

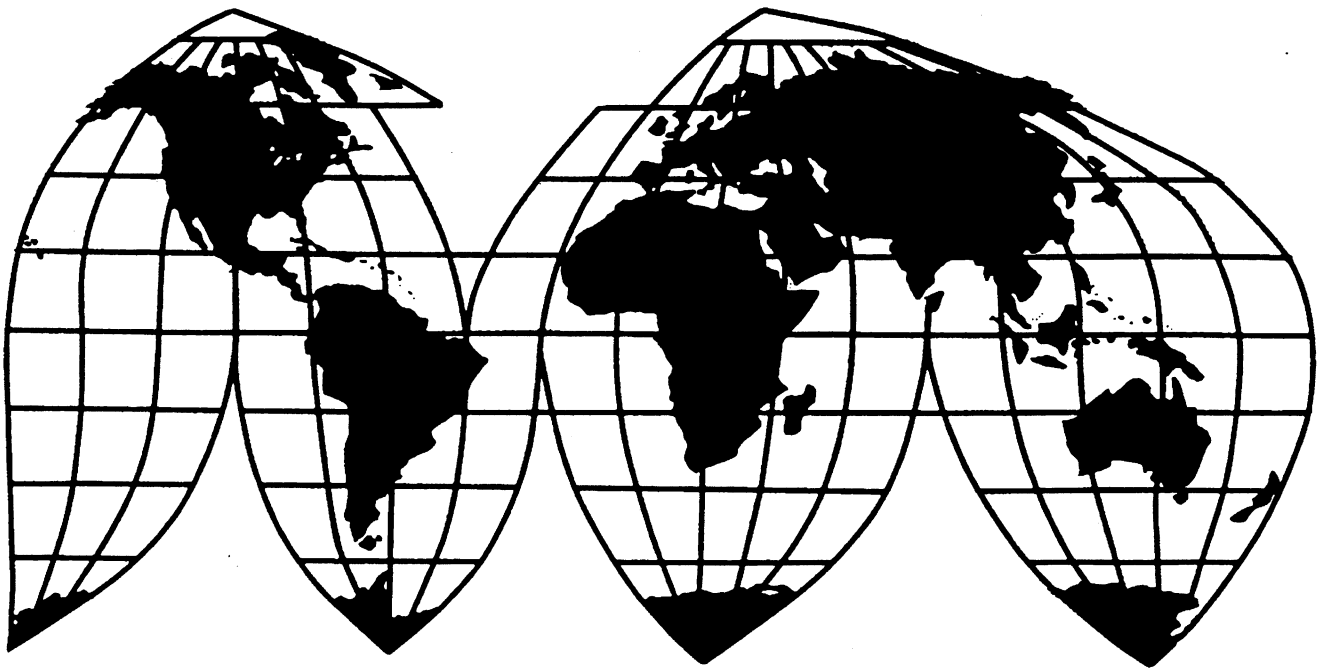
Extruded Rubber Thread From Malaysia

Investigation No. 731-TA-527 (Review)

Publication 3327

July 2000

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Bonnie Noreen, Supervisory Investigator

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been replaced by asterisks (*)**.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-527 (Review)

EXTRUDED RUBBER THREAD FROM MALAYSIA

DETERMINATION

On the basis of the record¹ developed in the subject five-year review, the United States International Trade Commission determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)) (the Act), that revocation of the antidumping duty order on extruded rubber thread from Malaysia would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

BACKGROUND

The Commission instituted this review on August 2, 1999 (64 F.R. 41954) and determined on November 4, 1999, that it would conduct a full review (64 F.R. 62689, November 17, 1999). Notice of the scheduling of the Commission's review and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on January 20, 2000 (65 F.R. 3246). The hearing was held in Washington, DC, on June 1, 2000, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in this five-year review, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Act”), that revocation of the antidumping duty order covering imports of extruded rubber thread (“ERT”) from Malaysia would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

I. BACKGROUND

On September 30, 1992, the Commission determined that an industry in the United States was materially injured by reason of LTFV imports of ERT from Malaysia.¹ Commerce imposed an antidumping duty order on October 7, 1992.²

On August 2, 1999, the Commission instituted a review pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”), to determine whether revocation of the antidumping duty order on extruded rubber thread from Malaysia would likely lead to the continuation or recurrence of material injury.³

In five-year reviews, the Commission initially determines whether to conduct a full review (which would include a public hearing, the issuance of questionnaires, and other procedures) or an expedited review, as follows. First, the Commission determines whether individual responses of interested parties to the notice of institution are adequate. Second, based on those responses deemed individually adequate, the Commission determines whether the collective responses submitted by two groups of interested parties – domestic interested parties (producers, unions, trade associations, or worker groups) and respondent interested parties (importers, exporters, foreign producers, trade associations, or subject country governments) – demonstrate a sufficient willingness among each group to participate and provide information requested in a full review.⁴ If the Commission finds the responses from either group of interested parties to be inadequate, the Commission may determine, pursuant to section 751(c)(3)(B) of the Act, to conduct an expedited review unless it finds that other circumstances warrant a full review.

The Commission received a response to the notice of institution on behalf of North American Rubber Thread (“North American”), the sole remaining domestic producer of ERT.⁵ The Commission also received two joint responses from Malaysian ERT producers and their related importers.⁶ The Commission determined that both the domestic interested party and respondent interested party group

¹ Extruded Rubber Thread from Malaysia, Inv. No. 731-TA-527 (Final), USITC Pub. 2559 (Sept. 1992) (hereinafter “Original Determination.”)

² 57 Fed. Reg. 46150 (Oct. 7, 1992).

³ 64 Fed. Reg. 41954 (Aug. 2, 1999).

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

⁵ In North American’s Response to the Notice of Institution it indicated that Globe Manufacturing Company (“Globe”) was the only other U.S. producer of the domestic like product. North American’s Response to Notice of Institution at 8-9. North American is finalizing the purchase of *** of Globe’s ERT plant and equipment. North American’s Posthearing Brief at 6.

⁶ The Commission received a joint response to the notice of institution, containing company-specific information, from Filati Lastex Sdn. Bhd. (“Filati”), a foreign producer and exporter, and FLE-U.S.A. Inc., a U.S. importer of the subject merchandise and a wholly-owned subsidiary of Filati. The Commission also received a joint response, containing company-specific information, from Heveafil Sdn. Bhd. (“Heveafil”) and Filmax Sdn. Bhd., foreign producers and exporters, and Heveafil U.S.A. Inc., a U.S. importer of the subject merchandise and a wholly-owned subsidiary of Heveafil.

responses were adequate.^{7 8} Accordingly, the Commission determined that it would conduct a full review pursuant to section 751(c)(5) of the Act.⁹

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. Domestic Like Product

In making its determination under section 751(c), the Commission defines the “domestic like product” and the “domestic industry.”¹⁰ The Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle.”¹¹ In a section 751(c) review, the Commission must also take into account “its prior injury determination.”¹²

In its final five-year review determination, Commerce defined the subject merchandise in this review as follows:

The product covered by this review is extruded rubber thread from Malaysia. Extruded rubber thread is defined as vulcanized rubber thread obtained by extrusion of stable or concentrated natural rubber latex of any cross sectional shape, measuring from 0.18 mm, which is 0.007 inch or 140 gauge, to 1.42 mm, which is 0.056 inch or 18 gauge, in diameter. Extruded rubber thread is currently classifiable under subheading 4007.00.00 of the Harmonized Tariff Schedule of the United States (“HTSUS”). The HTSUS subheadings are provided for convenience and customs purposes. The written description of the scope of this proceeding is dispositive.¹³

ERT consists of vulcanized rubber thread obtained by extrusion of stabilized or concentrated natural rubber latex, of any cross sectional shape.¹⁴ Subject extruded rubber thread measures from 0.18 mm (which is 0.007 inch or 140 gauge) to 1.42 mm (which is 0.056 inch or 18 gauge) in diameter. The size of an individual thread is usually expressed in “gauge” or “count,” which are terms that refer to the

⁷ See Explanation of Commission’s Determination of Adequacy.

⁸ In a letter to staff dated April 18, 2000, counsel for Heveafil/Filmax and Filati, subject producers of ERT, and Heveafil USA and FLE USA, importers of ERT, indicated they would not be completing the Commission’s questionnaires. In a subsequent letter of May 1, 2000, the subject respondents stated that they “have decided to withdraw from further participation in the above-reference sunset review” and wished to be removed from the APO service list. The Commission conducted a hearing in which only a representative of North American appeared. However, on May 31, 2000, the Commission received partial questionnaire data from Heveafil USA and FLE USA.

⁹ 64 Fed. Reg. 62689 (Nov. 17, 1999).

¹⁰ 19 U.S.C. § 1677(4)(A).

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

¹² 19 U.S.C. §1675(a)(1)(a).

¹³ 65 Fed. Reg. 11981, 11982 (Mar. 7, 2000).

¹⁴ CR at I-11; PR at I-10.

number of threads that would, if set down side-by-side, produce a ribbon 1 inch wide.¹⁵ There is no known production of thread that is finer than 110 gauge.¹⁶

The Commission found in the original determination that there was one domestic like product consisting of “all extruded rubber thread.”¹⁷ The only domestic like product question in this review concerns whether food-grade ERT should be treated as a separate like product from other ERT. North American argues that there should be a single domestic like product encompassing all ERT.¹⁸ No Malaysian producers participated in the full review. However, in response to the notice of institution, the Malaysian producers claimed that food-grade ERT should be considered a separate like product.¹⁹

North American has indicated that it intends to *** of Globe’s formula patent for producing food-grade ERT in the future.²⁰ However, there has been no domestic production of food-grade ERT for commercial shipment in recent years,²¹ and given the need to obtain FDA approval for food-grade ERT production,²² we find that it is unlikely that there will be commercial production of food-grade ERT in the reasonably foreseeable future.²³ In the absence of domestic production of food-grade ERT, food-grade ERT cannot itself be considered a separate domestic like product.²⁴ Thus, as required by the statute, we must look for the domestically-produced product that is most similar in characteristics and uses to the subject merchandise, which encompasses both food-grade and non-food grade ERT.²⁵ In this review, application of our traditional six-factor analysis leads us to the conclusion that non-food-grade ERT is the domestically-produced product that is most similar in characteristics and uses with the subject

¹⁵ CR at I-11, n.14; PR at I-10, n.14.

¹⁶ CR at I-11, n.14; PR at I-10, n.14.

¹⁷ Original Determination at 12. Vice Chairman Watson, Commissioner Brunsdale, and Commissioner Crawford dissenting with respect to food-grade extruded rubber thread. *Id.* at 34. Respondents had argued that food-grade extruded rubber thread should be a separate like product from other extruded rubber thread. *Id.* at 7. However, the Commission rejected this argument and found one like product based on similarities in physical characteristics, production processes and employees, and price. Specifically, the Commission found that “[t]he multiplicity of minor distinctions among different varieties of extruded rubber thread demonstrate no ‘clear dividing lines’ which distinguish one variety of extruded rubber thread (including food-grade) from any other.” *Id.* at 12.

¹⁸ North American’s Response to Notice of Institution at 12.

¹⁹ Malaysian Producers’ Responses to Notice of Institution at 6.

²⁰ CR at I-17; PR at I-13; North American’s Posthearing Brief at 4. *See also*, Extruded Rubber Thread from Malaysia, Inv. No. 753-TA-34, USITC Pub. 3112 (June 1998) at 4, 5 stating that there had been no domestic production of food-grade ERT for commercial purposes in recent years but that extremely small quantities were produced domestically for research and development purposes.

²¹ CR at I-17; PR at I-13.

²² CR at II-3; PR at II-2.

²³ *See* North American’s Posthearing Brief at 4.

²⁴ *See Id.* at 5. *See also*, Certain Hot-Rolled Steel Products from Brazil, Japan, and Russia, Inv. Nos. 701-TA-384 (Preliminary) and 731-TA-806-808 (Preliminary) USITC Pub. 3142 (November 1998) at 5, n.14.

²⁵ *See* Extruded Rubber Thread from Malaysia, Inv. No. 753-TA-34, USITC Pub. 3112 (June 1998) at 4-5, & n.14 (citing 19 U.S.C. 1677(10); and Professional Electric Cutting and Sanding/Grinding Tools from Japan, Inv. No. 731-TA-571 (Preliminary) USITC Pub. 2536 (July 1992) at 17 (“A product not produced in the United States is not an appropriate candidate for a separate like product determination, unless material retardation. . . . is a genuine issue.”); Nepheline Syenite from Canada, Inv. No. 731-TA-525 (Final) USITC Pub. 2502 (April 1992) at 7 & n.9 (Commission cannot find that there is no domestic like product)).

The Commission noted in Extruded Rubber Thread from Malaysia, Inv. No. 753-TA-34, USITC Pub. 3112 (June 1998), at 5, n.14 that the domestically produced product most similar in characteristics and uses to food-grade ERT was all ERT.

imports, including subject imports of food-grade ERT.²⁶ Accordingly, we define the domestic like product, as in the original determination, as all extruded rubber thread.

B. Domestic Industry

Section 771(4)(A) of the Act defines the relevant industry as the “domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product.”²⁷ Given our definition of the domestic like product, we determine that there is one domestic industry for the purpose of this review consisting of all domestic producers of extruded rubber thread.²⁸

III. REVOCATION OF THE ANTIDUMPING DUTY ORDER ON EXTRUDED RUBBER THREAD FROM MALAYSIA WOULD LIKELY LEAD TO CONTINUATION OR RECURRENCE OF MATERIAL INJURY WITHIN A REASONABLY FORESEEABLE TIME

A. Legal Standard

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping duty order unless: (1) it makes a determination that subsidization and/or dumping is likely to continue or recur, and (2) the Commission makes a determination that revocation of an order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”²⁹ The SAA states that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation [of the order] . . . and the elimination of its restraining effects on volumes and prices of imports.”³⁰ Thus, the likelihood standard is prospective in nature.³¹ The statute provides that “the Commission shall consider that the effects of revocation . . . may not be imminent, but may manifest themselves only over a longer period of time.”³² According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ time frame applicable in a threat of injury analysis [in antidumping duty investigations].”^{33 34}

²⁶ See Extruded Rubber Thread from Indonesia, Inv. No. 731-TA-787, USITC Pub. 3191 (May 1999).

²⁷ 19 U.S.C. § 1677(4)(A).

²⁸ In this review, there are no related party issues. No domestic ERT producer has reported imports from Malaysia, or is affiliated with an exporter of subject merchandise. See North American’s Response to Notice of Institution at 2. CR at I-18 and IV-1 (as amended by INV-X-152); PR at I-14 and IV-1.

²⁹ 19 U.S.C. § 1675a(a).

³⁰ SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry).” SAA at 883.

³¹ While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

³² 19 U.S.C. § 1675a(a)(5).

³³ SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic

(continued...)

Although the standard in five-year reviews is not the same as the standard applied in original antidumping duty investigations, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked.”³⁵ It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order under review, and whether the industry is vulnerable to material injury if the order is revoked.^{36 37}

We note that Section 776(a) of the Act authorizes the Commission to take adverse inferences in five-year reviews, but such authorization does not relieve the Commission of its obligation to consider the record evidence as a whole in making its determination.³⁸ We generally give credence to the facts supplied by the participating parties and certified by them as true, but base our decision on the evidence as a whole, and do not automatically accept the participating parties’ suggested interpretation of the record evidence. Regardless of the level of participation and the interpretations urged by participating parties, the Commission is obligated to consider all evidence relating to each of the statutory factors and may not draw adverse inferences that render such analysis superfluous. “In general, the Commission makes determinations by weighing all of the available evidence regarding a multiplicity of factors relating to the domestic industry as a whole and by drawing reasonable inferences from the evidence it finds most persuasive.”³⁹

For the reasons stated below, we determine that revocation of the antidumping duty order on ERT from Malaysia would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

³³ (...continued)

products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

³⁴ In analyzing what constitutes a reasonably foreseeable time, Chairman Koplán examines all the current and likely conditions of competition in the relevant industry. He defines “reasonably foreseeable time” as the length of time it is likely to take for the market to adjust to a revocation. In making this assessment, he considers all factors that may accelerate or delay the market adjustment process including any lags in response by foreign producers, importers, consumers, domestic producers, or others due to: lead times; methods of contracting; the need to establish channels of distribution; product differentiation; and any other factors that may only manifest themselves in the longer term. In other words, this analysis seeks to define “reasonably foreseeable time” by reference to current and likely conditions of competition, but also seeks to avoid unwarranted speculation that may occur in predicting events into the more distant future.

³⁵ 19 U.S.C. § 1675a(a)(1).

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

³⁷ Section 752(a)(1)(D) of the Act directs the Commission to take into account in five-year reviews involving antidumping proceedings “the findings of the administrative authority regarding duty absorption.” 19 U.S.C. § 1675a(a)(1)(D).

³⁸ 19 U.S.C. § 1675(c)(3)(B).

³⁹ SAA at 869.

B. Conditions of Competition

In evaluating the likely impact of the subject imports on the domestic industry, the statute directs the Commission to consider all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”⁴⁰

The level of U.S. aggregate demand for ERT depends in large part upon the demand for the various end use products utilizing ERT, which include apparel, textiles, and other diverse items.⁴¹ U.S. apparent consumption of ERT increased steadily from 1989 through 1994, dropped during 1995, and returned to *** above its 1992 levels in 1997-1998, and then decreased by *** percent in 1999.⁴² Apparent consumption during interim 2000 was *** percent below the interim 1999 level.^{43 44}

Another significant condition of competition is the fact that there is now only one domestic ERT producer. As noted earlier, the domestic producer Globe withdrew from the ERT business in March 2000.⁴⁵ North American is operating portions of the Globe plant under an informal rental agreement,⁴⁶ and has stated that it is finalizing the purchase of Globe’s plant and equipment for ERT.⁴⁷ Despite the departure of Globe, the domestic industry’s capacity utilization rates have declined considerably during the period of review, decreasing from *** percent in 1997 to *** percent in 1999, and declining even further in interim 2000, to *** percent.

Substitutability between domestic and imported ERT depends upon such factors as relative prices and the extent of product differentiation between products from the various countries.⁴⁸ ***, and the majority of purchasers of ERT, stated that U.S. produced ERT and subject imports are used interchangeably.⁴⁹ Based on the record evidence, we find that there is a significant degree of substitutability between domestically produced ERT and subject imports.

Historically, imports from nonsubject countries have fluctuated considerably from year to year with few apparent barriers to quick entry or exit from the U.S. market.⁵⁰ Since the imposition of the original order against Malaysia, Indonesia has traditionally been by far the largest source of nonsubject imports into the United States.⁵¹ However, in 1999, an antidumping duty order was placed on ERT imports from Indonesia.⁵² Indonesian exports of ERT fell to about half of their 1998 level in 1999.⁵³

⁴⁰ 19 U.S.C. § 1675a(a)(4).

⁴¹ CR at I-13, II-11; PR at I-11, II-5.

⁴² CR at II-12; PR at II-5.

⁴³ CR at II-12; PR at II-5.

⁴⁴ North American’s Posthearing Brief at 8. Additionally, there is some indication that ERT end users are relocating outside of the United States. The movement “offshore” refers primarily to movement to Canada and Mexico. CR at II-12; PR at II-6.

⁴⁵ CR at II-5; PR at II-3.

⁴⁶ CR at I-18; PR at I-14.

⁴⁷ CR at II-6, III-6; PR at II-3, III-2.

⁴⁸ CR at II-15; PR at II-7.

⁴⁹ CR at II-18; PR at II-9. Although Globe did not respond to the Commission’s Notice of Institution, Globe did submit both producer and importer questionnaire responses.

⁵⁰ CR at II-10; PR at II-5.

⁵¹ CR at II-11; PR at II-5.

⁵² See 64 Fed. Reg. 27755 (May 21, 1999).

⁵³ CR at II-11; PR at II-5.

C. Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if the order under review is revoked, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.⁵⁴ In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.⁵⁵

In the original investigation, the Commission found that the volume of subject imports increased significantly throughout the period of investigation, more than doubling from 1989 to 1990, and then continuing to increase substantially from 1990 to 1991.⁵⁶ Market penetration of subject imports from Malaysia, by quantity, also increased dramatically and consistently during the original period of investigation, rising from less than 20 percent of apparent U.S. consumption in 1989 to over 50 percent in 1991.⁵⁷ Market penetration by value exhibited a similar trend, but at a lower absolute value, reflecting the lower average unit value of subject import shipments compared with domestic shipments.⁵⁸ Following the imposition of the order, the Malaysian share of the U.S. market declined significantly, although it has increased in 1999 and interim (January-March) 2000.⁵⁹ These volume and market share increases occurred in 1999, after the dumping margins applicable to three significant Malaysian producers declined to small or minimal levels.⁶⁰

Both during the original investigation and the period of review, Malaysian exporters have demonstrated an ability to greatly increase exports to the United States. For example, during the current period of review, the subject imports from Malaysia increased from 5.46 million pounds in 1998 to 9.29 million pounds in 1999.⁶¹ Subject imports also increased between interim 1999 and interim 2000, from 1.57 million pounds to 2.59 million pounds.⁶²

The share of U.S. consumption of ERT increased for both U.S. and Malaysian producers over the period of review; however, the increase was *** for the Malaysians. The U.S. producers' market share increased by *** percentage points from 1998 to 1999, while the

⁵⁴ 19 U.S.C. § 1675a(a)(2).

⁵⁵ 19 U.S.C. § 1675a(a)(2)(A)-(D).

⁵⁶ Original Determination at 21.

⁵⁷ Original Determination at 22. Data for interim 1992 demonstrated an even larger presence in the U.S. market. *Id.*

⁵⁸ Original Determination at 22.

⁵⁹ See CR and PR at Table I-1. The share of U.S. consumption quantity held by Malaysian imports was *** in 1992 and declined to *** percent in 1993. Subsequently, the Malaysian market share was *** percent in 1993, *** percent in 1995, *** percent in 1996, *** percent in 1997, *** percent in 1998, *** percent in 1999, and *** percent in interim 2000. *Id.*

⁶⁰ CR at I-9; PR at I-8. Rubberflex reported that ***. CR at IV-4-5; PR at IV-3. See also CR at I-9; PR at I-8, providing Department of Commerce Administrative Review Information. We also note that increased imports from Malaysia coincided with the placement of the antidumping duty order on Indonesia.

⁶¹ CR and PR at Table I-3.

