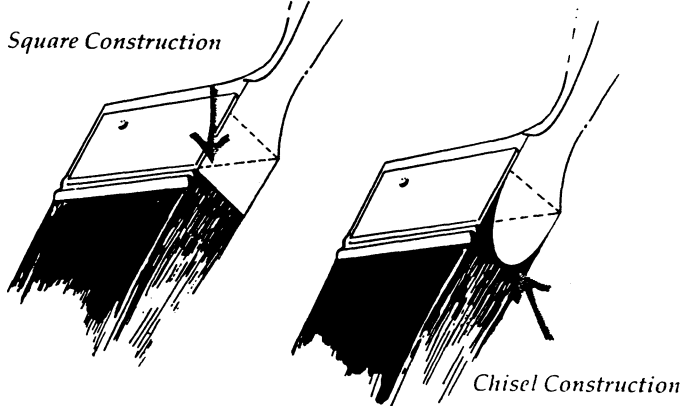
The most popular synthetic paintbrushes combine the best qualities of nylon and polyester together in one brush. Polyester is used in the shorter lengths to give the brush resistance to heat and stiffness when used with water-based paints; nylon is used in the longer lengths for precise tipping and maximum durability. The newest blended brushes combine China bristle with either nylon or polyester. This provides the benefits of *both* natural and synthetic materials to make brushes that deliver a super-smooth finish and exceptional performance in various conditions (see "Choosing the Right Brush"). Blends give outstanding performance in all types of paint, including latex, acrylics, alkyds and oil base.

BRUSH CONSTRUCTION, TRIM AND TIPPING

There are several ways to shape the working end of a brush, depending on its purpose or quality level. Many brushes are constructed by machine; most professional brushes are handmade. Trim and tipping are both machine processes.

Brush Construction

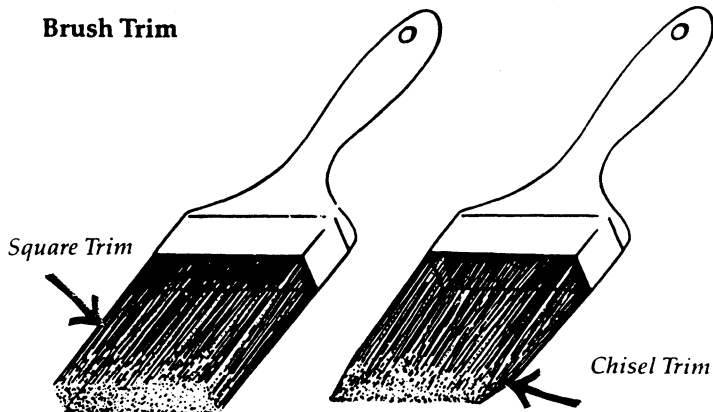
There are two basic paintbrush construction types — square and chisel. Filaments in brushes with square construction are level across the bottom (inside the ferrule), which also makes them level at the top of the brush. Chisel construction results in a rounded shape at the base of the brush (inside the ferrule) and a triangular, chisel shape at the top of the brush.



Square construction is most commonly done by machine, which keeps costs low. Many do-it-yourself quality brushes have square construction. Also, some professional block brushes, which cover large areas quickly, are handmade square construction. Many professional thin angle sash brushes are also handmade square; chisel construction would make them too thin and sparse at the tips.

Chisel construction is most commonly done by hand. It preserves flags and results in a tapered shape to make cutting-in easier. Many varnish, trim and sash brushes are made this way.

Brush Trim



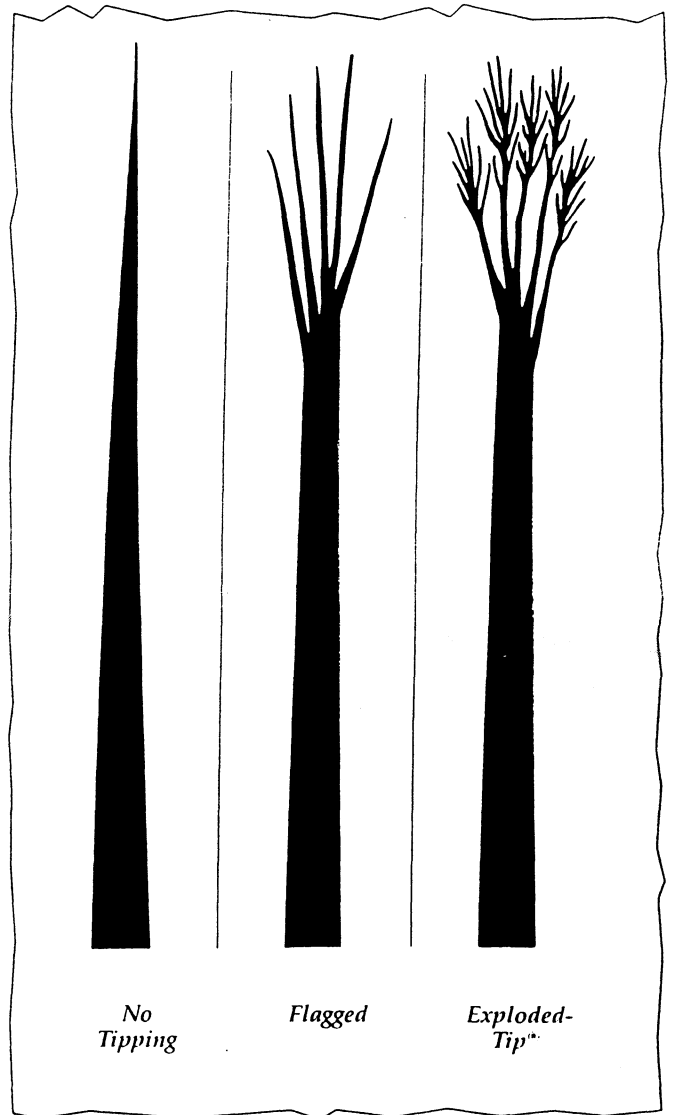
Square trim — the end of the brush is trimmed flat or horizontal; often found on professional wall-style or block-style brushes and many do-it-yourself quality brushes.

Chisel trim — the end of the brush is cut to a dome-like shape which increases taper and cutting-in properties; many professional brushes are trimmed in this style and some DIY brushes as well.

Tipping and Processing Filament

The end of each bristle or filament is very small, but tipping makes a very big difference. There are several ways to process bristle and filament. Because bristle has natural tipping (flags), it is processed very minimally. Synthetic filament, on the other hand, must be processed in order to make it paint effectively.

Wooster pioneered the Exploded-Tip® process in the early 1950's. Exploding the tips of filament "bursts" them to make flags that carry paint and spread it smoothly onto the surface.



Because paints and coatings are thicker and heavier than in the past, exploded tipping is not quite as common today. At the same time, many water-based, thinner paints benefit from Exploded-Tip brushes. Bristle has natural flags so it is not exploded.

Another type of processing makes a sharp point on the end of each filament; this improves layoff and cutting-in abilities with today's thicker paints. Still other processes smooth the "body" or length of the filament which may become roughened after tipping; bristle is sometimes "smoothed" as well. This improves cleanliness. Most manufacturers, like Wooster, use special tipping processes to give their brushes unique painting qualities.

APPENDIX E

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

Responses of U.S. producers to the following questions:

- 1. Since January 1, 1996, has your firm experienced any actual negative effects on its return on investments 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 paintbrushes from China and/or Indonesia?

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- 2. Does your firm anticipate any negative impact of imports of paintbrushes from China and/or Indonesia?

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