⁶² CR and PR at Table I-3.

market share of subject imports increased by *** percentage points.⁶³ Market share increases between interim 1999 and interim 2000, for U.S. and Malaysian producers were *** percentage points and *** percentage points, respectively.⁶⁴ While Malaysian market share was increasing at a rate *** than that for the U.S. industry, the market share held by nonsubject imports decreased substantially between 1998 and 1999 and the interim 1999 and 2000 periods.⁶⁵

There are currently four known manufacturers of ERT in Malaysia: (1) Heveafil Sdn. Bhd.; (2) Filmax Sdn. Bhd.; (3) Filati Lastex Elastofibre Sdn. Bhd.; and (4) Rubberflex Sdn. Bhd.⁶⁶ At least partially as a result of a shift of Italian producers to plants located in Malaysia, ERT production in Malaysia has increased significantly over the past 25 years.⁶⁷ The first Malaysian ERT production plant began operating during the 1970's. By 1999, Malaysian firms supplied about 84 percent of the world demand for rubber thread.⁶⁸ In fact, Malaysia is reported to possess the largest capacity for ERT production in the world.⁶⁹ Malaysia has a current production capacity of at least *** of ERT per year which is *** larger than total U.S. consumption.⁷⁰ In addition, the Malaysian ERT industry is highly export oriented.⁷¹ Shipments to the Malaysian market account for *** percent of total Malaysian shipments.⁷²

Due to the Malaysian producers' failure to provide information in this review, the record does not include the capacity utilization rates for several Malaysian producers for 1998 and 1999. However, Rubberflex, the only reporting Malaysian producer, indicates that its capacity utilization fell from *** percent in 1998 to *** percent in 1999. Rubberflex's capacity utilization was *** percent interim 1999

⁶³ CR at I-19; PR at I-15. Market share held by U.S. producers and Malaysian imports, on the basis of value, increased by *** percentage points and *** percentage points, respectively. *Id.*

⁶⁴ CR at I-19; PR at I-15.

⁶⁵ CR at I-19-20; PR at I-15.

⁶⁶ CR at IV-4; PR at IV-3.

⁶⁷ CR at IV-5; PR at IV-3.

⁶⁸ CR at IV-5; PR at IV-3.

⁶⁹ CR at II-9; PR at II-4. *See also* CR and PR at Table IV-4; Malaysian Producers' Response to Notice of Institution at Exhibit 1.

⁷⁰ *See* CR and PR at Table I-1.

⁷¹ CR at II-10; PR at II-4 (indicating that Malaysian producers sell the majority of their ERT in markets outside Malaysia and the United States).

⁷² CR at II-10; PR at II-4; CR and PR at Table IV-4.

compared with *** percent in interim 2000.^{73 74 75} Importantly, Rubberflex's excess capacity in 1999 alone was equivalent to nearly *** of U.S. apparent consumption in that year.

Based on the record in this review, it is likely that producers in Malaysia would significantly increase exports to the U.S. market if the order were revoked. We therefore conclude that the volume of subject imports would likely increase to a significant level absent the restraining effects of the order.

D. Likely Price Effects

In evaluating the likely price effects of subject imports if the antidumping duty order is revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared with domestic like products and whether the subject imports are likely to enter the United States at prices that would have a significant depressing or suppressing effect on the prices of domestic like products.⁷⁶

During the original investigation, the Commission found that prices of imported and domestically produced ERT generally fell over the period of investigation.⁷⁷ Price declines for subject imports were much greater than for the domestic like product, particularly after the time period during which natural rubber latex prices were falling.⁷⁸ The Commission found it significant that in each quarterly period for which price comparisons were possible, the subject imports undersold the domestic like product, by margins generally in excess of 30 percent.⁷⁹ The Commission thus found significant underselling by the subject imports, and that subject imports suppressed the domestic prices.

⁷³ CR and PR at Table IV-4.

⁷⁴ We do note that end-of-period inventories in Malaysia, as reported by Rubberflex, declined by *** percent from 1998 to 1999, while the ratios of inventories to production and shipments also declined during the period. First quarter 2000 end-of-period inventories were *** percent lower than in the first quarter 1999, while the ratio of inventories to production was *** lower, and the ratio of inventories to shipments was *** higher. Rubberflex's inventory levels from 1998 to interim 2000 were ***, with levels in the neighborhood of *** percent of yearly production. CR and PR at Table IV-4.

⁷⁵ Chairman Koplan and Commissioners Miller and Hillman note that two Malaysian producers – Heveafil/Filmax and Filati – which account for *** of Malaysian production, responded to the Commission's notice of institution and expressed their willingness to participate in the review by providing information requested by the Commission. Chairman Koplan and Commissioners Miller and Hillman determined that the respondent interested party group response was adequate and voted to conduct a full review on the basis of the responses of these companies and their related U.S. importers. Subsequently, these companies refused to respond to the Commission's questionnaires (although their related U.S. importers did submit partial data well after the Commission's deadline). Chairman Koplan and Commissioners Miller and Hillman conclude that it is appropriate in such circumstances to take adverse inferences pursuant to 19 U.S.C. § 1677e(b). Accordingly, Chairman Koplan and Commissioners Miller and Hillman infer that the interim 2000 capacity utilization information submitted by Rubberflex – *** percent – is representative of the capacity utilization levels of Heveafil/Filmax and Filati and that these producers are likely to use their excess capacity to substantially increase shipments to the U.S. market.

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

⁷⁷ Original Determination at 22.

⁷⁸ Original Determination at 23.

⁷⁹ Original Determination at 23.

In the current review, the Commission collected quarterly pricing data from U.S. producers and from importers for three separate categories of ERT.⁸⁰ For the first two products, subject import prices were generally *** percent below those of U.S. producers.⁸¹ The margin was *** larger for product three.⁸² For all three products, the price of domestically-produced ERT declined over the period of review. We note that average unit values of subject imports from Malaysia are consistently lower than that for the domestically produced product,⁸³ and were generally below the average unit values of nonsubject imports as well.^{84 85 86}

The pricing patterns of the subject imports both currently and during the original period of investigation indicate that, if the antidumping order is revoked, there is likely to be even more significant underselling by the subject imports to gain market share.^{87 88} In light of the general substitutability of the domestic and subject merchandise, and the importance of price in purchasing decisions, increases in subject import volumes will likely drive down ERT prices as domestic producers are forced to match the low prices offered by the subject imports. Consequently, we find that if the antidumping duty order is revoked, the subject imports will likely have significant price depressing or suppressing effects within a reasonably foreseeable time.

E. Likely Impact of Subject Imports

In evaluating the likely impact of imports of subject merchandise if the order is revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.⁸⁹ All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.⁹⁰ As required by the statute, we have considered the

⁸⁰ CR at V-6; PR at V-4.

⁸¹ CR at V-7; PR at V-4.

⁸² CR at V-7; PR at V-4.

⁸³ CR at V-7; PR at V-4.

⁸⁴ See CR and PR at Table I-1.

⁸⁵ Original Determination at 23, 24. We also note that Commerce found that four companies absorbed duties on the following percentage of their U.S. sales during the review period covering October 1, 1995, to September 20, 1996: Heveafil 100 percent; Rubberflex 57.35 percent; Filati 100 percent; and Rubfil 100 percent. 65 Fed. Reg. 11981 (Mar. 7, 2000).

⁸⁶ Commissioner Bragg and Commissioner Askey note that, while they considered Commerce's duty absorption findings, they did not rely upon these findings in reaching their determinations in this review.

⁸⁷ We note that while COGS per pound declined by *** from 1998 to 1999, SG&A expenses increased by *** per pound, and therefore total unit costs increased. CR at III-7; PR at III-2.

⁸⁸ Commissioner Bragg infers that, in the event of revocation, subject producers will revert to aggressive pricing practices in connection with exports of subject merchandise to the United States, as evidenced in the Commission's original determination.

⁸⁹ 19 U.S.C. § 1675a(a)(4).

⁹⁰ 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that "the Commission may consider the magnitude of the margin of dumping" in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year reviews

(continued...)

extent to which any improvement in the state of the domestic industry is related to the antidumping duty order at issue and whether the industry is vulnerable to material injury if the order is revoked.⁹¹

In the original investigation, the Commission found that virtually every indicator demonstrated that the condition of the domestic industry deteriorated significantly during the period of investigation.⁹² In light of the condition of the domestic industry, the increasing volumes and market share of the subject imports, underselling, and lost sales due to ERT imports from Malaysia, the Commission concluded that there was material injury by reason of subject imports.⁹³

As discussed above, Globe has recently left the domestic industry, leaving North American as the sole U.S. producer of the domestic like product. North American showed declining profitability during the period reviewed and *** in interim 2000. Its production and shipments fell over the period reviewed.⁹⁴ Accordingly, we determine that the U.S. ERT industry is vulnerable to material injury if the order is revoked.⁹⁵

We found above that revocation of the order would likely result in a significant increase in the volume of subject imports at prices significantly lower than those of the domestic like product, and that such increased volumes of subject imports would likely depress or suppress the industry's prices significantly. This would likely have a significant adverse impact on the production, shipment, sales, and revenue levels of the domestic industry. This reduction in the industry's production, sales, and revenue levels would have a direct adverse impact on the industry's employment, profitability, and ability to raise capital and make and maintain necessary capital investments. Accordingly, based on the record in this review, we conclude that, if the antidumping duty order is revoked, subject imports would be likely to have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

⁹⁰ (...continued)

as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv). *See also* SAA at 887. We note that in its sunset review of this order, Commerce found that revocation of the antidumping duty order would likely lead to continuation or recurrence of dumping at the following margins: 108.62 percent for Heveafil/Filmex Sdn. Bhd.; 20.36 percent for Rubberflex Sdn. Bhd.; 105.78 percent for Filati Lastex Elastofibre; 108.62 percent for Rubfil Sdn. Bhd; and 15.16 percent for "all others." 65 Fed. Reg. 11981, 11982 (Mar. 7, 2000).

⁹¹ The SAA states that in assessing whether the domestic industry is vulnerable to injury if the orders are revoked, the Commission "considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." SAA at 885.

⁹² Original Determination at 20.

⁹³ Original Determination at 24.

⁹⁴ We also note that North American recently reported that it has borrowed *** on a new working capital line of credit since January 1, 2000, ***. North American has also indicated that it anticipates that it will borrow another *** for asset financing. CR at III-6; PR at 2.

⁹⁵ CR at III-7; PR at III-2-3. We note that, even though aggregate net sales volume of North American and Globe increased *** from 1998 to 1999, net sales values and unit sales values decreased. As a result, domestic industry operating income declined from *** in 1998 to *** in 1999. While COGS per pound declined by *** from 1998 to 1999, SG&A expenses increased by *** per pound. Therefore, total unit costs increased to *** in 1999 from *** in 1998. Due to the combined effect of declining unit sales values, *** per pound, and increased unit costs, *** per pound, operating income in 1999 fell *** per pound. Both net sales volumes and values declined from interim 1999 to interim 2000, while unit sales values increased by *** per pound for the same period. However, due to the increased COGS and SG&A expenses per pound, operating income decreased by *** per pound, from *** per pound in interim 1999 to an *** per pound in interim 2000. CR at III-7; PR at II-2-3.

CONCLUSION

For the foregoing reasons, we determine that revocation of the antidumping duty order on ERT from Malaysia would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

PART I: INTRODUCTION AND OVERVIEW

BACKGROUND

On August 2, 1999, the Commission gave notice, pursuant to section 751(c) of the Tariff Act of 1930 (the Act), that it had instituted a review to determine whether revocation of the antidumping duty order on extruded rubber thread from Malaysia would likely lead to the continuation or recurrence of material injury to a domestic industry. Effective November 4, 1999, the Commission determined that it would conduct a full review pursuant to section 751(c)(5) of the Act. Information relating to the background and schedule of the review is provided in the following tabulation.¹

Effective date	Action
October 7, 1992	Commerce's antidumping duty order (57 FR 46150)
August 2, 1999	Commission's institution of review (64 FR 41954)
November 4, 1999	Commission's decision to conduct a full review (64 FR 62689, November 17, 1999)
January 13, 2000	Commission's scheduling of the review (65 FR 3246, January 20, 2000)
March 7, 2000	Commerce's final results of expedited review (65 FR 11981)
June 1, 2000	Commission's hearing ¹
July 14, 2000	Commission's vote
July 27, 2000	Commission's determination sent to Commerce

¹ App. B contains a list of witnesses who appeared at the hearing.

The Original Investigation

On August 29, 1991, a petition was filed by North American Rubber Thread Co., Inc. (North American) with Commerce and the Commission alleging that an industry in the United States was materially injured by reason of dumped imports of extruded rubber thread from Malaysia.² On

¹ The Commission's notice of institution, notice to conduct a full review, scheduling notice, and statement on adequacy appear in app. A and may also be found at the Commission's web site (Internet address www.usitc.gov). Commissioner's votes on whether to conduct an expedited or full review may also be found at the web site.

² The petition was filed by North American, which simultaneously filed a petition alleging that it was materially injured by reason of imports from Malaysia of extruded rubber thread that had been subsidized by the Government of Malaysia. At the time of the filing of that petition, Malaysia was eligible for duty-free entry under the GSP and was a contracting party of the then-in-place General Agreement on Tariffs and Trade. Therefore, even though it was not a "country under the Agreement" within the meaning of section 701(b) of the Act, Malaysia was entitled to an injury determination. Accordingly, the Commission instituted countervailing duty (CVD) investigation No. 303-TA-22 (Preliminary) under section 303(a) of the Act, and subsequently determined that there was a reasonable indication that an industry in the United States was materially injured by reason of the allegedly subsidized imports of extruded rubber thread from Malaysia. On December 30, 1991, Commerce issued a preliminary affirmative CVD determination and the Commission, in turn, instituted CVD investigation No. 303-TA-22 (Final). However, on March 12, 1992, the President of the United States determined that it was appropriate

(continued...)

I-1

August 25, 1992, Commerce published a final affirmative dumping determination, with margins as follows (in percent):

<u>Manufacturer/exporter</u>	<u>Margin</u>
Heveafil/Filmax Sdn. Bhd.	10.68
Rubberflex Sdn. Bhd.	22.00
All others	15.16

The Commission made its final affirmative injury determination on September 30, 1992, and Commerce issued an antidumping duty order on October 7, 1992.

Table I-1 presents a summary of data from the original investigation through this review; figure I-1 shows U.S. imports of extruded rubber thread from Malaysia, as reported in official Commerce statistics, since 1989.

Statutory Criteria and Organization of the Report

Section 751(c) of the Act requires Commerce and the Commission to conduct a review no later than five years after the issuance of an antidumping or CVD order or the suspension of an investigation to determine whether revocation of the order or termination of the suspended investigation “would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury.”³

² (...continued)

to withdraw the duty-free entry afforded under the GSP to extruded rubber thread that is the product of Malaysia. Therefore, Malaysia was no longer entitled to an injury determination under section 303 of the Act and the Commission discontinued its CVD investigation. Following a final affirmative determination, Commerce issued a CVD order on August 25, 1992. Subsequently, on June 30, 1995, North American requested a continuation of the CVD order under section 753(a) of the Act of 1920. (This provision provides that, in the case of a CVD order issued under section 303 of the Act with respect to which the requirement of an affirmative determination of material injury under section 303(a)(2) was not applicable at the time the order was issued, interested parties may request that the Commission initiate an investigation to determine whether an industry in the United States is likely to be materially injured by reason of imports of the subject merchandise if the order is revoked.) In response, the Commission initiated, effective December 15, 1997, a section 753 investigation (Inv. No. 753-TA-34) concerning the CVD order for extruded rubber thread from Malaysia. On June 25, 1998, the Commission determined that an industry in the United States was not likely to be materially injured by reason of imports of extruded rubber thread from Malaysia if the CVD order concerning such extruded rubber thread was revoked (63 FR 35945, July 1, 1998). Subsequently, on July 28, 1998, Commerce revoked the order (63 FR 41544, August 4, 1998).

³ Certain transition rules apply to the scheduling of reviews (such as these) involving antidumping and CVD orders and suspensions of investigations that were in effect prior to January 1, 1995 (the date the WTO Agreement entered into force with respect to the United States). Reviews of these transition orders will be conducted over a three-year transition period running from July 1, 1998, through June 30, 2001. Transition reviews must be completed not later than 18 months after institution.

Table I-1
Extruded rubber thread: Comparative data from the original investigation and the current review on Malaysia,¹ 1989-99, January-March 1999, and January-March 2000

(Quantity in 1,000 pounds, value in 1,000 dollars, unit values are per pound)

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	January-March 2000	
												1999	2000
U.S. consumption quantity:													
Amount ²	25,398	27,406	31,360	34,181	35,455	39,353	33,507	28,060	34,414	***	***	***	***
Producers' share ³	82.0	61.4	***	***	***	***	***	***	***	***	***	***	***
Importers' share: Malaysia ³	***	35.1	***	***	***	***	***	***	***	***	***	***	***
All other ³	***	3.5	***	***	***	***	***	***	***	***	***	***	***
Total ³	18.0	38.6	***	***	***	***	***	***	***	***	***	***	***
U.S. imports from--													
Malaysia:													
Quantity	***	10,889	***	***	***	***	***	***	***	5,462	9,292	1,106	1,457
Value	***	10,382	***	***	***	***	***	***	***	6,466	9,874	1,241	1,561
Unit value	***	\$0.95	***	***	***	***	***	***	***	\$1.18	\$1.06	\$1.12	\$1.07
Other sources:													
Quantity	***	850	***	2,508	5,867	8,141	9,051	6,931	10,920	15,382	9,329	2,128	867
Value	***	1,008	***	2,944	6,169	9,611	12,344	9,804	13,781	18,903	12,880	2,803	1,276
Unit value	***	\$1.19	***	\$1.17	\$1.05	\$1.18	\$1.36	\$1.41	\$1.26	\$1.23	\$1.38	\$1.32	\$1.47
All sources:													
Quantity	5,426	11,738	***	***	***	***	***	***	***	20,844	18,621	3,234	2,324
Value	7,740	11,390	***	***	***	***	***	***	***	25,369	22,754	4,044	2,837
Unit value	\$1.43	\$0.97	***	***	***	***	***	***	***	\$1.22	\$1.22	\$1.25	\$1.22

See footnotes at end of table.

Table I-1--Continued
 Extruded rubber thread: Comparative data from the original investigation and the current review on Malaysia,¹ 1989-99, January-March 1999, and January-March 2000

(Quantity in 1,000 pounds, value in 1,000 dollars, unit values are per 1,000 pound)

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	January-March	
												1999	2000
U.S. producers'-- Capacity	31,822	29,965	***	***	***	***	***	***	***	***	***	***	***
Production	22,565	17,326	***	***	***	***	***	***	***	***	***	***	***
Capacity utilization ³	70.9	57.8	***	***	***	***	***	***	***	***	***	***	***
U.S. shipments: Quantity	20,824	16,831	***	***	***	***	***	***	***	***	***	***	***
Value	47,926	30,534	***	***	***	***	***	***	***	***	***	***	***
Unit value	\$2.30	\$1.81	***	***	***	***	***	***	***	***	***	***	***
Export shipments: Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventories	1,562	***	***	***	***	***	***	***	***	***	***	***	***
Inventories/production ³	6.9	***	***	***	***	***	***	***	***	***	***	***	***
Production and related workers (PRWs)	205	190	***	***	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	369	343	***	***	***	***	***	***	***	***	***	***	***
Net sales (value)	50,140	31,686	***	***	***	***	***	***	***	***	***	***	***
Operating income (loss)	(1,431)	(2,638)	***	***	***	***	***	***	***	***	***	***	***
Operating income/sales ³	(2.9)	(8.3)	***	***	***	***	***	***	***	***	***	***	***

¹ The staff report from the CVD investigation on Extruded Rubber Thread from Malaysia, Inv. No. 753-TA-34, has been incorporated into the record of the current review.

² Consumption equals U.S. producers' domestic shipments plus an import component. The import component for 1989-91 is importers' U.S. shipments; for 1992-97, the import component is official Commerce imports for other sources and questionnaire and Customs' Service data for Malaysia; and for 1998-March 2000, the import component is official Commerce imports.

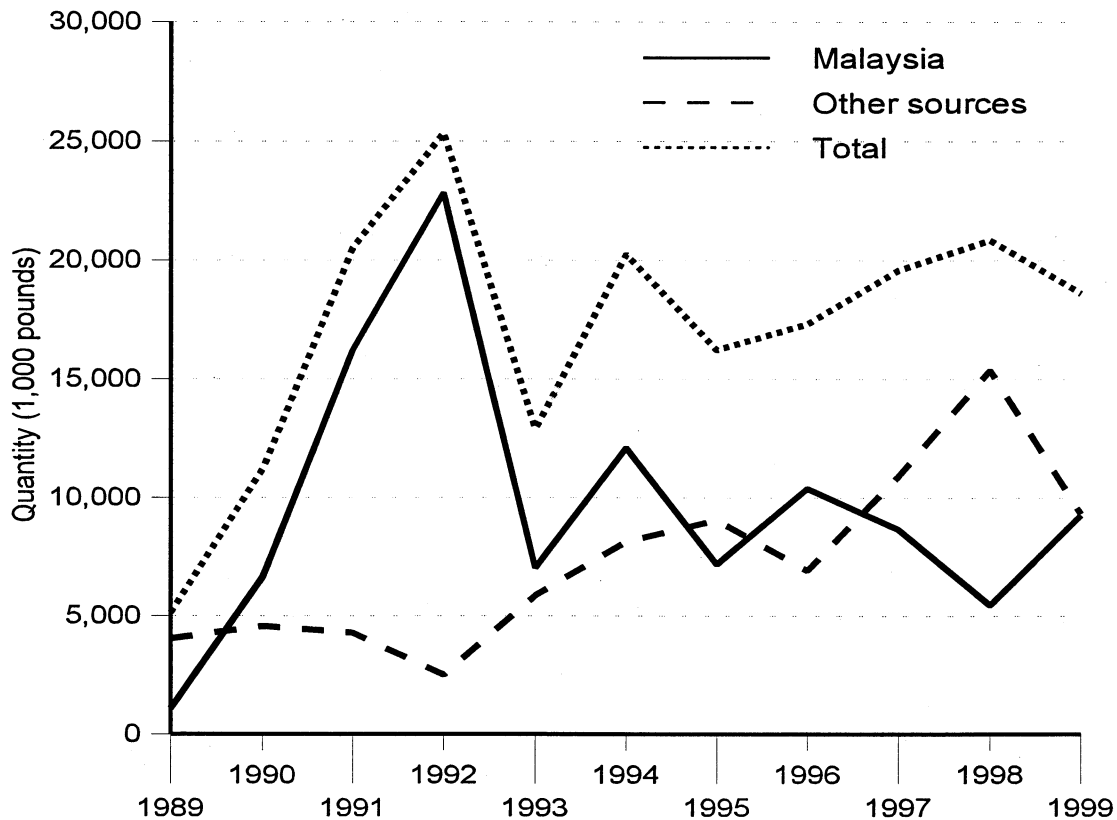
³ Reported data are in percent.

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

Source: Data for 1989-91 from staff report on Extruded Rubber Thread from Malaysia, Inv. No. 731-TA-527 (Final), September 15, 1992; data for 1992-97 from staff report on Extruded Rubber Thread from Malaysia, Inv. No. 753-TA-34, May 28, 1998, and data for 1998-January-March 2000 are compiled from Commission questionnaires and official statistics of the U.S. Department of Commerce.

Figure I-1

Extruded rubber thread: U.S. imports from Malaysia, other sources, and total, 1989-99



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

Section 752(a) of the Act provides that in making its determination of likelihood of continuation or recurrence of material injury--

(1) IN GENERAL.-- . . . the Commission shall determine whether revocation of an order, or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--

(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,

(B) whether any improvement in the state of the industry is related to the order or the suspension agreement,

(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and

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(D) in an antidumping proceeding . . . , (Commerce's findings) regarding duty absorption . . .

(2) VOLUME.--In evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including--

(A) any likely increase in production capacity or existing unused production capacity in the exporting country,

(B) existing inventories of the subject merchandise, or likely increases in inventories,

(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and

(D) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.

(3) PRICE.--In evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether--

(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and

(B) imports of the subject merchandise are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.

(4) IMPACT ON THE INDUSTRY.--In evaluating the likely impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated, the Commission shall consider all relevant economic factors

which are likely to have a bearing on the state of the industry in the United States, including, but not limited to--

(A) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,

(B) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and

(C) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.

The Commission shall evaluate all such relevant economic factors . . . within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.

Section 752(a)(6) of the Act states further that in making its determination, “the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy. If a countervailable subsidy is involved, the Commission shall consider information regarding the nature of the countervailable subsidy and whether the subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement.”

Information obtained during the course of the review that relates to the above factors is presented throughout this report. A summary of data collected in the review is presented in appendix C. U.S. industry data are based on questionnaire responses of the two producing firms during the period under consideration, North American and Globe Manufacturing Corp. (Globe⁴), accounting for all known U.S. production of extruded rubber thread from 1998 through March 2000. U.S. import data are based on official Commerce statistics.⁵ Responses by U.S. producers, importers, and purchasers of extruded rubber thread and producers of extruded rubber thread in Malaysia to a series of questions concerning the significance of the existing antidumping duty order and the likely effects of revocation are presented in appendix D. All data presented in the report are for all extruded rubber thread regardless of gauge.⁶

COMMERCE’S RESULTS OF EXPEDITED REVIEW

On March 7, 2000, Commerce⁷ found that revocation of the antidumping duty order on extruded rubber thread from Malaysia would likely lead to continuation or recurrence of dumping as follows (in percent):

<u>Manufacturer/exporter</u>	<u>Margin</u>
Heveafil/Filmax Sdn. Bhd.	108.62
Rubberflex Sdn. Bhd.	20.36
Filati Lastex Elastofibre (Malaysia)	105.78
Rubfil Sdn. Bhd.	108.62
All Others	15.16

Commerce has issued one duty absorption determination with respect to this order.⁸

⁴ Globe shut down its extruded rubber business effective March 31, 2000, having entered into an agreement to sell the entity to North American.

⁵ On April 18, 2000, counsel for Heveafil USA and FLE USA informed the Commission that these parties would not be submitting responses to the Commission’s U.S. importer questionnaires in regard to this sunset review. According to responses to the notice of institution, the two importers account for about *** percent of imports from Malaysia, and their related parents, Heveafil Sdn. Bhd. and Filmax Sdn. Bhd. (Heveafil/Filmax) and Filati Lastex Elastofibre Sdn. Bhd. (Filati) (which also would, according to counsel, not be completing the foreign producer/exporter questionnaire), account for about *** percent of the foreign production. However, on May 31, 2000, the Commission did receive partial responses to the importers’ questionnaire from Heveafil USA and FLE USA.

⁶ The scope of the investigation is limited to extruded rubber thread measuring from 140 gauge (0.18 mm or 0.007 inches) to 18 gauge (1.42 mm or 0.056 inches) in diameter. The Commission, however, did not draw a distinction among gauge ranges for purposes of defirming the like product in any past determinations concerning extruded rubber thread.

⁷ Commerce’s notice is presented in app. A.

⁸ In the 1995 administrative review, Commerce found that the four companies identified above absorbed duties on the following percentage of their sales: Heveafil–100 percent; Rubberflex–57.35 percent; Filati–100 percent; and Rubfil–100 percent.

COMMERCE'S ADMINISTRATIVE REVIEWS

Commerce has conducted 6 administrative reviews of the antidumping order on extruded rubber thread from Malaysia as shown in the following tabulation:

Manufacturer/exporter margin (Percent)	Period of Review	<i>Federal Register</i> notice
Heveafil/Filmax Sdn. Bdh. 10.68 Rubberflex Sdn. Bdh. 22.00 All others 15.16	March 1, 1991 - August 31, 1991	57 FR 38465, August 25, 1992 (original determination)
Heveafil/Filmax Sdn. Bdh. ¹ 10.65 Rubberflex Sdn. Bdh. 1.88 All others 15.16	April 2, 1992 - September 30, 1993	61 FR 54767, October 22, 1996
Filati Lastex Elastofibre ² 0.00 Heveafil/Filmax Sdn. Bdh. ¹ ² 0.36 Rubberflex Sdn. Bdh. ² 10.00 Rubfil Sdn. Bdh. ² 11.81 All others ² 15.16	October 1, 1993 - September 30, 1994	62 FR 62547, November 24, 1997, as amended by 65 FR 25704, May 3, 2000
Filati Lastex Elastofibre ³ 7.74 Heveafil/Filmax Sdn. Bdh. ¹ 7.88 Rubberflex Sdn. Bdh. 10.00 Rubfil Sdn. Bdh. 36.14 All others 15.16	October 1, 1994 - September 30, 1995	62 FR 33588, June 20, 1997, as amended by 65 FR 25703, May 3, 2000
Filati Lastex Elastofibre 52.89 Heveafil/Filmax Sdn. Bdh. 54.31 Rubberflex Sdn. Bdh. 3.75 Rubfil Sdn. Bdh. ⁴ 54.31 All others 15.16	October 1, 1995 - September 30, 1996	63 FR 12752, March 16, 1998
Filati Lastex Elastofibre 2.07 Heveafil/Filmax Sdn. Bdh. 4.77 Rubberflex Sdn. Bdh. 1.22 Rubfil Sdn. Bed 54.31 All others 15.16	October 1, 1996 - September 30, 1997	64 FR 12967, March 16, 1999, as amended by 64 FR 19337, April 20, 1999
Filati Lastex Elastofibre ⁵ 0.45 Heveafil/Filmax Sdn. Bdh. ⁵ 0.17 Rubberflex Sdn. Bdh. 1.10 Rubfil Sdn. Bed 52.89 All others 15.16	October 1, 1997 - September 30, 1998	65 FR 6140, February 8, 2000
<p>¹ Filmax Sdn. Bdh. was not specifically mentioned in Commerce's notice of this review; however, in its original determination, Commerce stated that since Heveafil and Filmax were related companies that both produced rubber thread but Heveafil performs the selling functions for both companies, it was treating the two companies as one company. Administrative reviews for periods beginning with October 1, 1995, refer to both Heveafil and Filmax.</p> <p>² Since the final results for the subsequent review period (October 1, 1994 - September 30, 1995) were published before the final results for this review, the margins shown had no effect on cash deposits.</p> <p>³ The cash deposit rate shown was reduced by 0.15 percent, the amount attributable to export subsidies.</p> <p>⁴ The cash deposit rate shown was reduced by 0.90 percent, the amount attributable to export subsidies.</p> <p>⁵ The cash deposit rate is zero since the margin is <i>de-minimis</i>.</p>		
Source: Cited <i>Federal Register</i> notices.		

ANTIDUMPING DUTIES COLLECTED

Table I-2 presents the actual amount of customs duties collected under the antidumping order during fiscal years 1994 to 1998.

Table I-2

Extruded rubber thread: Actual duties collected and subject imports from Malaysia, fiscal years 1994-98¹

(In 1,000 dollars)

Item	1994	1995	1996	1997	1998
Total duties collected	1,475	1,172	1,308	929	1,039
Total imports	10,338	8,143	8,583	9,621	7,218

¹ The federal fiscal year is October 1-September 30.

Source: U.S. Customs Service Annual Report, Part A.

RELATED COMMISSION INVESTIGATIONS AND EXISTING ORDERS

Extruded Rubber Thread from Indonesia

The Commission also instituted antidumping and CVD investigations on extruded rubber thread from Indonesia (Invs. Nos. 731-TA-787 (Preliminary) and 701-TA-375 (Preliminary)), following receipt of petitions filed with the Commission and the Department of Commerce by North American on March 31, 1998. Both the Commission and Commerce made affirmative preliminary determinations, but Commerce made a final negative determination with respect to its CVD investigation and the Commission accordingly terminated its CVD investigation.⁹ Following affirmative final determinations by Commerce and the Commission with respect to the antidumping investigation, Commerce issued an antidumping duty order on extruded rubber thread from Indonesia.¹⁰

Escape Clause (Section 201) Investigations

In response to a petition filed by North American, the Commission, effective June 23, 1992, instituted under section 202 of the Trade Act of 1974 an investigation on extruded rubber thread (inv. No. TA-201-63). In its determination, the Commission was equally divided on the question of whether or not extruded rubber thread was being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with imported extruded rubber thread.¹¹ On January 15, 1993, the President selected as the determination of the Commission the views of those Commissioners who found in the

⁹ 64 FR 16999, April 1, 1999.

¹⁰ 64 FR 27755, May 21, 1999.

¹¹ Chairman Newquist and Commissioners Rohr and Nuzum voted in the affirmative. Vice Chairman Watson and Commissioners Brunsdale and Crawford voted in the negative. Those Commissioners voting in the affirmative recommended in a report transmitted on December 21, 1992, that the President impose a tariff-rate quota on imports of extruded rubber thread. *Extruded Rubber Thread*, USITC Pub. 2563, December 1992.

negative and, accordingly, no import relief measures were taken under section 203 of the Trade Act of 1974.¹²

On June 5, 2000, a petition was properly filed by North American with the Commission for relief under section 202 of the Trade Act of 1974 from imports of extruded rubber thread (inv. No. TA-201-72). This investigation is currently ongoing.

THE SUBJECT PRODUCT¹³

Extruded rubber thread consists of vulcanized rubber thread obtained by extrusion of stabilized or concentrated natural rubber latex, of any cross sectional shape dimension. Subject extruded rubber thread measures from 0.18 mm (0.007 inch or 140 gauge) to 1.42 mm (0.056 inch or 18 gauge) in diameter.¹⁴ Such merchandise is provided for in subheading 4007.00.00 of the Harmonized Tariff Schedule of the United States with a normal-trade-relations free tariff applicable to imports from Malaysia. This part of the report presents information on both imported and domestically produced extruded rubber thread. In addition, a discussion of the factors that the Commission typically considers in defining the product(s) "like" that extruded rubber thread subject to investigation is presented later in the section entitled "Like Product Issues."¹⁵

Physical Characteristics

As noted above, extruded rubber thread (an elastomeric monofilament) is vulcanized and is produced by a low-pressure extrusion of compounded natural rubber latex. Extruded rubber thread is manufactured and sold by both U.S. and foreign manufacturers in standard sizes falling within the range of 22 gauge through 60 gauge and as fine-gauge thread (or that over 75 gauge). Reportedly, most standard extruded rubber thread is sold within the 26-gauge to 48-gauge size ranges. Standard extruded rubber thread is sometimes referred to as "heavy-gauge" thread. North American also ***.

For ease of handling and shipment, manufacturers generally temporarily bond the rubber threads together in the form of a ribbon or tube or wind the thread onto a bobbin. The width of the ribbon varies depending on the thread diameter and number of threads per ribbon. Ribbons can be made from as few as 2 to more than 90 threads; however, ribbons of 40 and 48 threads are most common. Packaging extruded rubber thread into tubes or tube shapes is a more recent innovation.

¹² The resulting notice of Presidential action, in citing the views of those Commissioners finding in the negative, stated that "imports were not a substantial cause of the decline experienced by the U.S. industry. The decline stemmed from the closure of the major U.S. manufacture of rubber thread in 1990." 58 FR 6317, January 27, 1993.

¹³ Some of the discussion in this section is from Inv. No. 731-TA-787 (Final), *Extruded Rubber Thread from Indonesia* (USITC Pub. 3191, May 1999), pp. I-3-1-7, and Inv. No. 753-TA-34, *Extruded Rubber Thread from Malaysia* (USITC Pub. 3112, June 1998), pp. I-8-1-15

¹⁴ The size of an individual thread usually is expressed in "gauge" or "count," terms that refer to the number of threads which would, if set down side-by-side, produce a ribbon 1 inch wide. There is no known production of thread that is finer than 110 gauge. In the importer questionnaire in this review, firms were asked to report separately U.S. shipments of less than 18 gauge and those of 18 gauge and over. No importer reported shipping extruded rubber thread thicker than 18 gauge.

¹⁵ 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.

Extruded rubber thread is typically black or white in color; however, it is also available from U.S. sources in such colors as light blue, red, and cream. Brightly colored rubber thread has been developed in recent years.

There are also a number of specialty rubber thread products, including food-grade rubber thread. Food-grade extruded rubber thread is manufactured into an elastic netting which then is used to package (usually) boneless meats. Extruded rubber thread of food-grade quality is manufactured using FDA-approved processes and formulations to meet stated requirements. It must be treated so that it does not impart a taste to foods. More importantly, food-grade extruded rubber thread must also have lower levels of nitrosamines, which have been suggested as a cause of certain types of cancers. Other specialty thread products include fine-gauge and heat-resistant extruded rubber thread.¹⁶

Uses

The textile industry is the largest user of extruded rubber thread; rubber thread is processed into such items as panty hose, women's lingerie, underwear waistbands, sock tops, and jogging suits, as well as into items as diverse as disposable diapers, furniture webbing, and "koosh" balls. Traditional customers for extruded rubber thread in the textile industry include coverers, weavers, braiders, and knitters. It is either used "as is" or wrapped with a rigid fiber, such as nylon or cotton, to limit elongation and to maintain the thread under constant tension. Using varying manufacturing techniques, weavers, braiders, and knitters incorporate rubber thread, bare or covered, into their production of narrow fabric and sell the output to apparel makers.

Channels of Distribution

Both U.S. producers and importers of Malaysian-produced extruded rubber thread typically sell all products directly to the unrelated manufacturers of the elasticized goods described above. The record indicates that extruded rubber thread of all types and grade is sold by domestic producers or importers in all areas of the United States, although there may be some geographical limits. Only insignificant amounts of either food-grade rubber thread or large gauge (below 18 gauge) are sold in the United States.

Substitute Products

Spandex is an alternative elastic fiber. It is used in certain applications where the cost is warranted (e.g., dry cleaning, sheer fabrics, and high fashion). *** reported in its questionnaire response that no product may be easily substituted for extruded rubber thread if both price and performance are the criteria.

Manufacturing Process

Production of extruded rubber thread begins with the preparation of the rubber latex mixture. Producers add a variety of chemicals in small amounts to the natural rubber latex to impart desired

¹⁶ Fine-gauge extruded rubber thread is constructed with a gauge greater than 75 and is usually used for hosiery. Heat-resistant extruded rubber thread is produced using antioxidants and vulcanizing agents to provide better protection against heat degradation. It is primarily manufactured for use in underwear waistband elastics, where its greater resistance to heat provides better performance during repeated laundering. Heat-resistant extruded rubber thread is also used in such limited applications as hospital garments and in bandages that are subject to sterilization by heating in an autoclave.

physical properties to the end product and to prepare the latex mix for vulcanization.¹⁷ Desirable physical properties include acceptable tensile strength, elongation at room temperature, and resilience or rebound elasticity.¹⁸ The chemical additives are blended thoroughly with the liquid latex to ensure homogeneity and the latex is then “matured” in an activation tank for 1 to 5 days. Maturation results in thread that is free of lumps and blisters and does not show an irregular thickening when extended or retracted. After the maturation process, the latex is passed through an homogenizer, which removes any remaining lumps in the mixture that might clog the capillary nozzles during the subsequent extrusion process and lead to thread breakage. The latex then enters a vacuum/feed tank to remove air bubbles and adjust the feed rate through the extruder.¹⁹

The latex mix is next extruded at low pressure through glass capillary nozzles into an aqueous acetic acid solution, which acts as a coagulant to solidify the liquid latex into a continuous thread. From there, the newly formed thread passes into a hot wash bath where excess acetic acid is washed off, then enters a drying oven that cures or vulcanizes the thread. At this point the thread is sticky, so a lubricant or antiblocking agent (*i.e.*, talcum powder or silicone-based lubricant) is applied to “detackify” each thread. Following lubrication, the threads are lightly bonded together in ribbons to form flat tapes or tubes, which are placed into an oven where they are rotated for up to 20 minutes. They next pass over cooling rollers and are either wound onto bobbins or packaged in boxes.

Reportedly, there are only slight variations in the machinery and materials used to produce extruded rubber thread by domestic and Malaysian manufactures.

Like Product Issues

In its determination in the original investigation, the Commission found that the domestic like product was all extruded rubber thread.²⁰ However, three Commissioners found two domestic like products; (1) food-grade extruded rubber thread and (2) all other extruded rubber thread. In its response to the Commission’s notice of investigation for this review, North American agreed with the Commission’s like product definition—*i.e.*, a single like product including all extruded rubber thread.²¹ In their response to the Commission’s notice of investigation, foreign producers Heveafil/Filmax and Filati, as well as their U.S. subsidiary importing firms, argue that food grade is a distinct like product.

¹⁷ Vulcanization is an irreversible process during which the chemical structure of a rubber compound changes and it becomes less plastic, more elastic, and more resistant to swelling from liquids.

¹⁸ For given types of extruded rubber thread, there are standardized levels for the various properties that are accepted worldwide.

¹⁹ It is important that the latex mix has a uniform viscosity. Viscosity affects the rate of flow of the latex mix through the extruder and any change in viscosity will vary the diameter of the thread.

²⁰ Subject imports are limited to extruded rubber thread from 18 to 140 gauge. As a practical matter, most extruded rubber thread is made in gauges finer than 22 gauge, but there is no known production finer than 110 gauge and no known imports in sizes thicker than 18 gauge.

²¹ In its antidumping petitions regarding extruded rubber thread from Indonesia, North American stated that the domestic like product “for purposes of the Commission’s injury determination should be all extruded rubber thread, as previously found by the Commission in its earlier antidumping investigation involving extruded rubber thread from Malaysia.” In the Indonesia case, five Commissioners found one like product including all extruded rubber thread and one Commissioner found food-grade extruded rubber thread to be a separate like product.

Issue of Food-Grade Extruded Rubber Thread²²

Unlike other types of extruded rubber thread, the food-grade variety must be produced to a formulation that meets FDA requirements.²³ By contrast, extruded rubber thread other than food-grade is typically produced to meet such standards as ISO-9000. In the 1998 Malaysian CVD case it was reported that in general, all types of extruded rubber thread, including food-grade, are manufactured on the same machinery using the same basic manufacturing process. North American stated in that earlier case that ***.

Food-grade extruded rubber thread typically is not used in place of the non-food-grade product, but there is no technological or regulatory obstacle to its use in non-food applications.²⁴ By contrast, non-food-grade extruded rubber thread cannot be used in applications where food-grade extruded rubber thread is used (*e.g.*, for meat netting) because of FDA regulations. Food-grade extruded rubber thread is distributed through the same channels as other types of extruded rubber thread, inasmuch as it is sold directly to end users, which are manufacturers of meat netting. Finally, food-grade extruded rubber thread is generally slightly cheaper than other types of extruded rubber thread, and, according to the petitioner, costs less to produce.²⁵

During the period examined, there was no domestic production of food-grade extruded rubber thread for commercial shipment. Before closing operations, Globe reported in the 1998 Malaysian CVD case that it ***. In that same CVD case, North American indicated that, during the 1992-97 period, it was interested in pursuing production of food-grade rubber thread, but determined that, in light of then-existing pricing levels and the cost of participating in an FDA proceeding, such production would not be economically feasible. It asserted that, ***, it does have the technology to produce the food-grade product.²⁶

At the Commission's hearing, counsel was asked if North American intended to supply food grade. The response was that Globe has a formula (patent) for food-grade product and, while North

²² Some of the discussion in this section is from *Extruded Rubber Thread from Malaysia*, Inv. No. 753-TA-34, USITC Pub. 3113, June 1998, pp. I-11-I-15, and *Extruded Rubber Thread from Malaysia*, Inv. No. 731-TA-527(Final), USITC Pub. 2559, September 1992, pp. 10-12.

²³ In 1990, the FDA regulated rubber meat netting as a "food" additive and attempted to ban its use in the United States. The problem apparently centered around the presence in rubber thread of nitrosamines, compounds that were suspected carcinogens. In February 1991, two U.S. producers of meat packing netting (and purchasers of food-grade extruded rubber thread) sued the FDA for violation of "due process" for imposing the ban without a prior hearing. A subsequent settlement of the suit stipulated that the FDA would refrain from any prohibition of the use of extruded rubber thread in meat netting as long as manufacturers made "good faith" efforts to obtain FDA approval. In addition, certain Malaysian manufacturers, who at the time were the only suppliers of food-grade extruded rubber thread, were allowed to continue selling their product in the United States pending final agreement on regulatory limits. The FDA has not yet issued final approval.

²⁴ It is seldom used in such applications because its pigmentation is natural in hue; thus, it is unsuited to those textile applications where specific colors are required. North American indicated, however, that there is no reason that food-grade extruded rubber thread could not be used as a substitute for other types of extruded rubber thread; ***. Conversation with North American in the 1998 Malaysian CVD case, March 2, 1999.

²⁵ See Confidential Staff Report, Inv. No. 753-TA-34, *Extruded Rubber Thread from Malaysia*, May 28, 1998, pp. I-16-I-24.

²⁶ *Ibid.*

American's focus to date has been on the acquisition and integration of Globe's extruded rubber plant and equipment with North American's, the thought now is to *** of that food-grade patent.²⁷

U.S. MARKET PARTICIPANTS

U.S. Producers

On March 17, 2000, one of the two remaining U.S. extruded rubber thread producers, Globe, announced its exit from the extruded rubber thread business due to ***. That left North American the sole remaining extruded thread producer. North American is in the process of negotiating with Globe to purchase some of Globe's extruded rubber thread machinery and equipment and processes. North American is now operating portions of the Globe plant under an informal rental agreement. North American has restarted two of Globe's five extruded rubber thread extrusion lines plus Globe's fine gauge winding department. If North American successfully acquires these Globe assets, this will bring North American's extruded rubber thread production capacity to *** pounds per week.²⁸

North American has a common ownership with Inter-American Machinery Engineering Corp. (IMEC), also located in Fall River, Massachusetts. ***.²⁹

U.S. Importers

The Commission sent importers' questionnaires to 12 firms that were identified by the U.S. Customs Service as having imported goods classified under statistical reporting number 4007.00.00 with a customs value of over \$*** in 1999. According to the Customs Service, these 12 firms accounted for *** percent of imports of extruded rubber thread in 1999.³⁰ Of these importers, only five submitted responses to the questionnaire (***). Although counsel for Heveafil USA and FLE USA informed the staff in a letter dated April 18, 2000, that these parties would not be submitting responses to the Commission's U.S. importer questionnaires in regard to this sunset review, the Commission did receive partially completed questionnaires from the two importers, which are no longer represented by counsel, on May 31, 2000.

U.S. Purchasers

The Commission sent questionnaires to 35 firms that were believed to be purchasers of extruded rubber thread. A total of 18 responses were received from purchasers. Of the U.S. responses, all were from extruded rubber thread end users. The responding purchasers are distributed mainly in the eastern seaboard states, the south, and California. Two companies reported a relationship with firms that import subject extruded rubber thread. ***'s parent company, ***, imports extruded rubber thread from Malaysia, as do *** and ***, both of which are ***. All three of these firms are believed to be purchasers of extruded rubber thread, as well. However, only *** among these responded to the Commission's purchaser's questionnaire. None provided a completed importer's questionnaire.

²⁷ North American's posthearing brief, p. 4.

²⁸ Response by North American to the producer's questionnaire.

²⁹ ***.

³⁰ The remainder consisted of many small importers.

APPARENT U.S. CONSUMPTION

Table I-3 presents apparent U.S. consumption, by sources, during 1998-99, January-March 1999, and January-March 2000. As shown, the quantity of apparent U.S. consumption declined by *** percent from 1998 to 1999, and by *** percent in January-March 2000 compared with the same period in 1999. Following the downward trend, the value of U.S. consumption fell by *** percent from 1998 to 1999, and by *** percent in the first quarter of 2000 compared with the same period in 1999.

U.S. MARKET SHARES

Table I-4 shows that from 1998 to 1999, the market shares held by U.S. product and imports from Malaysia increased by *** and *** percentage points, respectively, on the basis of quantity and by *** and *** percentage points, respectively, on the basis of value, while the share held by imports from nonsubject sources decreased by *** percentage points in terms of quantity, and by *** percentage points in terms of value. In the first quarter of 2000 compared with the same period in 1999, the market shares held by U.S. product and imports from Malaysia increased by *** and *** percentage points, respectively, in terms of quantity, and by *** and *** percentage points, respectively, based on value. During the same period, the share held by nonsubject imports fell by *** percentage points in terms of quantity, and by *** percentage points in terms of value.

Table I-3

Extruded rubber thread: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1998-99, January-March 1999, and January-March 2000

Item	1998	1999	January-March	
			1999	2000
Quantity (1,000 pounds)				
U.S. producers' U.S. shipments	***	***	***	***
U.S. imports from—				
Malaysia	5,462	9,292	1,566	2,586
Other sources	15,382	9,329	2,802	1,362
Total imports	20,844	18,621	4,368	3,948
Apparent consumption	***	***	***	***
Value (\$1,000)				
U.S. producers' U.S. shipments	***	***	***	***
U.S. imports from--				
Malaysia	6,466	9,874	1,762	2,864
Other sources	18,903	12,880	3,885	2,186
Total imports	25,369	22,754	5,647	5,050
Apparent consumption	***	***	***	***
Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.				

Table I-4
Extruded rubber thread: U.S. market shares, 1998-99, January-March 1999, and January-March 2000

* * * * *

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

INTRODUCTION

The discussion in this section draws from information provided in response to Commission questionnaires by both U.S. extruded rubber thread producers; one Malaysian producer; five U.S. importers of extruded rubber thread - of which ***,¹ and 18 U.S. firms that purchase domestically-produced and/or imported extruded rubber thread. The purchasing firms that have responded with usable data accounted for approximately 65 percent of total U.S. producer domestic shipments, approximately 53 percent of imports from Malaysia, and approximately 30 percent of nonsubject U.S. imports, during 1998 and 1999. The discussion also draws on information on activities from 1992 to 1997 obtained by the Commission during the 1998 CVD investigation on extruded rubber thread imported from Malaysia. In that investigation, questionnaire responses were obtained from two U.S. producers, six importers of Malaysian extruded rubber thread, and 37 U.S. extruded rubber thread purchasing firms.² The purchasers who provided usable data for the 1998 Malaysian CVD investigation accounted for approximately 65 percent of total purchases of extruded rubber thread in the United States.³

The remainder of Part II is organized as follows. The following section discusses the relationship between the major segments of the extruded rubber thread market and the product's channels of distribution. The next section reviews supply and demand considerations. The subsequent section discusses substitutability issues. The remaining three sections provide estimates of elasticities used in staff's modeling analysis, a discussion of some of the data issues related to that analysis, and a brief overview of the results of the modeling analysis.

U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION

Extruded rubber thread is typically sold directly to firms that place coverings on the product and to those that manufacture a variety of products, including narrow fabrics (knit, woven, and braided) that are used in apparel products such as underwear and hosiery; shock (bungee) cords; tubular elastic netting (both for food and non-food products); bandages and other medical supplies; furniture webbing; and disposable diapers. The end use products manufactured by purchasers fall into fairly distinct market segments (e.g., apparel, medical, personal hygiene) and firms within these segments report somewhat different trends in overall demand for their products and, in some cases, their purchasing patterns of extruded rubber thread.

Firms reported that particular types of extruded rubber thread tend to be used for specific applications. *** noted in 1998 that the decision to use talced or talcless thread is a function of customer preference, and that *** rarely mixed the two.⁴ It also reported that talced extruded rubber thread has a high "dust" nuisance factor, and that large-volume users of extruded rubber thread tend to prefer the talcless variety. In contrast, *** reported (also in the 1998 Malaysian CVD investigation) that the two types are interchangeable. ***, an extruded rubber thread purchaser, indicated that it purchases only talcless thread because talc tends to damage much of its knitting equipment, including the bearings, needles, and needle beds. In contrast, ***, another purchaser, reported that it uses only talced thread because it has never been able to find a talcless product that meets its quality standards in terms of

¹ Information from ***.

² Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. II-1.

³ *Ibid.*

⁴ *Ibid.*, p. II-2.

elongation, break levels, etc. With respect to other types of extruded rubber thread, *** reported that “specialty compounds designed for specific applications are not interchangeable,” but noted that “customers using heat-resistant extruded rubber thread may also use non-heat-resistant extruded rubber thread.”⁵

Food-grade extruded rubber thread is sold to a very small sector of the market, specifically firms which manufacture netting and meat packing.⁶ Since U.S. regulations relating to food safety apply to these products, non-food-grade extruded rubber thread cannot be substituted for food-grade. However, it may be possible to use food-grade extruded rubber thread in place of other types of extruded rubber thread. Evidence suggests that food-grade extruded rubber thread is at least as inexpensive as its standard counterpart. For example, the unit values for *** of food-grade extruded rubber thread were lower than ***.⁷ North American noted that ***.⁸ However, ***, and it appears that a ***. Table II-1 shows estimates, by the two U.S. producers, of extruded rubber thread consumption broken out by market sector and gauge range.

Table II-1

Extruded rubber thread: U.S. producers’ estimates of the share of the total U.S. extruded rubber thread market accounted for by end use and the types of extruded rubber thread used (by gauge) in these products

* * * * *

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, U.S. extruded rubber thread producers are likely to respond to changes in demand with moderate to large changes in the quantity of shipments of U.S.-produced extruded rubber thread to the U.S. market. The major factors contributing to the industry’s ability to react to price changes are the relatively low cost of adjusting capacity and, to a lesser degree, its *** level of capacity utilization. Factors that might serve as supply-responsiveness constraints are limited export markets and the lack of demonstrated ability to produce alternate products. Another factor relevant in analyzing the circumstances surrounding domestic production is the recent exit of Globe from the extruded rubber thread business.

⁵ *Ibid.*

⁶ *** reported commercial production of food-grade extruded rubber thread.

⁷ Conversation with staff, May 22, 2000.

⁸ North American’s posthearing brief, p. 4.

Globe's exit

On March 31, 2000, Globe withdrew from the extruded rubber thread business ***.⁹ ***.¹⁰
***.¹¹ ***.¹²

* * * * *

Because of the ***, it is anticipated that ***.¹³ ***.
***. North American suggests that the combined sales of its operations using the former Globe resources will be about *** percent of the prior sales of the two companies.¹⁴ Given past production figures, this implies that North American's total sales would increase by *** of Globe's historic sales levels. Elsewhere, however, it indicated that its objective is to increase domestic shipments by *** percent from the current level.¹⁵

Industry capacity

Domestic capacity utilization has been somewhat variable since the imposition of the antidumping duty order. As shown in table I-1, between 1993 and 1997 capacity utilization ranged between *** percent and *** percent, an increase from an average of *** percent in 1992. During 1998 and 1999, capacity utilization was ***. ***.

Alternative markets

*** report difficulty in exporting extruded rubber thread to alternative markets, primarily because of the lower price of extruded rubber thread outside the United States. In its questionnaire response for this review, *** reports the price in markets outside the United States is \$*** to \$*** per pound lower than the U.S. price. *** observes that U.S. market prices are consistently ***-*** percent higher than world price levels.¹⁶ Several purchasers also report that extruded rubber thread prices are significantly lower overseas.

Despite the lower prices, *** exported ***. In both 1997 and 1998, exports accounted for *** percent of total shipments. By 1999, the ratio had increased to *** percent. (***) During interim 2000, exports fell to *** percent of total shipments. North American notes a continued intention to export. In particular, it foresees itself exporting its own special thread products and fine-gauge and heat-resistant products formerly exported by Globe.¹⁷

⁹ This section draws from ***.
¹⁰ North American reports that ***. Posthearing brief, p. 6.
¹¹ ***.
¹² ***.
¹³ North American's posthearing brief, p. 6.
¹⁴ *Ibid.*
¹⁵ *Ibid.*, p. 3. This objective, however, may be ***.
¹⁶ ***.
¹⁷ North American's posthearing brief, p. 5.

Inventory levels

U.S. industry inventory levels since the imposition of the antidumping duty order have ranged from approximately *** percent to *** percent of annual production as illustrated in table I-1. ***.

Production alternatives

In its questionnaire for this review, ***.

Subject Imports

Based on available information, the Malaysian producers are likely to respond to changes in demand with large changes in the quantity of shipments of extruded rubber thread to the U.S. market. The main contributing factors to the high degree of responsiveness of supply are the ability to divert product from other markets to the U.S. market and the ability and evidenced willingness to quickly change productive capacity in response to market objectives.

Industry capacity

Malaysia is reported to possess the largest capacity for extruded rubber thread production of any country in the world. Reliable figures are not available for several Malaysian producers for 1998 and 1999, but during previous investigations, the capacity utilization rate in Malaysia has apparently been ***, ranging from *** to *** percent.¹⁸ During this review, Rubberflex reported that its capacity utilization fell from *** percent in 1998 to *** percent in 1999 and was *** percent in interim 2000.

Alternative markets

Malaysian producers sell the bulk of their extruded rubber thread in markets outside Malaysia and the United States.¹⁹ *** is the largest market for Malaysian extruded rubber thread. Malaysian shipments to the United States and its own home market, combined, account for *** percent of total Malaysian shipments, with more of these going to the *** market than to the *** market. During 1998, Filati and Heveafil/Filmax, whose aggregated production was *** pounds of extruded rubber thread, exported *** pounds of extruded rubber thread to the United States.²⁰ Rubberflex, which produced *** to *** pounds of extruded rubber thread annually during 1998-99, exported *** pounds to the United States in 1998 and *** pounds in 1999.²¹

Inventory levels

Inventory levels for Rubberflex from 1998 to interim 2000 were ***, with levels in the neighborhood of *** percent of yearly production.

¹⁸ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. II-5.

¹⁹ *Ibid.*, p. II-5; responses to notice of institution of various foreign producers.

²⁰ Responses of Filati and Heveafil/Filmax to notice of institution.

²¹ Rubberflex's foreign producer questionnaire response.

Nonsubject Imports

Based on available information, the nonsubject producers are likely to respond to changes in demand with large changes in the quantity of shipments of extruded rubber thread to the U.S. market. Historically, imports from nonsubject countries have fluctuated considerably from year to year. As is the case for domestic and (especially) subject extruded rubber thread production, there are few apparent barriers to quick entry or exit from the U.S. market, other than the antidumping duty order faced by Indonesia, one of the nonsubject countries. The main contributing factor to the high degree of responsiveness of supply is the ability to divert product from other markets to the U.S. market.²²

Since the imposition of the order against Malaysia, Indonesia has been the nonsubject source with the largest export volume to the United States, by several times the volume of its nearest competitors. According to official import data, Indonesian import quantities were larger than those from Malaysia in both 1995 and 1998. In 1999, as antidumping duties were being levied against them, Indonesian exports to the United States fell to about half of their 1998 level. A second main producer of nonsubject extruded rubber thread is Thailand. ***. During the period of review, *** have been involved in ***.

U.S. Demand

The level of U.S. aggregate demand for extruded rubber thread depends in large part upon the demand for the various end use products utilizing extruded rubber thread. Demand for many of these products depends on import competition in the appropriate sectors. Based on the available evidence, staff believes that demand for extruded rubber thread would be somewhat responsive to a change in price. Factors contributing to the responsiveness of aggregate demand for extruded rubber thread include the small size of many of the purchasers, the extent of import competition faced by many of them, and the relatively large percentage of the cost of extruded rubber thread in the total cost of their products. The responsiveness of aggregate demand is somewhat moderated by the relative lack of available substitutes and the small proportion of the cost of finished apparel (or other retail products) accounted for by extruded rubber thread.

Demand Characteristics

As shown in table I-1, U.S. apparent consumption of extruded rubber thread increased steadily from 1989 through 1994, dropped during 1995 and 1996, returned to *** above its 1992 levels in 1997-98, and then decreased by *** percent in 1999. Apparent consumption during interim 2000 was *** percent below the level of the same period in 1999. In the 1998 Malaysian CVD investigation, *** reported that demand had changed little since 1992, although *** noted that there had been an increase in imports of Canadian narrow elastic fabric containing extruded rubber thread.²³ In the questionnaire pertaining to the present review, *** continued to maintain that there have been no significant demand changes. During the hearing, however, Peter Koenig addressed the issue of a possible drop in demand in 1999. He maintained that this slowdown in demand was a cyclical phenomenon and was not unlike other demand dips in previous years.²⁴ ***, in contrast, notes that demand has “declined at the same rate users have moved fabric and apparel manufacturing facilities offshore to keep pace with low cost imports.”

²² ***.

²³ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. II-5.

²⁴ Peter Koenig, Ablondi, Foster, hearing transcript, p. 11.

During this review, the movement “offshore,” as reported by many extruded rubber thread purchasers in their questionnaire responses, refers to movement to Mexico and (especially) Canada. The firms located in these two countries have ready access to the U.S. market in extruded rubber thread end-use products because of NAFTA agreements. However, they do not have to pay the U.S. antidumping duty on the extruded rubber thread input that domestic purchasers must pay. Some domestic extruded rubber thread purchasers report quite intensive competition from such firms and foresee future shutdowns of domestic extruded rubber thread purchasing facilities as a result. North American asserts, though, that most of the movement offshore has occurred by those producers in later stages of the apparel and garment production chain, and that the percentage of extruded rubber thread in the total cost of these final products is so small as to make the difference between U.S. extruded rubber thread prices and those elsewhere a very insignificant consideration.²⁵

In their responses to the current review questionnaire, 12 purchasers reported that demand for their end-use products incorporating extruded rubber thread has changed while 4 reported that it has not. (This contrasts with counts of 17 and 18, respectively in the 1998 Malaysian CVD investigation.)²⁶ Of the 12 purchasers reporting a change, 7 indicated that demand for their final product has increased. (Firms reporting final product demand increases and those reporting decreases were evenly split in the 1998 Malaysian CVD investigation.)²⁷ During the current review *** reported that demand for extruded rubber thread for use in medical applications had declined over the last 2 or 3 years as medical applications have moved away from latex-based products because of health concerns.

Of the reporting purchasers in the present review, four indicated a perception that overall extruded rubber thread demand has decreased. None suggest that overall demand has increased. Likewise, several purchasers (***) anticipate that demand will decline in future periods for the same reason, the movement of extruded rubber thread purchasers out of the United States.²⁸ North American does not provide an explanation, but does foresee U.S. market demand for extruded rubber thread remaining stagnant or declining slightly over the next few years.²⁹

Substitute Products

Substitutability between extruded rubber thread and other products is generally limited. *** noted that there is no product that easily substitutes for extruded rubber thread if price and performance are used as the criteria. *** suggested that for certain applications where the cost is warranted, spandex may be used in place of extruded rubber thread. These include drycleaning, sheer fabrics, high fashion, and others. *** noted that spandex has replaced rubber thread in some hosiery and ladies’ underwear applications, but that the high cost of spandex makes it impractical for many applications. It also indicated that synthetic rubber, along with spandex, has replaced extruded rubber thread in the disposable diaper industry in 1998 and 1999.

Of purchasers, 76 percent responded that there were no substitutes that could replace extruded rubber thread in the various end uses. (In the 1998 Malaysian CVD investigation, the comparable figure

²⁵ Peter Koenig, Ablondi, Foster, hearing transcript, p. 20, and North American’s prehearing brief, p. 6.

²⁶ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998 p. II-6.

²⁷ *Ibid.*

²⁸ There is not necessarily any inconsistency between many purchasers reporting that their own extruded rubber thread demand has increased and the same firms reporting that overall demand has fallen. It may simply be the case that some market consolidation has occurred.

²⁹ North American’s posthearing brief, p. 4.

was 65 percent.)³⁰ Of the purchasers that indicated that substitutes exist, spandex was most frequently mentioned as the chief alternative. The ability to substitute between extruded rubber thread and spandex appears to be rather limited, however. *** reported spandex is gaining a larger share of the sock market at the expense of extruded rubber thread. One purchaser noted that polyisoprene neoprene synthetics could also be used in some applications. Extruded rubber thread purchasers producing medical products suggested that synthetic products (such as ***) were an increasingly attractive product. (Other substitutes mentioned in the 1998 Malaysian CVD investigation were dorlastan, golspan, Lycra, and synthetic elastic.³¹ The latter two were used in the manufacture of food-grade elastic netting.)

In the 1998 Malaysian CVD investigation, *** reported that spandex is manufactured from a synthetic polymer using a production process that differs significantly from that for extruded rubber thread.³² The chemical composition of spandex imparts certain properties that make that product superior in some characteristics to extruded rubber thread.³³ Although spandex is generally more expensive than extruded rubber thread, *** noted that it is the elastomeric fiber of choice at sizes finer than approximately 110 gauge, the point at which the manufacture of extruded rubber thread is no longer commercially viable.³⁴

Cost Share

As noted above, purchasers of extruded rubber thread use the material to produce covered thread and various types of narrow elastic fabric used in underwear, hosiery, and other apparel, as well as bandages, shock cords, and other miscellaneous products. The relative cost share of extruded rubber thread to end users depends on the weight and width, and varies widely according to reports from purchasers. Reported relative cost shares range from 1 to 100 percent, with different purchasers often giving markedly different relative shares for the same end use product. On balance, however, extruded rubber thread accounts for from 20 to 60 percent of many of the end-use products made by purchasers. These end-use products may in turn be further processed in later stages of the apparel producing chain. Consequently, the cost of extruded rubber thread would be a much smaller percentage of the cost of a typical finished garment.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported extruded rubber thread depends upon such factors as relative prices and the extent of product differentiation between products from the various countries. Product differentiation, in turn, depends on quality (*e.g.*, runnability, elasticity, modulus) and conditions of sale (*e.g.*, availability, service, credit). Based on the available data, staff believes that there is a moderate to high degree of substitution between domestically produced extruded rubber thread and imports. Additionally, staff believes that there is a somewhat higher degree of substitution between

³⁰ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. II-8.

³¹ *Ibid.*

³² *Ibid.*

³³ For example, spandex has good resistance to abrasion, ultra-violet light, oxidation, and chlorine. Moreover, it is easily dyed, has better stretch recovery, is lighter in weight, and can be made into finer threads than extruded rubber thread. Spandex usually does not require a covering unless it is to be used in the manufacture of garments, where skin contact could cause irritation or skin reaction.

³⁴ ***. Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. II-8.

subject imports and nonsubject imports. This is due to the similarities between subject and nonsubject imports that are not present for domestic product, specifically the specialization of the domestic industry in certain product segments (relative to product segments focused on by importers) and the degree of availability.

Factors Affecting Purchasing Decisions

Producers, importers, and purchasers were asked a variety of questions regarding factors that influence their sales or purchases of extruded rubber thread. Information obtained from these firms indicates that the quality and technical performance of the product, price, and availability are considered the most important factors affecting purchasing decisions.

Purchasers were asked to report the top three factors affecting their purchasing decisions. In the present review, purchasers reported quality as their most important factor, price as the second most important factor, and availability as the third most important factor. Results from both the present review and from the 1998 Malaysian CVD investigation are presented in table II-2.

Table II-2
Purchaser factor importance rankings

Order of importance	Factors			
	Quality	Price	Availability/ delivery	Other ¹
	Share of responding purchasers (<i>percent</i>)			
Current review:				
First	59	24	6	12
Second	24	24	47	6
Third	12	47	18	24
1998 Malaysian CVD investigation:				
First	56	18	12	15
Second	32	29	21	18
Third	3	26	26	44
¹ Includes non-responses.				
Source: Compiled from data submitted in response to Commission questionnaires and confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. II-11.				

Generally, supplier certification was not cited as a standard requirement. However, 25 percent of the purchasers (33 percent in the 1998 Malaysian CVD investigation)³⁵ indicated that they require suppliers to become either certified or pre-qualified with respect to the quality, strength, chemistry, and other performance characteristics associated with extruded rubber thread. For example, *** noted the

³⁵ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. II-11.

FDA food-grade requirements must be met by their extruded rubber thread suppliers. *** reported that the extruded rubber thread it purchases must be certified as heat resistant.

Purchasers reported several characteristics of extruded rubber thread considered to be important in judging the quality of the product. Chief among these is the runnability of the thread - the breakage rate of the thread in production usage. Product consistency was also mentioned by several purchasers as a key consideration. Other characteristics reported to be considered include strength, elasticity, yield, color, finish, feel, and compatibility with other materials used in end-use products. Several purchasers also indicated that they consider factors such as packaging and delivery to be integral features of product quality. Responses from the 1998 Malaysian CVD investigation discussed consideration of safety, historical performance (including product results on elongation, modulus, brightness, and dye compatibility assessments), product and service reliability, and machineability.³⁶

Purchasers were asked to rate several factors - in terms of their importance - in their decision to purchase extruded rubber thread. Possible ratings were "very important," "somewhat important," and "not important." Factors most frequently reported by purchasers as being very important were availability, product consistency, delivery time, reliability of supply, quality, and lowest price. Other factors often considered were discount offers, minimum quantity requirements, product range, technical support, U.S. transportation costs, transportation network, and packaging.

Comparisons of Domestic Products and Subject Imports

*** stated that U.S.-produced and imported extruded rubber thread from Malaysia are used interchangeably (i.e., can be physically used in the same applications). This response was echoed by most of the purchasers of extruded rubber thread. With respect to food-grade extruded rubber thread, however, purchasers made it clear that U.S.-produced extruded rubber thread could not be used in place of Malaysian extruded rubber thread.

Although the U.S. and Malaysian products are in many respects comparable, a number of firms indicated that specific product characteristics and conditions of sale may serve to limit the ability of purchasers to substitute between the two. Factors affecting the degree of substitutability include product performance, testing requirements, availability, and price. *** reported in its 1998 Malaysian CVD questionnaire response that the "quality, consistency, availability (just-in-time), and technical service support of U.S. produced extruded rubber thread are superior to those of imports."³⁷ The firm also noted that the quality of *** was good, but had "begun to falter." In its questionnaire response in the current review, it noted that U.S.-produced extruded rubber thread has an advantage over Malaysian extruded rubber thread in terms of "availability, just-in-time, technical service, special 'consignment inventory' arrangements, and minimum order sizes." In its questionnaire response in the current review, *** notes that Malaysian extruded rubber thread tends to be unavailable in small quantities and requires longer lead times from purchase to delivery. ***. *** stated in their 1998 Malaysian CVD investigation questionnaire responses that overall there are some differences in characteristics between U.S. and Malaysian extruded rubber thread.³⁸ They reported that the differences are greatest in fine gauges, where the U.S. product is superior. They also reported that U.S. fine-gauge customers also purchase other gauges from the U.S. supplier of fine-gauge extruded rubber thread to take advantage of volume

³⁶ *Ibid.*, pp. II-11-II-12.

³⁷ *Ibid.*, p. II-13.

³⁸ *Ibid.*

discounts. *** and North American have both suggested that Malaysian producers have started to become more competitive recently in fine gauges.³⁹ (***)

Some perceptions as to supplier limitations were also discussed in purchaser questionnaire responses. *** reported that *** is only available from North American, and that *** product is supplied only by Heveafil. It also related a series of incidents in *** wherein it transferred much of its business with *** to other vendors because of delivery problems and mistakes on product specifications and quantities. *** also reported dropping *** because of quality and delivery concerns. *** and *** both dropped *** as a supplier because of inferior product quality. *** suggested that the heat-resistant product it buys can only be obtained from Globe, and *** noted that odd end counts are only available from U.S. suppliers.

Most of the responding purchasers indicated that they seldom change extruded rubber thread suppliers. Just over 20 percent of purchasers reported in the 1998 Malaysian CVD investigation that they were aware of new market suppliers since 1992. In the current questionnaire, 19 percent of purchasers reported that they are aware of new suppliers that have entered the market in the last 3 years. In each case in the current review, the new firm was identified as ***, a supplier of Indonesian product. The majority of the firms responding to the current questionnaire stated that they contact at least two suppliers before making a purchase. This is not universal, though, as 25 percent said that they contact a single supplier before purchasing, and nearly 20 percent said that they contact only one supplier in some of their purchases. In the responses to the 1998 Malaysian CVD questionnaire, up to about half of the purchasers reported contacting only a single supplier before purchasing. In that questionnaire, the larger firms tended to report contacting, and buying from, multiple supply sources.⁴⁰ In contrast, there is no apparent correlation between purchaser size and the tendency to contact multiple suppliers in the current questionnaire responses.

In this review and in the 1998 Malaysian CVD investigation, most responding purchasers indicated that the country of origin of extruded rubber thread was not a matter of concern or awareness for their customers. Likewise, few purchasers reported using "Buy American" policies in their sourcing of extruded rubber thread, a characteristic that has apparently changed little since the imposition of the order in 1992. Reasons reported for why the customers of the extruded rubber thread purchasers might prefer products made with U.S. extruded rubber thread include satisfying certain product property requirements such as heat resistance and satisfying certificate-of-origin requirements.

Purchasers were asked to compare U.S., subject, and nonsubject extruded rubber thread in terms of 14 features in questionnaires from both the current review and the 1998 Malaysian CVD investigation. Purchasers responding to this question indicated (in both questionnaires) that U.S.-produced extruded rubber thread was superior in terms of product availability, delivery time, quantity requirements, product range, supply reliability, transportation network, and technical service and support.⁴¹ Malaysian product was reported to be superior to U.S. product in terms of price. For the other factors, the country judged superior differed in the two questionnaires. In the 1998 Malaysian CVD questionnaire responses, purchasers preferred Malaysian discounts and U.S. transportation costs, but the U.S. producers were given the advantage in these areas in the current responses. In contrast, Malaysian delivery terms,

³⁹ Staff conversation with ***, and North American's posthearing brief, p. 6.

⁴⁰ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, pp. II-13-II-14.

⁴¹ Superiority as reported here means that a larger percentage of purchasers who reported a preference between U.S. and Malaysian extruded rubber thread in the given characteristic preferred the U.S. product. For some of the characteristics, a large percentage may have indicated that the two product sources are comparable. This is the case, for example, with respect to product range and supply reliability.

product consistency, and product quality were generally judged as inferior in the 1998 Malaysian CVD responses, but superior in the current review. These responses are summarized in table II-3.⁴²

Table II-3
Purchaser assessments of importance of various product features and comparisons of product features by country of origin

(Share of responding purchasers, *percent*)

Product feature	Importance ¹		Comparison between product sources ²					
	Very	Some- what	U.S. superior to			U.S. inferior to		
			Malaysia ³		Indo- nesia	Malaysia ³		Indo- nesia
			2000	1998		2000	1998	
Availability	94	6	25	50	0	8	13	25
Delivery terms	56	44	18	25	25	27	13	0
Delivery time	81	13	64	58	25	19	4	25
Discounts offered	44	44	30	19	50	0	24	0
Lowest price	44	50	0	0	0	73	70	50
Min. qty. requirements	31	56	45	38	25	0	17	0
Packaging	56	31	9	13	0	0	4	0
Product consistency	94	6	9	27	0	18	18	50
Product quality	94	6	0	32	0	27	18	50
Product range	56	38	27	39	0	0	13	25
Reliability of supply	94	6	18	36	0	9	5	25
Technical support/service	56	44	36	55	25	0	5	25
Transportation network	25	56	40	29	50	0	5	25
U.S. transportation costs	25	50	27	5	25	9	23	0

¹ Respondents that judged a given factor as neither very nor somewhat important judged it as "not important."

² Respondents that judged U.S. product as neither superior nor inferior judged it as "comparable" to product from the alternative country.

³ Percentages compiled from the questionnaires in the current review are given in the first column. The percentages associated with the 1998 Malaysian CVD questionnaire are given in the subsequent column.

Source: Compiled from data submitted in response to Commission questionnaires and confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, table II-5.

⁴² For the comparison between U.S. and Malaysian product, percentages are reported from both questionnaires. The responses from the 1998 Malaysian CVD questionnaire are shown in the "1998" columns and the responses from the current review are shown in the "2000" columns.

In this table, comparisons of U.S. and Indonesian product (provided in the current review questionnaires) are also reported, along with purchasers' assessments of the importance of each feature. A relatively small number of purchasers compared U.S. extruded rubber thread to Indonesian extruded rubber thread, but the responses are roughly consistent with the notion that Indonesian product is similar to Malaysian product in many respects. Responses on the importance of the features were discussed earlier.

Comparisons of Domestic Products and Subject Imports with Nonsubject Imports

As shown in table IV-1, total U.S. imports from nonsubject countries accounted for approximately 74 percent of total U.S. imports in 1998 and 50 percent in 1999. This compares with 57 percent in 1997. U.S. producers, importers, and purchasers were asked to assess the interchangeability of U.S.-produced and subject country-produced extruded rubber thread with that produced in nonsubject countries. All importers and producers responded that the products are interchangeable. *** qualified its response in its questionnaire in the 1998 Malaysian CVD investigation by noting that the same product - silicone or talc - can be used interchangeably, although extruded rubber thread manufactured in Thailand is known for poor quality.⁴³ Also in the 1998 Malaysian CVD investigation, *** asserted that ***'s Indonesian rubber is superior in some gauges. *** noted in their questionnaire responses in the current review that nonsubject extruded rubber thread faces some of the same disadvantages relative to U.S. extruded rubber thread as does Malaysian extruded rubber thread. That is, the U.S. producers are better able to provide quick delivery, small quantities, and technical services.⁴⁴ The purchasers' comparisons of U.S. and Indonesian product are summarized in table II-3.

ELASTICITY AND GROWTH ESTIMATES

This section discusses the elasticity estimates that are used in the COMPAS analysis that is presented in broad terms in the final section of this part of the report and in more detail in appendix E. The elasticity estimates are based on the information currently available on the extruded rubber thread market. The estimates were also presented in the prehearing staff report for party comment, and some slight modifications were made based on the information obtained since that time.

Supply Elasticities⁴⁵

The domestic supply elasticity for extruded rubber thread measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of extruded rubber thread. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced extruded rubber thread. The supply elasticity of foreign producers is determined by similar factors. Analysis of these factors earlier

⁴³ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. II-14.

⁴⁴ The latter characteristic was only noted by ***.

⁴⁵ A supply function is not defined in the case of a non-competitive market. The COMPAS model assumes that enough competition exists within each producer group (domestic, subject, and nonsubject) to insure that no producers exercise any appreciable market power in their pricing behavior. This assumption becomes more difficult to justify with the exit of Globe, and North American's resulting status as the lone domestic firm. However, the assumption is maintained in this analysis as a first approximation, as it appears that North American's pricing behavior may still face roughly the same constraints as previously due to continued competition from imported product.

indicates that the U.S. industry is likely to be able to increase or decrease shipments to the U.S. market fairly rapidly in response to changes in demand for its product. An estimate in the range of 3 to 5 is used in the COMPAS analysis, the same estimate suggested in the prehearing report. Foreign sources are judged to be able to alter sales quantity even more significantly in response to price changes. The COMPAS analysis uses a supply elasticity of 4 to 6 for all foreign sources.

U.S. Demand Elasticity

The U.S. demand elasticity for extruded rubber thread measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of extruded rubber thread. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of the extruded rubber thread in the production of any downstream products. In the prehearing report, a range of -1.5 to -3 was suggested. Based on the additional information made available subsequently, the aggregate demand for extruded rubber thread is likely to be somewhat less elastic. In the COMPAS estimates, a range of -1 to -1.8 is used. The high end of this range is slightly truncated because of the need to use values smaller (absolutely) than those selected for the elasticities of substitution. This range is slightly higher than that used in the 1998 Malaysian CVD report, reflecting evidence suggesting that purchasing may shift between NAFTA countries in response to changes in relative prices.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.⁴⁶ Product differentiation, in turn, depends upon such factors as quality (*e.g.*, chemistry, appearance, etc.) and conditions of sale (availability, sales terms/discounts/promotions, etc.). Values for the elasticity of substitution between U.S.-produced extruded rubber thread and imported extruded rubber thread of 2 to 4, and between subject and nonsubject imports of 5 to 8 were suggested in the prehearing report. The sunset COMPAS model does not permit the use of different substitution elasticities between different pairs of producers or producing countries. Thus, a range of elasticities, 2.2 to 5, has been used that overlaps the two ranges given above. However, since the main event of interest is the removal of the orders against Malaysia and its effect on the U.S. extruded rubber thread industry, the range used is skewed towards the range given above for the elasticity between domestically produced and imported product. The elasticity values used will overestimate the effect on the domestic industry at the high end of the elasticity range and will underestimate the effect on the non-Malaysian foreign suppliers at the low end of the range.

Demand and Supply Growth

The COMPAS analysis discussed below does not address the issue of possible supply growth with one major exception, the shrinkage of Globe's operations because it has been acquired by North American. This issue is discussed at more length below in the section on data assumptions and interpretations. The analysis does not deal with ***, although such activity might increase the degree of competition in the U.S. market for extruded rubber thread.

⁴⁶ The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

Three demand growth scenarios are examined; a scenario with no growth, a scenario with a 2 percent increase in the market size, and a scenario with a 5 percent decrease in the size of the extruded rubber thread market. Neither “non-zero” growth scenario is necessarily supported by a great deal of evidence and each might be considered to be a limiting case. While demand appears to have fallen in 1999, this has been termed a cyclical phenomenon.⁴⁷ The trend of structural demand for extruded rubber thread appears to be largely a function of domestic apparel production, and as such is unusually dependent on the future trade policy between the United States and other apparel-producing economies. While these policy trends are far from certain, many participants and observers sense that the U.S. domestic apparel industry is in a general decline vis-a-vis foreign apparel producers.

DATA ISSUES AND INTERPRETATIONS

Recent events in the market for extruded rubber thread have served to complicate the calibration and interpretation of the COMPAS model. Typically the last calendar year of data or the last 12 months of data are used to provide a benchmark against which the effect of the removal of the antidumping duty order can be measured. However, an investigation into dumping from Indonesia occurred during part of the former of these periods, and an antidumping duty order was imposed. At the end of the second of these periods, Globe exited the market for extruded rubber thread. The quantitative impacts of these two events are not obvious yet, but clearly are potentially large enough to alter to some extent the results of the COMPAS analysis. For this reason, the COMPAS analysis was performed for five different scenarios. The scenarios differ according to various assumptions about the data underlying the COMPAS projections and the interpretation of Globe’s exit on the structure of the domestic industry. The five cases are briefly described in table II-4. These are not the only plausible cases, nor is it necessarily true that the most plausible case is one of these, but consideration of the five cases provides a general cross-section of the effect the different assumptions and interpretations have on the results of the analysis. More information on the strengths and weaknesses of each case is presented in appendix E.

Table II-4

Data assumptions underlying the five cases considered in the COMPAS analysis

Case	Data assumptions
I	1999 data - Full domestic participation.
II	May 1998-April 1999 data ¹ - Full domestic participation - Effects of Indonesian order simulated.
III	April 1999-March 2000 data - Full domestic participation.
IV	1999 data - 50 percent reduction of Globe operations simulated.
V	1999 data - 100 percent reduction of Globe operations simulated.
¹ Domestic data imputed.	

COMPAS RESULTS

The range of predicted effects on the U.S. extruded rubber thread industry of the removal of the antidumping duty order against extruded rubber thread from Malaysia is presented in table II-5. Depending upon the case considered (cases I-V, table II-4) and upon values used for elasticity and growth rate parameters, the change in revenue varies quite

⁴⁷ Peter Koenig, Ablondi, Foster, hearing transcript, p. 11.

widely, from *** to a decrease of more than *** percent. In the cases in which the effects of the order revocation are *** (the majority of cases), the revenue effects are primarily due to ***, with smaller effects on the *** by the domestic industry. Sales quantities fall by as much as *** percent, while prices fall by more than *** percent in some cases. Appendix E presents the COMPAS results in substantially more detail and contains discussion of some of the more important issues related to the COMPAS analysis. In that appendix it is shown that the range of estimates of the effect on the U.S. extruded rubber thread industry of order revocation is generally wider within each of the five cases considered than across the cases. The combination of other factors, in particular the elasticity of substitution, produces greater variability than does the use of the five different assumptions about the benchmark data.

Table II-5
Predicted effects of revocation of antidumping duty order on the domestic industry

* * * * *

PART III: U.S. PRODUCERS' OPERATIONS

Information in this section is based on the questionnaire responses of two firms (North American and Globe). On March 17, 2000, Globe announced its exit from the extruded rubber thread business. Today, North American is the sole remaining extruded rubber thread producer in the United States.

U.S. PRODUCERS' CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

As shown in table III-1, from 1998 to 1999, there was *** in average production capacity. Production, however, increased by *** percent, resulting in an increase in capacity utilization of *** percentage points. However, from January-March 1999 to January-March 2000, capacity utilization dropped by *** percentage points.

Table III-1

Extruded rubber thread: U.S. producers' capacity, production, and capacity utilization, 1998-99, January-March 1999, and January-March 2000

* * * * *

U.S. PRODUCERS' DOMESTIC SHIPMENTS AND EXPORT SHIPMENTS

As shown in table III-2, U.S. producers' U.S. shipments increased by *** percent in quantity, but declined by *** percent in value from 1998 to 1999, while the average unit value declined by *** percent. In the first quarter of 2000, U.S. shipments increased by *** percent in terms of quantity and by *** percent in value over such shipments in the same period in 1999, while the average unit value fell by *** percent.¹

Table III-2

Extruded rubber thread: U.S. producers' shipments, by type, 1998-99, January-March 1999, and January-March 2000

* * * * *

U.S. producers' exports increased by *** percent in terms of quantity from 1998 to 1999, amounting to *** pounds (valued at ***). However, in the first quarter of 2000, such exports fell by *** percent in quantity and by *** percent in value compared with the year-earlier period.

North American reportedly plans to continue its export of special thread products and Globe's fine-gauge and heat-resistant GM-800 product. The company officials believe there is potential for North American's proprietary ***.²

U.S. PRODUCERS' INVENTORIES

U.S. producers' inventories increased by *** percent between 1998 and 1999, as shown in table III-3, while the ratio of inventories to total shipments increased from *** percent to *** percent. Producers' inventories, however, were *** percent lower in the first quarter of 2000 than in first quarter 1999 and the ratio of inventories to annualized total shipments was *** percentage points lower.

¹ In responding to the Commission's producers' questionnaire, North American reported ***.

² North American's posthearing brief, p. 5.

Table III-3

Extruded rubber thread: U.S. producers' end-of-period inventories, 1998-99, January-March 1999, and January-March 2000

* * * * *

U.S. PRODUCERS' EMPLOYMENT, WAGES, AND PRODUCTIVITY

From 1998 to 1999, the average number of production and related workers grew by *** percent, and hours worked increased by *** percent, as shown in table III-4.

Table III-4

Average number of production and related workers producing extruded rubber thread, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1998-99, January-March 1999, and January-March 2000

* * * * *

North American reported that ***.³

FINANCIAL CONDITION OF THE U.S. INDUSTRY

Background

Globe and North American, the only U.S. producers of extruded rubber thread since late 1990, provided financial data on their extruded rubber thread operations. However, Globe did not provide complete financial data.⁴ ***.

On March 17, 2000, Globe announced its exit from the extruded rubber thread business and in its posthearing brief,⁵ North American states that it is finalizing the purchase of Globe's plant and equipment for extruded rubber thread. North American reports that it has borrowed *** on a new working capital line of credit since January 1, 2000, to ***. The firm anticipates that another *** will be borrowed for part of the asset financing, and Globe will *** to complete the purchase. In addition, North American anticipates that there will be about *** in moving expenses to ***.

Operations on Extruded Rubber Thread

The results of the U.S. producers' extruded rubber thread operations are presented in table III-5. The results of the producers' extruded rubber thread operations deteriorated from 1998 to 1999 and from interim 1999 to interim 2000. Even though net sales volume increased *** from 1998 to 1999, net sales values and unit sales values decreased, resulting in an operating income that declined by *** from *** in 1998 to *** in 1999. While cost of goods sold (COGS) per pound declined by *** from 1998 to 1999, selling, general, and administrative (SG&A) expenses increased by *** per pound. Therefore, total unit costs (both COGS and SG&A expenses) increased to *** in 1999 from *** in 1998. Due to the combined

³ Response by North American to the producer's questionnaire.

⁴ Globe shut down its business in March 2000 and ***. Globe's financial data for interim 1999 were not utilized since it did not submit comparable financial data for interim 2000.

⁵ North American's posthearing brief, p. 6.

Table III-5

Results of operations of U.S. producers in the production of extruded rubber thread, fiscal years 1998-99, January-March 1999, and January-March 2000

effect of declined unit sales values (** per pound) and increased unit costs (** per pound), operating income in 1999 fell ** by ** per pound. Both net sales volumes and values declined from interim 1999 to interim 2000, while unit sales values increased by ** per pound for the same period. However, due to the increased COGS and SG&A expenses per pound, operating income decreased by ** per pound, from ** per pound in interim 1999 to ** per pound in interim 2000.

Table III-6 presents selected financial data on a company-by-company basis. Globe's net sales values were **.

Table III-6

Selected financial data of U.S. producers on their operations producing extruded rubber thread, on a company-by-company basis, fiscal years 1998-99, January-March 1999, and January-March 2000

* * * * *

**, as shown in table III-7. Unit raw material costs for both producers were lower in 1999 than in 1998 as their latex costs fell (latex is by far the largest material input). Direct labor unit costs ** between 1998 and 1999. Factory overhead unit costs **.

Table III-7

Selected unit cost data for U.S. producers on their operations producing extruded rubber thread, on a company-by-company basis, fiscal years 1998-99, January-March 1999, and January-March 2000

* * * * *

A variance analysis, showing the effects of prices and volume on producers' net sales of extruded rubber thread, and the effects of costs and volume on their total expenses, is shown in table III-8. The effects are summarized at the bottom of the table. For example, the ** decrease in operating income from 1998 to 1999 was principally because of the negative effect of lower unit selling prices (negative **), while the ** decrease in operating profits in interim 2000 compared with interim 1999 was mainly due to increased total costs and expenses. The effect of the changes in sales volume was less significant.

Table III-8

Variance analysis for U.S. producers on their extruded rubber thread operations between fiscal years 1998-99 and between January-March 1999 and January-March 2000

* * * * *

Capital Expenditures, R&D Expenses, and Investment in Productive Facilities

Globe's and North American's capital expenditures and research and development (R&D) expenditures, together with the value of their fixed assets, are shown in table III-9. Globe did not provide original cost and book value of fixed assets. **.

Table III-9

Capital expenditures, R&D expenses, and assets utilized by U.S. producers in their operations producing extruded rubber thread, fiscal years 1998-99, January-March 1999, and January-March 2000

* * * * *

U.S. Producers' Assessment of the Significance of the Existing Antidumping Duty Order and the Likely Impact of Revocation

The Commission requested U.S. producers to describe the significance of the existing antidumping order on extruded rubber thread from Malaysia on their firms' revenues, costs, profits, cash flow, capital duty expenditures, research and development expenditures, and asset values. Their responses are presented in appendix D.

PART IV: U.S. IMPORTS AND THE FOREIGN INDUSTRY

U.S. IMPORTS

Import data were compiled from official statistics of the U.S. Department of Commerce. Table IV-1 shows that from 1998 to 1999, the total quantity of imports fell 10.7 percent, and the total value of imports decreased 10.3 percent. From January-March 1999 to January-March 2000, the total quantity decreased 9.6 percent, and the value fell by 10.6 percent. From 1998 to 1999, imports from Malaysia, the major source of U.S. imports of extruded rubber thread during the period, increased by 70.1 percent in quantity and by 52.7 percent in value, and made up half of the total quantity of imports in 1999. In the first quarter of 2000, imports from Malaysia climbed by 65.1 percent in terms of quantity and by 62.6 percent in terms of value over the year-earlier period.

The Commission received questionnaire responses from three¹ importers of Malaysian extruded rubber thread representing nearly *** percent of the total quantity of imports of extruded rubber thread from Malaysia in 1999. Table IV-2 shows that from 1998 to 1999, imports from Malaysia by the three reporting importers increased by *** pounds, or by *** percent. In the first quarter of 2000, imports increased by *** percent over the year-earlier period. In terms of value, such imports increased by *** percent from 1998 to 1999, and were *** percent higher in the first quarter of 2000 than in the same period of 1999.

U.S. IMPORTERS' INVENTORIES

Importers' inventories of imports from Malaysia increased by *** percent from 1998 to 1999, as shown in table IV-3. In the first quarter of 2000, such inventories were *** percent higher than in the first quarter of 1999. The ratio of inventories to imports from Malaysia was *** percent in 1999 and *** percent in January-March 2000.

¹ Reporting importers are Heveafil USA, FLE USA, and ***. On April 18, 2000, counsel for Heveafil USA and FLE USA (two importers of extruded rubber thread that, along with their Malaysian parent firms, responded to the Commission's notice of institution) submitted a letter informing staff that these firms would not be completing the Commission's questionnaires. According to these firms' response to the Commission's notice of institution, they accounted for about *** percent of imports from Malaysia in recent years. However, on May 31, 2000, the Commission received partial questionnaire data from Heveafil USA and FLE USA which were no longer represented by counsel.

Table IV-1				
Extruded rubber thread: U.S. imports, by sources, 1998-99, January-March 1999, and January-March 2000				
Item	1998	1999	January-March	
			1999	2000
Quantity (1,000 pounds)				
Malaysia	5,462	9,292	1,566	2,586
Other sources	15,382	9,329	2,802	1,362
Total	20,844	18,621	4,368	3,948
Value (\$1,000)				
Malaysia	6,466	9,874	1,762	2,864
Other sources	18,903	12,880	3,885	2,186
Total	25,369	22,754	5,647	5,050
Unit value (per pound)				
Malaysia	\$1.18	\$1.06	\$1.12	\$1.11
Other sources	1.23	1.38	1.39	1.60
Average	1.22	1.22	1.29	1.28
Share of quantity (percent)				
Malaysia	26.2	49.9	35.9	65.5
Other sources	73.8	50.1	64.1	34.5
Total	100.0	100.0	100.0	100.0
Share of value (percent)				
Malaysia	25.5	43.4	31.2	56.7
Other sources	74.5	56.6	68.8	43.3
Total	100.0	100.0	100.0	100.0
Source: Compiled from official statistics of the U.S. Department of Commerce.				

Table IV-2
Extruded rubber thread: U.S. imports of reporting importers, by sources, 1998-99, January-March 1999, and January-March 2000

* * * * *

Table IV-3
Extruded rubber thread: U.S. importers' end-of period inventories of imports from Malaysia, 1998-99, January-March 1999, and January-March 2000

* * * * *

THE FOREIGN INDUSTRY

There are currently four known manufacturers of extruded rubber thread in Malaysia: (1) Heveafil Sdn. Bhd., (2) Filmax Sdn. Bhd., (3) Filati Lastex Elastofibre Sdn. Bhd., and (4) Rubberflex Sdn. Bhd.

On April 18, 2000, counsel for Heveafil/Filmax and Filati, which together account for about *** percent² of foreign production, advised that those companies would not be completing the Commission's questionnaire.

Only Rubberflex responded to the Commission's foreign producers'/exporters' questionnaire. Rubberflex supplies approximately *** percent of Malaysia's consumption of extruded rubber thread per year.³ Rubberflex reported that from 1991 to 1998 its sales to the United States fell by *** pounds per year, while sales to *** rose by *** pounds. Moreover, it reported that from the *** pounds sold to the United States in 1991, such sales dropped to *** pounds in 1998. Rubberflex reported that during 1998 it ***. Rubberflex reported that subsequently it has ***.

Historically, Italy was the major producer of extruded rubber thread; a large portion of the technology and machinery was developed by Italian firms.⁴ In the late 1980s and early 1990s, Italian producers gradually abandoned their manufacturing facilities in Italy and shifted production to plants located in Malaysia, closer to the required raw material (rubber latex). At least partially as a result of this shift, rubber thread production in Malaysia increased tremendously over the past 25 years. The first plant began operating in Malaysia during the 1970s and, as of 1990 (just before the filing of the original antidumping investigation), there were six Malaysian firms which reportedly supplied about 84 percent of the world demand for rubber thread.⁵

Capacity, Production, Capacity Utilization, Domestic Shipments, Export Shipments, and Inventories in Malaysia⁶

Table IV-3 below shows that from 1998 to 1999, Rubberflex's capacity increased by *** percent, and capacity utilization dropped by *** percentage points. During the first quarter of 2000, capacity was *** percent lower and capacity utilization *** percentage points lower than in the first quarter of 1999.

End-of-period inventories declined by *** percent from 1998 to 1999, while the ratios of inventories to production and shipments also decreased during the period. First quarter 2000 end-of-period inventories were *** percent lower than in first quarter 1999, while the ratio of inventories to production was *** lower, and the ratio of inventories to shipments was *** higher.

Table IV-4

Extruded rubber thread: Data for Rubberflex Sdn. Bhd., 1998-99, January-March 1999, and January-March 2000

* * * * *

² The estimated share of foreign production accounted for by these two firms is from these firms' responses to the Commission's notice of institution.

³ Response of Rubberflex to the foreign producer's/exporter's questionnaire.

⁴ *Extruded Rubber Thread from Malaysia*, USITC Pub. 2559 (September 1992), p. I-13.

⁵ Manufacturers at the time of the original investigation consisted of Filati, Heveafil/Filmax, Hume Industries, Rubfil, Rubberflex, and Rubber Thread Industries. *Ibid.*

⁶ Data are for Rubberflex only.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Domestic producers reported in 1998¹ that rubber latex (the primary material input for extruded rubber thread) accounts for between *** and *** percent of the total cost of producing extruded rubber thread.² The staff report from the 1998 Malaysian CVD investigation shows that the price of rubber latex increased from about \$*** per pound in the latter part of 1994 to between \$*** and \$*** per pound for domestic and foreign producers by the third quarter of 1996.³ After a *** decline, rubber latex prices fell to under \$*** per pound for all producers (and under \$*** per pound for two foreign producers) early in 1997. Between 1992 and 1997, the rubber latex prices reported by the foreign producers were *** than those reported by the U.S. producers.

Purchase prices for rubber latex for the current period of review are ***.⁴ While *** reported any significant rubber latex price effects during the current period of review, *** reported a *** drop in the price of rubber latex ***. ***. The reduction in rubber latex prices seems to be roughly mirrored in ***, which fell from \$*** in 1997⁵ to \$*** in 1999.

Transportation Costs to the U.S. Market

Transportation costs for extruded rubber thread from Malaysia to the U.S. market were estimated to account for approximately 7 percent of the cost of extruded rubber thread (excluding U.S. inland freight charges) in 1997, 7 percent in 1998, and 9 percent in 1999. These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value for imports classified under subheading 4007.00.00 of the HTS. Prior to 1997, these transportation costs also fluctuated between 7 and 9 percent. In comparison, transportation costs for the same product for Indonesia are about 2 percent lower than from Malaysia, and such costs are slightly higher for Thailand.

U.S. Inland Transportation Costs

Producers reported that their average U.S. inland transportation costs ranged between *** and *** percent of total delivered costs, both in current questionnaires and in the 1998 Malaysian CVD investigation.⁶ Importers reported a larger range in the 1998 Malaysian CVD investigation, varying from between *** and *** percent of total delivered costs.⁷ In response to the current questionnaire, *** reported inland transportation costs accounting for *** percent of the total delivered cost of its product.

¹ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. V-1.

² ***.

³ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, figure V-1.

⁴ ***.

⁵ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, table VI-3.

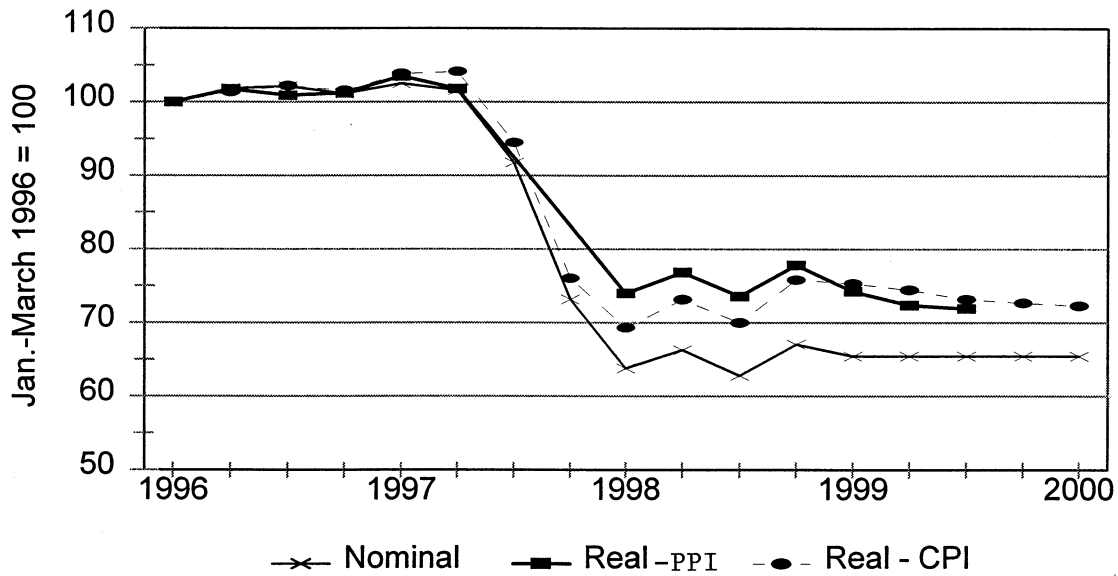
⁶ *Ibid.*, p. V-2.

⁷ *Ibid.*

Exchange Rates

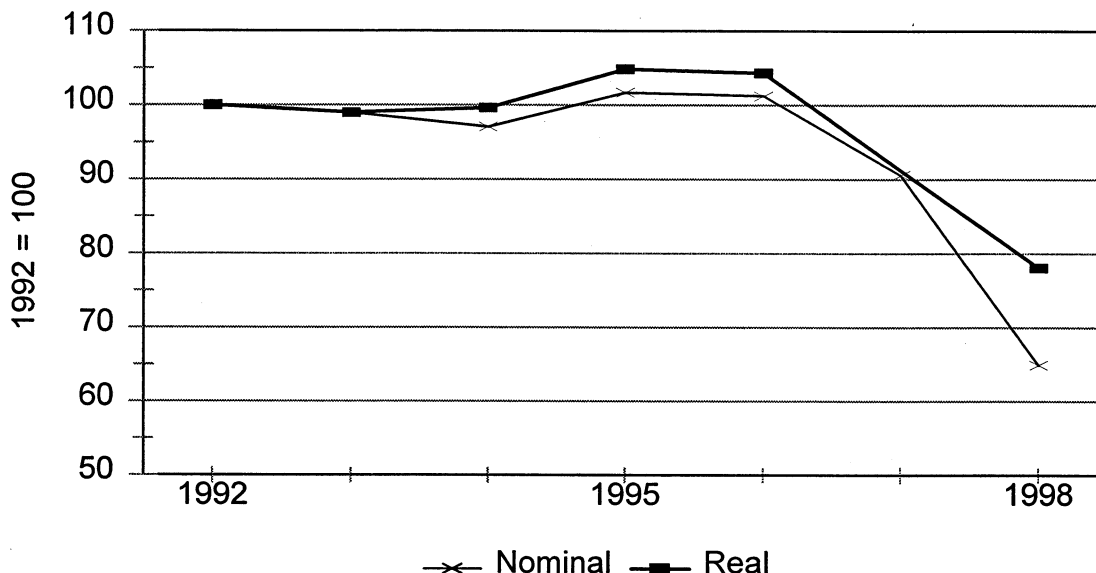
Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Malaysian ringgit appreciated slightly relative to the U.S. dollar from 1996 to mid-1997. At the onset of the Asian financial crisis, the ringgit dropped sharply in value during the following three quarters. It stabilized at about 65 percent of its 1996 value in 1998 and has only varied slightly since. The real value of the ringgit followed a similar path vis-a-vis the U.S. dollar in that time period, but only fell by a total of about 25 percent. These relative values are presented in figure V-1. Data on the Malaysian purchasing price index was unavailable for the last two quarters of 1997 (during the peak of the Asian financial crisis) and the final two quarters of the period of review, so calculations were made with the Malaysian consumer price index as well. Consumer prices rose more than producer prices during the financial crisis, so the real value of the ringgit calculated using the consumer price index is somewhat lower in 1998 than its value calculated with the producer price index. Yearly exchange rates, both nominal and real, are shown in figure V-2 for the 1992-98 period (data for 1999 is unavailable). In this figure it is seen that real and nominal ringgit-dollar exchange rate changed only marginally between 1992 and 1996.

Figure V-1
Exchange rates: Indices of the nominal and real exchange rates between the Malaysian ringgit and the U.S. dollar, by quarters, January 1996-March 2000



Source: International Monetary Fund, *International Financial Statistics*, June 2000.

Figure V-2
Exchange rates: Indices of the nominal and real exchange rates between the Malaysian ringgit and the U.S. dollar, by years, 1992-98



Source: International Monetary Fund, *International Financial Statistics*, February 2000.

PRICING PRACTICES

As noted earlier, the cost of producing extruded rubber thread varies with the cost of the latex and other material inputs (e.g., various chemical additives). Moreover, extruded rubber thread production costs vary depending on the gauge being produced and production volumes.⁸

In the 1998 Malaysian CVD investigation, ***.⁹ ***. In the current questionnaire, the same answers were generally reported, but ***. ***.

U.S. producers and importers reported that prices typically are determined on a case-by-case basis for their customers, often including a negotiation process. Factors that may affect pricing are transportation costs, delivery terms, and purchase quantities. In large part, however, prices are determined by the cost of production. A number of purchasers indicated that price negotiations were a typical part of the purchasing process. A minority indicated that no negotiation occurs. The majority of purchasers report buying extruded rubber thread weekly. Of the remainder (approximately 30-40 percent), most reported that purchasing occurs monthly, with a few longer intervals reported, as well.

Pricing is typically quoted on a delivered basis. ***. Minimum purchase quantities may be more relevant for imports from Malaysia than for U.S.-produced extruded rubber thread. ***.

⁸ For example, more scrap is generated in the production of finer gauge products and fewer pounds are produced per hour. Staff conversation with ***, March 27, 1998, in the 1998 Malaysian CVD investigation.

⁹ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. V-4.

PRICE DATA

In the questionnaire related to the current review, the Commission requested U.S. producers of extruded rubber thread and importers of extruded rubber thread from Malaysia to provide quarterly data for the total quantity and value (f.o.b. U.S. point of shipment) of three separate categories of extruded rubber thread that were shipped to unrelated customers in the U.S. market. Data were requested for the period January 1998 to March 2000. Summary data are also available from the 1998 Malaysian CVD investigation for prices of two broader product categories (which include the first two categories for which data were obtained in the current review) for the period January 1992 to December 1997.¹⁰ The 1992-97 pricing data is presented in appendix F. The products for which pricing data were requested in the current review are as follows:

Product 1--Standard launderable talced extruded rubber thread with a yield of around 650-1,150 yards per pound (in the gauge range of 24-34), excluding heat-resistant and food-grade extruded rubber thread.

Product 2--Standard launderable talcless extruded rubber thread with a yield of around 650-1,150 yards per pound (in the gauge range of 24-34), excluding heat-resistant and food-grade extruded rubber thread.

Product 3--Heat-resistant extruded rubber thread with a yield of around 650-1,150 yards per pound (in the gauge range of 34-37).

Two U.S. producers and three importers (***) provided usable pricing data in the current review. ***. Pricing data reported by these firms accounted for approximately *** percent of producers' U.S. shipments of extruded rubber thread and about *** percent of imports from Malaysia in 1998 and 1999.

PRICE COMPARISONS AND TRENDS

Weighted-average unit values for sales of the three product categories are shown in tables and figures throughout this section.¹¹ According to the data obtained in the 1998 Malaysian CVD investigation (and presented in appendix F), U.S. extruded rubber thread unit values were consistently higher than those of imports from Malaysia since the imposition of the antidumping duty order. The same phenomenon is evident with data from the current review. For the first two products, Malaysian prices were generally around *** percent below those of U.S. producers. The margin was *** for product 3.

U.S. prices of product 1 declined throughout the period of review (table V-1, figure V-3). Unit values fell from *** in 1998 to *** in 1999. The data for the first quarter of 2000 show a unit value of ***. Malaysian prices also fell during the period of review, with a bit of a lag compared with U.S. prices in some cases. Like U.S. prices, however, Malaysian prices fell *** during interim 2000. Margins of

¹⁰ *Ibid.*, pp. V-5 to V-12.

¹¹ The figures shown in this section provide both the unit values reported by producers and importers, as well as the unit values reported by purchasers. (Discussion and tables for purchaser reported unit values appear later in this section). The two sources of price reports are not strictly comparable since the purchaser-reported unit values are given in delivered terms, while the supplier-reported unit values are f.o.b. As suggested above, these may differ by up to 7 or 8 percent.

Table V-1

Extruded rubber thread: Weighted-average f.o.b. selling prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, January 1998-March 2000

* * * * *

Figure V-3

Extruded rubber thread: Weighted-average prices and quantities of domestic and imported product 1

* * * * *

underselling ranged between *** percent and *** percent for most of the period. The two exceptions occurred ***.¹² For much of the period of review ***.

* * * * *

Globe reported in a conversation with staff that it considered product 1 to be ***.¹³ It also indicated that it sold roughly ***.¹⁴

For product 2, quantities from both countries were *** than for product 1 (with U.S. quantities roughly *** those of Malaysia), as shown in table V-2 . This table and figure V-4 also show that the U.S. price decreased from about \$*** per pound in 1998 to \$*** per pound in the last quarter of 1999 and \$*** per pound in the first quarter of 2000.¹⁵ ***, Malaysian margins of underselling were roughly *** percent in several of the quarters. However, the time trend of underselling was ***. The highest margins, up to *** percent, occurred in the first two quarters of 1999, with lower than average margins occurring in the second two quarters of that year.¹⁶

Table V-2

Extruded rubber thread: Weighted-average f.o.b. selling prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 1998-March 2000

* * * * *

Figure V-4

Extruded rubber thread: Weighted-average prices and quantities of domestic and imported product 2

* * * * *

¹² ***.

¹³ *** conversation with staff, May 8, 2000.

¹⁴ No attempt to compensate for this *** has been made in the data presented in this report.

¹⁵ ***.

¹⁶ The differences for ***.

As was the case for product 1, ***.¹⁷ As opposed to the case for product 1, though, ***.¹⁸ ***,¹⁹ ***.²⁰ ***.²¹ ***.

Table V-3 and figure V-5 contain *** Malaysian quantity for product 3; but ***. As was the case for products 1 and 2, prices fell somewhat between 1998 and interim 2000, both for U.S. producers and for Malaysian product. The unit values ***. Malaysian prices fell ***. Throughout the period Malaysian margins were *** than for the other two products, *** percent. The margins in the final two quarters were ***. Despite the increase in margins, there is no real evidence of a *** in this product (although *** makes perceiving trends more difficult).

Table V-3

Extruded rubber thread: Weighted-average f.o.b. selling prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, January 1998-March 2000

* * * * *

Figure V-5

Extruded rubber thread: Weighted-average prices and quantities of domestic and imported product 3

* * * * *

The Commission also asked U.S. purchasers of extruded rubber thread to report quarterly purchases and price data for the same three products between January 1998 and March 2000.²² These data are presented in tables V-4 and V-5 for products 1 and 2, respectively; no purchases of product 3 were reported by purchasers. The price data appear alongside the supplier-reported data in figures V-3 and V-4. The pricing data obtained represent *** percent of all reported purchases during the period of review.²³ In general, these data give *** higher prices for U.S. product 1 (table V-4 and figure V-3) as compared with the data obtained from the sellers, by *** per pound. The prices of Malaysian purchases, on the other hand, are *** lower than those obtained from importers. The net effect is to increase the margin of underselling to approximately *** percent using purchaser data. The quantities of U.S. purchases represented are generally much smaller than in the seller data.²⁴ The U.S. and Malaysian purchase data were obtained from a small number of firms, ***.

¹⁷ The *** might be interpreted as evidence that the products for which prices were obtained are not defined precisely enough to provide a clear picture of actual pricing competition. However, ***.

¹⁸ This in spite of ***.

¹⁹ ***.

²⁰ The quantities computed for 1994 used the less restrictive definition discussed earlier and for which pricing data are presented in app. F.

²¹ Faxed response to supplemental questions, May 2, 2000.

²² Whereas the importers and producers were asked to report f.o.b. U.S. point of shipment prices, the purchasers were asked to report delivered prices.

²³ Purchaser data indicate that purchases of U.S. extruded rubber thread accounted for 55 percent of all extruded rubber thread purchases in 1998, while purchases of Malaysian extruded rubber thread accounted for 16 percent. In 1999, purchases of U.S. product were 52 percent of total purchases, and purchases of Malaysian product were 32 percent.

²⁴ ***.

Table V-4

Extruded rubber thread: Weighted-average delivered purchase prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, January 1998-March 2000

* * * * *

Table V-5

Extruded rubber thread: Weighted-average delivered purchase prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 1998-March 2000

* * * * *

Product 2 data coverage, as shown in table V-5 and figure V-4, is somewhat better and is largely in agreement with the supplier data, both in terms of the level and trend of prices, and in terms of the underselling margins. Data for this product were obtained from ***.

Purchasers were also requested to report total purchases quantities and values in both the current review and in the 1998 Malaysian CVD investigation. Yearly unit values between 1992 and 1999 computed from these data are presented in table V-6. In each year, U.S. unit values are *** above those of imports from Malaysia. The differences range from \$*** to \$***, with the differences consistently increasing each year since 1993. ***, the differences in unit values rose *** between 1995 and 1996. These unit value disparities reflect *** differences in both the prices of comparable products (as evidenced in previous tables) and the composition of sales between the various extruded rubber thread specifications (for example, a disproportionate percentage of *** sales is made by U.S. producers).

Table V-6

Extruded rubber thread: Weighted-average purchase values, by country, 1992-99

* * * * *

APPENDIX A

***FEDERAL REGISTER* NOTICES AND EXPLANATION OF
COMMISSION DETERMINATION OF ADEQUACY**

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-527 (Review)]

Extruded Rubber Thread From Malaysia

AGENCY: United States International Trade Commission.

ACTION: Institution of a five-year review concerning the antidumping duty order on extruded rubber thread from Malaysia.

SUMMARY: The Commission hereby gives notice that it has instituted a review pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act) to determine whether revocation of the antidumping duty order on extruded rubber thread from Malaysia would be likely to lead to continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission;¹ to be assured of consideration, the deadline for responses is September 21, 1999. Comments on the adequacy of responses may be filed with the Commission by October 15, 1999.

For further information concerning the conduct of this review and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207). Recent amendments to the Rules of Practice and Procedure pertinent to five-year reviews, including the text of subpart F of part 207, are published at 63 FR 30599, June 5, 1998, and may be downloaded from the Commission's World Wide Web site at <http://www.usitc.gov/rules.htm>.

EFFECTIVE DATE: August 2, 1999.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202-205-3193), Elizabeth Haines (202-205-3200), or Vera Libeau (202-205-3176), 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

¹ No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117-0016/USITC No. 99-5-032. Public reporting burden for the request is estimated to average 7 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW, Washington, DC 20436.

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

On October 7, 1992, the Department of Commerce issued an antidumping duty order on imports of extruded rubber thread from Malaysia (57 FR 46150). The Commission is conducting a review to determine whether revocation of the order would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. It will assess the adequacy of interested party responses to this notice of institution to determine whether to conduct a full review or an expedited review. The Commission's determination in any expedited review will be based on the facts available, which may include information provided in response to this notice.

Definitions

The following definitions apply to this review:

(1) *Subject Merchandise* is the class or kind of merchandise that is within the scope of the five-year review, as defined by the Department of Commerce.

(2) The *Subject Country* in this review is Malaysia.

(3) The *Domestic Like Product* is the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the Subject Merchandise. In its original determination, the Commission defined the Domestic Like Product as extruded rubber thread. Certain Commissioners defined the Domestic Like Product differently.

(4) The *Domestic Industry* is the U.S. producers as a whole of the Domestic Like Product, or those producers whose collective output of the Domestic Like Product constitutes a major proportion of the total domestic production of the product. In its original determination, the Commission defined the Domestic Industry as producers of extruded rubber thread. Certain Commissioners defined the Domestic Industry differently.

(5) The *Order Date* is the date that the antidumping duty order under review became effective. In this review, the Order Date is October 7, 1992.

(6) An *Importer* is any person or firm engaged, either directly or through a

parent company or subsidiary, in importing the Subject Merchandise into the United States from a foreign manufacturer or through its selling agent.

Participation in the Review and Public Service List

Persons, including industrial users of the Subject Merchandise and, if the merchandise is sold at the retail level, representative consumer organizations wishing to participate in the review as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11(b)(4) of the Commission's rules, no later than 21 days after publication of this notice in the **Federal Register**. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the review.

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

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI submitted in this review available to authorized applicants under the APO issued in the review, provided that the application is made no later than 21 days after publication of this notice in the **Federal Register**. Authorized applicants must represent interested parties, as defined in 19 U.S.C. § 1677(9), who are parties to the review. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Certification

Pursuant to section 207.3 of the Commission's rules, any person submitting information to the Commission in connection with this review must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will be deemed to consent, unless otherwise specified, for the Commission, its employees, and contract personnel to use the information provided in any other reviews or investigations of the same or comparable products which the Commission conducts under Title VII of the Act, or in internal audits and investigations relating to the programs and operations of the Commission pursuant to 5 U.S.C. Appendix 3.

Written Submissions

Pursuant to section 207.61 of the Commission's rules, each interested party response to this notice must

provide the information specified below. The deadline for filing such responses is September 21, 1999. Pursuant to section 207.62(b) of the Commission's rules, eligible parties (as specified in Commission rule 207.62(b)(1)) may also file comments concerning the adequacy of responses to the notice of institution and whether the Commission should conduct an expedited or full review. The deadline for filing such comments is October 15, 1999. All written submissions must conform with the provisions of sections 201.8 and 207.3 of the Commission's rules and any submissions that contain BPI must also conform with the requirements of sections 201.6 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. Also, in accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the review must be served on all other parties to the review (as identified by either the public or APO service list as appropriate), and a certificate of service must accompany the document (if you are not a party to the review you do not need to serve your response).

Inability To Provide Requested Information

Pursuant to section 207.61(c) of the Commission's rules, any interested party that cannot furnish the information requested by this notice in the requested form and manner shall notify the Commission at the earliest possible time, provide a full explanation of why it cannot provide the requested information, and indicate alternative forms in which it can provide equivalent information. If an interested party does not provide this notification (or the Commission finds the explanation provided in the notification inadequate) and fails to provide a complete response to this notice, the Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determination in the review.

Information To Be Provided in Response to This Notice of Institution

As used below, the term "firm" includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address if available) and name, telephone number, fax number, and E-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the Domestic Like Product, a U.S. union or worker group, a U.S. importer of the

Subject Merchandise, a foreign producer or exporter of the Subject Merchandise, a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in this review by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the antidumping duty order on the Domestic Industry in general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of Subject Merchandise on the Domestic Industry.

(5) A list of all known and currently operating U.S. producers of the Domestic Like Product. Identify any known related parties and the nature of the relationship as defined in section 771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the Subject Merchandise and producers of the Subject Merchandise in the Subject Country that currently export or have exported Subject Merchandise to the United States or other countries since 1991.

(7) If you are a U.S. producer of the Domestic Like Product, provide the following information on your firm's operations on that product during calendar year 1998 (report quantity data in pounds and value data in thousands of U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the Domestic Like Product accounted for by your firm's(s') production;

(b) The quantity and value of U.S. commercial shipments of the Domestic Like Product produced in your U.S. plant(s); and

(c) The quantity and value of U.S. internal consumption/company transfers of the Domestic Like Product produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the Subject Merchandise from the Subject Country, provide the

following information on your firm's(s') operations on that product during calendar year 1998 (report quantity data in pounds and value data in thousands of U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping or countervailing duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of Subject Merchandise from the Subject Country accounted for by your firm's(s') imports;

(b) The quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. commercial shipments of Subject Merchandise imported from the Subject Country; and

(c) The quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. internal consumption/company transfers of Subject Merchandise imported from the Subject Country.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the Subject Merchandise in the Subject Country, provide the following information on your firm's(s') operations on that product during calendar year 1998 (report quantity data in pounds and value data in thousands of U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping or countervailing duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of Subject Merchandise in the Subject Country accounted for by your firm's(s') production; and

(b) The quantity and value of your firm's(s') exports to the United States of Subject Merchandise and, if known, an estimate of the percentage of total exports to the United States of Subject Merchandise from the Subject Country accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the Domestic Like Product that have occurred in the United States or in the market for the Subject Merchandise in the Subject Country since the Order Date, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods;

development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad).

Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the Domestic Like Product produced in the United States, Subject Merchandise produced in the Subject Country, and such merchandise from other countries.

(11) (Optional) A statement of whether you agree with the above definitions of the Domestic Like Product and Domestic Industry; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

Authority: This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

By order of the Commission.

Issued: July 27, 1999.

Donna R. Koehnke,
Secretary.

[FR Doc. 99-19757 Filed 7-30-99; 8:45 am]

BILLING CODE 7020-02-P

**INTERNATIONAL TRADE
COMMISSION****[Investigation No. 731-TA-527 (Review)]****Extruded Rubber Thread From
Malaysia****AGENCY:** United States International
Trade Commission.**ACTION:** Notice of Commission
determination to conduct a full five-year
review concerning the antidumping
duty order on extruded rubber thread
from Malaysia.**SUMMARY:** The Commission hereby gives
notice that it will proceed with a full
review pursuant to section 751(c)(5) of
the Tariff Act of 1930 (19 U.S.C.
1675(c)(5)) to determine whether
revocation of the antidumping duty
order on extruded rubber thread from
Malaysia would be likely to lead to
continuation or recurrence of material
injury within a reasonably foreseeable
time. The Commission has determined
to exercise its authority to extend the
review period by up to 90 days pursuant
to 19 U.S.C. 1675(c)(5)(B); a schedule for
the review will be established and
announced at a later date.

For further information concerning
the conduct of this review and rules of
general application, consult the
Commission's Rules of Practice and
Procedure, part 201, subparts A through
E (19 CFR part 201), and part 207,
subparts A, D, E, and F (19 CFR part
207). Recent amendments to the Rules
of Practice and Procedure pertinent to
five-year reviews, including the text of
subpart F of part 207, are published at
63 FR 30599, June 5, 1998, and may be
downloaded from the Commission's
World Wide Web site at [http://
www.usitc.gov/rules.htm](http://www.usitc.gov/rules.htm).

EFFECTIVE DATE: November 4, 1999.**FOR FURTHER INFORMATION CONTACT:**
Bonnie Noreen (202-205-3167), 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](http://www.usitc.gov)).**SUPPLEMENTARY INFORMATION:** On
November 4, 1999, the Commission
determined that it should proceed to a
full review in the subject five-year

review pursuant to section 751(c)(5) of
the Act. The Commission found that
both domestic and respondent
interested party group responses to its
notice of institution (64 FR 41954,
August 2, 1999) were adequate. A record
of the Commissioners' votes, the
Commission's statement on adequacy,
and any individual Commissioner's
statements will be available from the
Office of the Secretary and at the
Commission's web site.

Authority: This review is being conducted
under authority of title VII of the Tariff Act
of 1930; this notice is published pursuant to
section 207.62 of the Commission's rules.

By order of the Commission.

Issued: November 10, 1999.

Donna R. Koehnke,

Secretary.

[FR Doc. 99-29955 Filed 11-16-99; 8:45 am]

BILLING CODE 7020-02-P

FOR FURTHER INFORMATION CONTACT: Gail Burns (202-205-2501), 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

On November 4, 1999, the Commission determined that responses to its notice of institution of the subject five-year review were such that a full review pursuant to section 751(c)(5) of the Act should proceed (64 FR 62689, November 17, 1999). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's web site.

Participation in the Review and Public Service List

Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in this review as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the review need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the review.

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

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this review available to authorized applicants under the APO issued in the review, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the

review. A party granted access to BPI following publication of the Commission's notice of institution of the review need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff Report

The prehearing staff report in the review will be placed in the nonpublic record on May 9, 2000, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with the review beginning at 9:30 a.m. on June 1, 2000, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before May 22, 2000. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on May 25, 2000, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), 207.24, and 207.66 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

Written Submissions

Each party to the review may submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.65 of the Commission's rules; the deadline for filing is May 18, 2000. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.67 of the Commission's rules. The deadline for filing posthearing briefs is June 8, 2000; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the review may submit a written statement of information pertinent to the subject of the review on or before June 8, 2000. On July 5, 2000, the Commission will make available to parties all information on

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-527 (Review)]

Extruded Rubber Thread From Malaysia

AGENCY: United States International Trade Commission.

ACTION: Scheduling of a full five-year review concerning the antidumping duty order on extruded rubber thread from Malaysia.

SUMMARY: The Commission hereby gives notice of the scheduling of a full review pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty order on extruded rubber thread from Malaysia would be likely to lead to continuation or recurrence of material injury. For further information concerning the conduct of this review and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207). Recent amendments to the Rules of Practice and Procedure pertinent to five-year reviews, including the text of subpart F of part 207, are published at 63 FR 30599, June 5, 1998, and may be downloaded from the Commission's World Wide Web site at <http://www.usitc.gov/rules.htm>.

EFFECTIVE DATE: January 13, 2000.

which they have not had an opportunity to comment. Parties may submit final comments on this information on or before July 7, 2000, but such final comments must not contain new factual information and must otherwise comply with section 207.68 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. 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 Commission's rules, each document filed by a party to the review must be served on all other parties to the review (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: January 14, 2000.

By order of the Commission.

Donna R. Koehnke,
Secretary.

[FR Doc. 00-1344 Filed 1-19-00; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-557-805]

**Extruded Rubber Thread From
Malaysia; Final Results of Antidumping
Duty Sunset Review**

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

ACTION: Notice of final results of
antidumping duty sunset review.

SUMMARY: On August 2, 1999, the Department of Commerce published the notice of initiation of sunset review of the antidumping duty order on extruded rubber thread from Malaysia (64 FR 41915). The merchandise covered by this order is extruded rubber thread from Malaysia. Extruded rubber thread is defined as vulcanized rubber thread obtained by extrusion of stable or concentrated natural rubber latex of any cross sectional shape, measuring from 0.18 mm, which is 0.007 inch or 140 gauge, to 1.42 mm, which is 0.056 inch or 18 gauge, in diameter. On the basis of a notice of intent to participate and adequate substantive response filed on behalf of a domestic interested party, and inadequate response (in this case no response) from respondent interested parties, we determined to conduct an expedited sunset review. As a result of this review, we find that revocation of the antidumping duty order would be likely to lead to continuation or

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recurrence of dumping at the levels listed below in the section entitled "Final Results of the Review."

EFFECTIVE DATE: March 7, 2000.

FOR FURTHER INFORMATION CONTACT: Martha V. Douthit, Import Administration, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230; telephone: (202) 482-5050.

SUPPLEMENTARY INFORMATION:

Statute and Regulations

This review was conducted pursuant to sections 751(c) and 752 of the Tariff Act of 1930, as amended ("the Act"). The Department's procedures for the conduct of sunset reviews set forth in *Procedures for Conducting Five-year ("Sunset") Reviews of Antidumping and Countervailing Duty Orders*, 63 FR 13516 (March 20, 1998) ("*Sunset Regulations*") and 19 CFR Part 351 (1999) in general. Guidance on methodological or analytical issues relevant to the Department's conduct of sunset reviews is set forth in the Department's Policy Bulletin 98:3—*Policies Regarding the Conduct of Five-year ("Sunset") Reviews of Antidumping and Countervailing Duty Orders; Policy Bulletin*, 63 FR 18871 (April 16, 1998) ("*Sunset Policy Bulletin*").

Background

On August 2, 1999, the Department initiated the sunset review of the antidumping duty order on extruded rubber thread from Malaysia (64 FR 41915). We invited parties to comment. On the basis of a notice of intent to participate and adequate substantive response filed on behalf of a domestic interested party, and inadequate response (in this case no response) from respondent interested parties, we determined to conduct an expedited sunset review. The Department has conducted this sunset review in accordance with sections 751 and 752 of the Act.

In accordance with section 751(c)(5)(C)(v) of the Act, the Department may treat a review as extraordinarily complicated if it is a review of a transition order (*i.e.*, an order in effect on January 1, 1995). This review concerns a transition order within the meaning of section 751(c)(6)(C)(ii) of the Act. Therefore, on December 3, 1999 the Department determined that the sunset review of the antidumping duty order on extruded rubber thread from Malaysia is extraordinarily complicated and extended the time limit for completion of the final results of this review until

not later than February 28, 2000, in accordance with section 751(c)(5)(B) of the Act.¹

Scope of Review

The product covered by this review is extruded rubber thread from Malaysia. Extruded rubber thread is defined as vulcanized rubber thread obtained by extrusion of stable or concentrated natural rubber latex of any cross sectional shape, measuring from 0.18 mm, which is 0.007 inch or 140 gauge, to 1.42 mm, which is 0.056 inch or 18 gauge, in diameter. Extruded rubber thread is currently classifiable under subheading 4007.00.00 of the Harmonized Tariff Schedule of the United States ("HTSUS"). The HTSUS subheadings are provided for convenience and customs purposes. The written description of the scope of this proceeding is dispositive.

The antidumping duty order of the subject merchandise remains in effect for all producers and exporters of extruded rubber thread from Malaysia.

Analysis of Comments Received

All issues raised in the case by parties to this sunset review are addressed in the "Issues and Decision Memorandum" ("Decision Memo") from Jeffrey A. May, Director, Office of Policy, Import Administration, to Robert S. LaRussa, Assistant Secretary for Import Administration, dated February 28, 2000, which is hereby adopted and incorporated by reference into this notice. The issues discussed in the attached Decision Memo include the likelihood of continuation or recurrence of dumping and the magnitude of the margin likely to prevail were the order revoked. Parties can find a complete discussion of all issues raised in this review and the corresponding recommendations in this public memorandum which is on file in B-099.

In addition, a complete version of the Decision Memo can be accessed directly on the Web at www.ita.doc.gov/import_admin/records/frn/, under the heading "Malaysia". The paper copy and electronic version of the Decision Memorandum are identical in content.

Final Results of Review

We determine that revocation of the antidumping duty order would be likely to lead to continuation or recurrence of dumping at the following percentage weighted-average margins:

Manufacturer/exporter	Margin (percent)
Heveafil/Filmmax Schn. Bhd	108.62
Rubberflex Sdn. Bhd	20.36
Filati Lastex Elastofibre (Malaysia)	105.78
Rubfil Sdn. Bhd	108.62
All Others	15.16

In addition, in the 1995-1996 administrative review, the Department found that the four companies identified above absorbed duties on the following percentage of their U.S. sales: Heaveafil—100 percent, Rubberflex—57.35 percent, Filati—100 percent, and Rubfil—100 percent.

This notice also serves as the only reminder to parties subject to administrative protective orders ("APO") of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305 or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

We are issuing and publishing this determination and notice in accordance with sections section 751(c), 752, and 777(i) of the Act.

Dated: February 28, 2000.

Joseph A. Spetrini,
Acting Assistant Secretary for Import Administration.
 [FR Doc. 00-5507 Filed 3-6-00; 8:45 am]
BILLING CODE 3510-DS-P

¹ See *Extension of Time Limit for Final Results of Five-Year Reviews*, 64 FR 67847 (December 3, 1999).

EXPLANATION OF COMMISSION DETERMINATION OF ADEQUACY

in

Extruded Rubber Thread from Malaysia, Inv. No. 731-TA-527 (Review)

On November 4, 1999, the Commission determined that it should proceed to a full review in the subject five-year review pursuant to section 751(c)(3)(B) of the Tariff Act of 1930, as amended, 19 U.S.C. § 1675(c)(3)(B).

The Commission received a response to the notice of institution from North American Rubber Thread Company ("North American"), a domestic producer of extruded rubber thread. Based on the information available, the Commission determined that the North American response constituted an adequate domestic interested party group response since North American accounts for the majority of production of the domestic like product.

Regarding respondent interested parties, the Commission received a joint response to the notice of institution, containing company-specific information, from Filati Lastex Sdn. Bhd. ("Filati"), a foreign producer and exporter, and FLE-U.S.A. Inc., a U.S. importer of the subject merchandise and a wholly-owned subsidiary of Filati. The Commission also received a joint response containing company-specific information from Heveafil Sdn. Bhd. ("Heveafil") and Filmax Sdn. Bhd., foreign producers and exporters, and Heveafil U.S.A. Inc., a U.S. importer of the subject merchandise and a wholly-owned subsidiary of Heveafil. The Commission determined that the respondent interested party group accounted for a significant share of total production and exports of the subject merchandise from Malaysia. The Commission also determined that the respondent interested party group accounted for a significant share of total imports of subject merchandise into the United States. Consequently, the Commission determined the respondent interested party group response was adequate.

The Commission therefore determined to conduct a full review.

APPENDIX B
HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

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

Subject: Extruded Rubber Thread from Malaysia

Inv. No.: 731-TA-527 (Review)

Date and Time: June 1, 2000 - 9:30 a.m.

A session was held in connection with this investigation in the Main Hearing Room, 500 E Street, SW, Washington, DC.

In Support of the Continuation of the Order:

Ablondi, Foster, Sobin & Davidow, P.C.
Washington, D.C.
on behalf of

North American Rubber Thread

Peter Koenig--OF COUNSEL

APPENDIX C
SUMMARY TABLE

Table C-1

Extruded rubber thread: Summary data concerning the U.S. market, 1998-99, January-March 1999, and January-March, 2000

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

Item					Period changes	
	1998	1999	January-March		1998-99	Jan.-Mar. 1999-00
			1999	2000		
U.S. consumption quantity:						
Amount	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***
Importers' share (1):						
Malaysia	***	***	***	***	***	***
Other sources	***	***	***	***	***	***
Total imports	***	***	***	***	***	***
U.S. consumption value:						
Amount	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***
Importers' share (1):						
Malaysia	***	***	***	***	***	***
Other sources	***	***	***	***	***	***
Total imports	***	***	***	***	***	***
U.S. imports from - -						
Malaysia:						
Quantity	5,462	9,292	1,566	2,586	70.1	65.1
Value	6,466	9,874	1,762	2,864	52.7	62.6
Unit value	\$1.18	\$1.06	\$1.12	\$1.11	-10.2	-1.5
Ending inventory quantity	***	***	***	***	***	***
Other Sources:						
Quantity	15,382	9,329	2,802	1,362	-39.4	-51.4
Value	18,903	12,880	3,885	2,186	-31.9	-43.7
Unit value	\$1.23	\$1.38	\$1.39	\$1.60	12.3	15.7
Ending inventory quantity	***	***	***	***	***	***
All sources:						
Quantity	20,844	18,621	4,368	3,948	-10.7	-9.6
Value	25,369	22,754	5,647	5,050	-10.3	-10.6
Unit value	\$1.22	\$1.22	\$1.29	\$1.28	0.4	-1.1
Ending inventory quantity	***	***	***	***	***	***

Table continued on next page.

Table C-1-- Continued

Extruded rubber thread: Summary data concerning the U.S. market, 1998-99, January-March 1999, and January-March, 2000

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

Item					Period changes	
	1998	1999	January-March		1998-99	Jan.-Mar. 1999-00
			1999	2000		
U.S. producers ¹ -						
Average capacity quantity	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***
U.S. shipments:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Export shipments:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***
Production workers	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***
Wages paid (\$1,000s)	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***
Productivity (pounds per hour)	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***
Net sales:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar-year basis. Financial data in January-March periods are for *** only. Because of rounding figures may not add to totals shown. Unit values and shares are calculated from the unrounded figures. January-March inventory ratios are annualized.

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

APPENDIX D

**U.S. PRODUCERS', U.S. IMPORTERS', U.S. PURCHASERS', AND
FOREIGN PRODUCERS' COMMENTS REGARDING
THE EFFECTS OF THE ORDER AND THE LIKELY
EFFECTS OF REVOCATION OF THE ORDER**

**U.S. PRODUCERS' COMMENTS REGARDING THE EFFECTS OF THE
ORDER AND THE LIKELY EFFECTS OF REVOCATION**

**Anticipated Operational/Organizational Changes If
Order Were To Be Revoked (Question II-4)**

The Commission requested U.S. producers to describe any anticipated changes in the character of their operations or organization relating to the production of extruded rubber thread in the future if the antidumping duty order on extruded rubber thread from Malaysia were to be revoked. Their responses are as follows:

Globe Manufacturing Corp.

***.

North American

***.

Significance of Existing Order in Terms of Trade and Related Data (Question II-16)

The Commission requested U.S. producers to describe the significance of the existing antidumping duty order covering imports of extruded rubber thread from Malaysia in terms of its effect on their firms' production capacity, production, U.S. shipments, inventories, purchases, and employment. Their responses are as follows:

Globe Manufacturing Corp.

***.

North American

***.

Significance of Existing Order in Terms of Financial Data (Question III-8)

The Commission asked U.S. producers to describe the significance of the existing antidumping duty order covering imports of extruded rubber thread from Malaysia in terms of its effect on their firms' revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values. Their responses are as follows:

Globe Manufacturing Corp.

***.

North American

Anticipated Changes in Financial Data If the Order Were To Be Revoked (Question III-9)

The Commission asked U.S. producers to describe any anticipated changes in their revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, or asset values relating to the production of extruded rubber thread in the future if the antidumping duty order on extruded rubber thread from Malaysia were to be revoked. Their responses are as follows:

Globe Manufacturing Corp.

North American

U.S. IMPORTERS' COMMENTS REGARDING THE EFFECTS OF THE ORDER AND THE LIKELY EFFECTS OF REVOCATION

Anticipated Operational/Organizational Changes If the Order Were To Be Revoked (Question II-4)

The Commission requested importers to describe any anticipated changes in the character of their operations or organization relating to the importation of extruded rubber thread in the future if the antidumping duty order on extruded rubber thread from Malaysia were to be revoked. Their responses are as follows:

No response.

"No."

"No."

No response.

“No.”

Significance of Existing Order in Terms of Trade and Related Data (Question II-8)

The Commission requested importers to describe the significance of the existing antidumping duty order covering imports of extruded rubber thread from Malaysia in terms of its effect on their firms' imports, U.S. shipments of imports, and inventories. Their responses are as follows:

No response.

“Imports, shipments and inventories were reduced during the period when our firm's antidumping deposit rate was high. The rate was kept at a high rate due to a delay in administrative review. Now that the rate is at a more equitable level, it will not be as significant.”

“The existing antidumping duty order has provided some relief to U.S. producers. However, as import data will reflect, the importers appear to have adopted a strategy of leaving the market for a period of review and then re-entering for a period of review to minimize their exposure to relief duties.”

No response.

Anticipated Changes in Trade and Related Data If Order Were To Be Revoked (Question II-9)

The Commission requested importers to describe any anticipated changes in their imports, U.S. shipments of imports, or inventories of extruded rubber thread in the future if the antidumping duty order on extruded rubber thread from Malaysia were to be revoked. Their responses are as follows:

No response.

“No.”

“No. ***.”

No response.

No response.

U.S. PURCHASERS’ COMMENTS REGARDING THE LIKELY EFFECTS OF REVOCATION

Effects of Revocation on Future Activities of the Firms and the U.S. Market as a Whole (Question III-13)

The Commission requested purchasers to comment on the likely effects of revocation of the antidumping duty order on extruded rubber thread from Malaysia on (1) future activities of their firms and (2) the U.S. market as a whole. Their responses are as follows:

- (1) No response.
- (2) No response.

- (1) “No Change. I cannot speculate on U.S. market.”
- (2) “N/A.”

- (1) “No adverse effect anticipated.”
- (2) “Do not know.”

- (1) "NAFTA and antidumping laws on ERT from Malaysia has forced American manufactures to purchase ERT at an inflated price of 30-40 percent higher than our Canadian/Mexican competitors, while we still have to compete for the same customers."
- (2) "Read above answer."

- (1) "Our activities would be positively affected. We would be able to better compete on a domestic as well as a global market. We currently are seeing an increase in the amount of foreign netting being brought into the United States. Revocation of the antidumping duty would allow us to (1) offer our products at prices that are commensurate with the lower priced imports, (2) export our products to markets where we currently cannot compete on price."
- (2) "The entire U.S. market for food grade extruded rubber thread would most likely be affected in the same manner as we would be."

- (1) "None."
- (2) "None."

- (1) "Revocation will allow prices to float evenly and be comparable for all countries. We will then have the ability to be competitive and stop or slow the market shift to goods from Canada and Mexico."
- (2) "Same can be said for all extruded rubber thread users in the United States. Prices are higher in the U.S. now because of the antidumping duty. If duty is eliminated, prices should level out and be more competitive."

- (1) "None."
- (2) "Unknown."

- (1) "We will be able to compete with other countries (Canada, specially)."
- (2) No response.

- (1) "We will continue buying from both a U.S. supplier and a supplier in Malaysia. The ability of our U.S. suppliers to react quickly to my needs will continue to make them very valuable."
- (2) "It will help us stay competitive in the world."

- (1) "I don't foresee any changes. Some gauges of rubber are available only from domestic vendors and others are available only from foreign vendors. Our biggest current vendors we are satisfied with (for quality and pricing issues) and we wouldn't anticipate changing regardless of revocation."
- (2) "I would imagine other covering operations would be the same."

- (1) "I believe revocation of antidumping will have no effect, it is already too late to save the narrow fabric industry. Business has already moved outside of USA and it is difficult to bring it back."
- (2) "I don't know what effect it will have on the U.S. market."

- (1) "It will have a very small positive effect on our company with non-medical business."
- (2) "It will help U.S. manufacturers be more competitive in global environment."

- (1) "Who knows?"
- (2) No response.

- (1) "?"
- (2) No response.

- (1) "**** would not feel any effects if the dumping duty went away."
- (2) "Other coverers would probably start to purchase Malaysian rubber again."

- (1) "I think the revocation is an absolute necessity with NAFTA going to full effect it is imperative that the manufacturers in the United States could be as competitive as possible. Therefore, prices and qualities of U.S.A. manufactures have become even more important than ever before."
- (2) "Same answer as above."

**FOREIGN PRODUCERS' COMMENTS REGARDING THE EFFECTS OF
THE ORDER AND LIKELY EFFECTS OF REVOCATION**

Significance of Existing Order in Terms of Trade and Related Data (Question II-15)

The Commission requested foreign producers¹ to describe the significance of the existing antidumping duty order, covering imports of extruded rubber thread in terms of its effect on their firms' production capacity, production, home market shipments, exports to the United States and other markets, and inventories. Their responses are as follows:

Rubberflex Sdn. Bhd.

**Anticipated Changes in Trade and Related Data If
Order Were To Be Revoked (Question II-16)**

The Commission requested foreign producers to describe any anticipated changes in their production capacity, production, home market shipments, exports to the United States and other markets, or inventories relating to the production of extruded rubber thread in the future if the antidumping duty order on extruded rubber thread were to be revoked. Their responses are as follows:

Rubberflex Sdn. Bhd.

¹ On April 18, 2000, counsel for Heveafil/Filmax and Filati (which together account for about *** percent of foreign production) informed the Commission that these parties would not be submitting responses to the Commission's questionnaire.

APPENDIX E
COMPAS PRESENTATION

ASSUMPTIONS

The COMPAS model¹ is a supply and demand model that assumes that domestic and imported products are less than perfect substitutes. Such models, also known as Armington models, are relatively standard in applied trade policy analysis and are used extensively for the analysis of trade policy changes both in partial and general equilibrium. Based on the discussion contained in Part II of this report, staff selected a range of estimates that represent price-supply, price-demand, and product-substitution relationships (i.e., supply elasticity, demand elasticity, and substitution elasticity) in the U.S. extruded rubber thread market, as well as ranges for the growth of supply and demand generally in this market. The model uses these estimates with recent data on domestic market shares, Commerce's estimated margins of likely dumping, transportation costs, and current duties to analyze the likely effect the revocation of the antidumping duty order on imports of Malaysian extruded rubber thread on the U.S. domestic like product industry.

As discussed in Part II, five different COMPAS analyses are presented here, each based on different assumptions about the most appropriate benchmark data and different interpretations of the effect of Globe's recent exit from the market. The data used in each of these cases, and the various elasticity, growth, and margin estimates are shown in table E-1.

¹ COMPAS version 2.0.

Table E-1
Data used for COMPAS runs

North American shipments	***
Globe shipments	***
Malaysian shipments ²	***
Indonesian shipments ²	***
Other shipments	***
North American shipment values	***
Globe shipment values	***
Malaysian shipment values ³	***
Indonesian shipment values ³	***
Other shipment values ³	***
Margins	Malaysia - *** percent ⁴ Indonesia - 31.54 percent, ⁵ Case I only
U.S. supply elasticities	Low - 3; High - 5
Foreign supply elasticities	Low - 4; High - 6
Demand elasticities	Low - (-1); High - 1.8
Substitution elasticities	Low - 2.2; High - 5
Demand growth rates	Low - (-5) percent; Zero growth; High - 2 percent
Supply growth rates	Case IV - (-50) percent for Globe only; Case V - (-100) percent for Globe only; All else - 0 percent
¹ Imputed from yearly data and data from 1 st quarter of 1999 and 2000. ² Obtained from monthly official data. ³ Constructed with estimated U.S. market markup. ⁴ Weighted-average margin computed using estimated 1999 quantities for Malaysian producer shipments. ⁵ All others margin.	

FINDINGS

The estimated range of effects of the revocation of the antidumping duty orders on the U.S. extruded rubber thread industry were given in Part II of this report. As shown there, for scenarios assuming no trend demand or supply growth, the revocation of the orders are projected to reduce U.S. industry revenue by *** to *** percent, volume by *** to *** percent, and unit prices by *** to *** percent. This section discusses the findings of the various cases in a bit more detail. First, the projected effects of the order revocation on all market participants are given in table E-2, for case I, the scenario

using 1999 data and assuming “full participation”² of the domestic industry.³ In this scenario, U.S. industry revenue falls from between *** to *** percent, with similar effects on non-Malaysian foreign producers. Domestic industry volume falls by *** percent to *** percent, and domestic prices fall by *** to *** percent. This occurs alongside a reduction to purchasers in the price of Malaysian imports of between *** and *** percent. Malaysian imports roughly *** in these scenarios.

Table E-2
Projected effects of revocation of antidumping duty order on all producers, case I

* * * * * * *

As seen in table E-2, the bulk of the variation in the projected effects of order revocation is due to a broad range of estimates within each of the three growth scenarios. That is, the difference between the high and low demand growth projections are only about *** percent in terms of revenue, *** percent in terms of volume, and *** percent for price. The variations generated by altering the elasticity assumptions, however, are much larger; up to about *** percent for the revenue projections, for example. The same feature is true to a somewhat lesser extent when the projection variations across the five data cases are considered. The projection ranges for the five cases are shown in table E-3.⁴ Cases I, III, and IV produce *** results, with the maximum revenue loss between *** and *** percent. Case II gives *** predicted effects than the other cases while case V gives *** results. The breakdown between volume effects and price effects (relative to overall revenue effects) are *** for each of the five cases presented.

Table E-3
Ranges of projected effects of revocation of antidumping duty order on U.S. industry, various data cases

* * * * * * *

As mentioned in Part II of this report, it is not entirely clear which, if any, of the five data cases is most appropriate for analyzing the likely effects of order revocation. For this reason, the following section contains brief discussions of the pros and cons of each of the cases. After that section, some comments are made about the implications of using the COMPAS analysis to consider the “first-stage” effects of three of the cases. The final section in the appendix contains tables with projected effects of order revocation on the U.S. extruded rubber thread industry for each combination of data case (5), growth scenario (3), and elasticity assumption (8), a total of 120 alternate projections in all.

² See the section below on the strengths and weakness of the five cases for a discussion of the interpretation of “full participation.”

³ Although the full set of results relative to the domestic industry for each of the five cases is presented later in this appendix, this is the only one of the five for which the projected effects of order revocation are explicitly presented for foreign suppliers. While this case makes use of data and assumptions that would be most preferred in typical circumstances, certain objections can be reasonably made against this case under the particular circumstances of this industry. (Some of these objections are discussed later in this appendix.) The percentages presented, therefore, may be best viewed as illustrative rather than as necessarily representing the single most preferred set of results.

⁴ The ranges presented in this table incorporate all three demand growth assumptions. Thus, the minimum effect typically arises from the high demand growth scenario and the maximum effect tends to come from the low growth scenario.

STRENGTHS AND WEAKNESS OF DATA SCENARIOS

Some significant events have occurred in the market for extruded rubber thread since the beginning of 1999, particularly the exit of Globe at the end of March 2000 and the imposition of antidumping duty orders against Indonesia in 1999. These events leave room for question as to the degree of representativeness of any one particular set of data (in terms of the time range), or any single assumption about the nature of the domestic industry (in the wake of Globe's exit). For this reason, the COMPAS analysis was performed for five different cases. Staff believes that these cases are fairly representative, but they are certainly not an exhaustive set of the reasonable cases that might be constructed. Some of the issues that should be considered when using the various cases are discussed below:

Case I: This case uses data from 1999, the last full calendar year during the period of review. It also assumes that no domestic exit occurs. The first of these features implies that the COMPAS calibration is based on at least a few months where Indonesian imports were judged to be unfairly traded. However, the active antidumping duty order against extruded rubber thread from Indonesia is meant to insure that future prices of Indonesian imports are fair. The COMPAS run treats all Indonesian imports as fairly traded. This means that Indonesian imports, having fallen off significantly around the time of the order against Indonesia, are given higher weight in the analysis than would be expected to be true into the near future. The overweighting of Indonesia in the COMPAS analysis leads to relative underweighting of both the United States and Malaysia, the overall effect of which is unclear since underweighting the domestic industry would lead to larger projected effects of order revocation, while underweighting Malaysia should produce smaller projected effects.

The latter assumption (full domestic participation) is seemingly incorrect since Globe appears in the 1999 data, but has exited the market since then. However, North American has acquired many of Globe's production assets (***), as well as ***. The assumption in this case is meant to approximate the extreme case of total and complete incorporation of the former Globe operation into North American.⁵ This limiting assumption results in lower estimates of the reduction in domestic prices and quantities than would be obtained from less extreme assumptions.⁶

Case II: This scenario uses import data from May 1998 to April 1999. (The domestic data is not available in monthly intervals, so it must be imputed.) This scenario also assumes no domestic exit from the market, and for that reason may tend to underestimate the effects of the removal of the order. Because the data comes from a period before the imposition of the antidumping order against Indonesia, there is no issue of mixing fair and unfair imports from that country. However, this data is several months older than data used for case I, and thus likely to be somewhat less informative in making predictions about the future effects of the order removal. Just as significantly, use of this data requires two COMPAS runs, the first imposing the duty upon Indonesia to establish a base case, and the second to examine the incremental effects of the removal of the duty against Malaysia. To the extent that the

⁵ Even if it were true that ***, it would not necessarily be the case that North American would use the same pricing and/or sales strategies as Globe has in the past, or even that they would produce the same product mix. This possibility increases the uncertainty associated with the projections made for this case and for all of the other cases presented (some to a lesser extent), with the exception of case V.

⁶ That is to say, with a benchmark of the full domestic volumes and revenues prior to Globe's exit (as compared to a benchmark of some fraction of those volumes and revenues), imposing an order revocation in the COMPAS model will result in smaller projected percentage effects because of the higher base market share in that case. This does not mean that the projected absolute size of the domestic industry will be smaller in this case. It will be larger but only because the benchmark industry size is larger. However, this is a different issue. The issue considered throughout most of the analysis is how the order revocation would affect the domestic industry against some fixed benchmark.

COMPAS model is only an approximation of the actual market structure, this imposes a second layer of approximation upon the estimates.⁷

Case III: This scenario uses data from April 1999 to March 2000. Like the first two cases, this scenario assumes no domestic producer exit. Use of data from this period removes most (but probably not all) of the unfair sales of Indonesian imports from the analysis. However, it does bring issues of Globe's withdrawal to the fore. Globe left the market effective the last day of this data period. To the extent that anticipation of, or unique events associated with, this exit played role in Globe's pricing and/or sales strategies during this quarter, the data upon which this scenario is based may be somewhat unrepresentative in making projections for the future.

Case IV: This scenario is similar to case I in the sense that it utilizes 1999 data (with all of the attendant issues). In contrast, though, this scenario assumes a 50 percent reduction in the size of the Globe.⁸ A reduction of this size ***. As for case II, this scenario requires two separate COMPAS runs. The first establishes the effect of the 50 reduction in Globe, and the second looks at the marginal effect of order removal.

Case V: This case uses 1999 data and assumes a 100 reduction in Globe's production (with no acquisition by North American). In this context, the previous case (IV) can be viewed as an intermediate scenario ***. As the assumption of ***. The implicit assumption here is that Globe's exit from the market ***. As for cases II and IV, two separate COMPAS runs are required.

FIRST-STAGE EFFECTS ON NORTH AMERICAN

In the two scenarios (cases IV and V) presented in the tables above and below in which allowance is made for the ***, the effects shown are those of the removal of the antidumping duty order against Malaysia separate from the effect of the Globe exit. That is, the percentages shown are the incremental effects of the order removal against a benchmark case of the Globe exit with no order revocation. However, to estimate this benchmark case, the exit must be analyzed in a first-stage COMPAS run because all of the data available comes from periods in which ***. The results of this first-stage analysis may also be of interest. In the first stage analysis, the Globe exit improves the various indicia of all competing suppliers, including North American. The predicted improvements of the North American performance indicators are especially strong for quantity and revenue in case ***. In ***, North American's total sales increase by between *** and *** percent, while its total revenues increase by between *** and *** percent. Much of these effects can be attributed to ***. ***.

Case II also requires a first-stage benchmark in order to calculate a predicted effect of the imposition of the Indonesian antidumping duty orders (prior to the second-stage revocation of the

⁷ In particular, it would not necessarily be possible to closely match the "first-stage" COMPAS projections with what has actually occurred in the extruded rubber thread market since the imposition of antidumping duty orders upon Indonesia.

⁸ In the COMPAS model a 50-percent reduction in supply generally does not lead to a 50-percent drop in sales in equilibrium. The 50-percent drop in supply might be more usefully thought of as a 50-percent reduction in capacity. More properly, the 50-percent drop in supply refers to the reduction in sales that would occur if price were to be held constant. However, the reduction in supply normally causes prices to rise, which in turn leads to something less than a 50-percent drop in sales overall.

DETAILED RESULT TABLES

The following tables present the projected revenue, quantity, and price effects of the numerous scenarios considered. Table E-4 gives revenue projections, table E-5 gives quantity projections, and table E-6 gives price projections. These tables make it clear that the various elasticity estimates form to create much of the variation in the overall projections. Chief among these is the elasticity of substitution.

Table E-4

Extruded rubber thread: Projected revenue effects from removal of antidumping duty order on Malaysian imports, COMPAS analysis, by scenario¹

* * * * *

Table E-5

Extruded rubber thread: Projected quantity effects from removal of antidumping duty order on Malaysian imports, COMPAS analysis, by scenario¹

* * * * *

Table E-6

Extruded rubber thread: Projected price effects from removal of antidumping duty order on Malaysian imports, COMPAS analysis, by scenario¹

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APPENDIX F

1998 MALAYSIAN CVD INVESTIGATION PRICING INFORMATION

This appendix presents the pricing data from the 1998 Malaysian CVD investigation. In the Malaysian CVD investigation, U.S. producers and importers of Malaysian extruded rubber thread were asked to provide quarterly pricing information for the period from 1992 to 1997 on two product categories. The products for which pricing data were requested are as follows:

Product CVD1--Standard launderable talced extruded rubber thread with a yield of around 650-1,150 yards per pound (in the gauge range of 24-34).

Product CVD2--Standard launderable talcless extruded rubber thread with a yield of around 650-1,150 yards per pound (in the gauge range of 24-34).

*** provided usable pricing data for sales of these two products. The data obtained in the Malaysian CVD investigation accounted for approximately 49 percent of U.S. shipments of U.S.-produced extruded rubber thread and 53 percent of imports from Malaysia in 1997.¹

The data for product CVD1 is presented in table F-1. This is followed by table F-2, which contains the pricing data for product CVD2. In contrast to the data obtained from importers and producers for the current review (discussed in Part V), the prices in these two tables are delivered prices, rather than f.o.b. prices.

Table F-1

Extruded rubber thread: Weighted-average delivered selling prices and quantities of domestic and imported product CVD1¹ and margins of underselling/(overselling), by quarters, January 1992-December 1997

* * * * *

Table F-2

Extruded rubber thread: Weighted-average delivered selling prices and quantities of domestic and imported product CVD2¹ and margins of underselling/(overselling), by quarters, January 1992-December 1997

* * * * *

With respect to product CVD1 (table F-1), average U.S. prices ranged from \$*** to \$*** per pound during 1992-97.² Prices were in the lower end of this range during the earlier years and in the higher end during the later years. Prices of Malaysian imports of product CVD1 also tended to increase between 1992 and 1997, but averaged about *** cents per pound less than the extruded rubber thread produced in the United States (corresponding to underselling margins that were usually between *** and *** percent). During this same period, there was a significant difference ***.³ ***.⁴

¹ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, p. V-5.

² The definition of product CVD1 appears similar to that of product 1 in Part V, but does not exclude heat-resistant or food-grade extruded rubber thread. Apparently ***. Thus, the data on product 1 and product CVD1 are not comparable.

³ ***.

⁴ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, table V-1.

generally in the *** to *** percent range during most of 1992-97, with the lowest margins during the middle of this period. To some degree, the varying margins reflected U.S. prices rising in periods when Malaysian prices fell, and visa versa. For both domestic and Malaysian sources, lower prices seem to be loosely associated with higher volumes.

As with product CVD1, the composite U.S. unit values for product CVD2 ***. ***.⁵

⁵ Confidential staff report, Inv. No. 753-TA-34, Extruded Rubber Thread from Malaysia, May 28, 1998, table V-2.