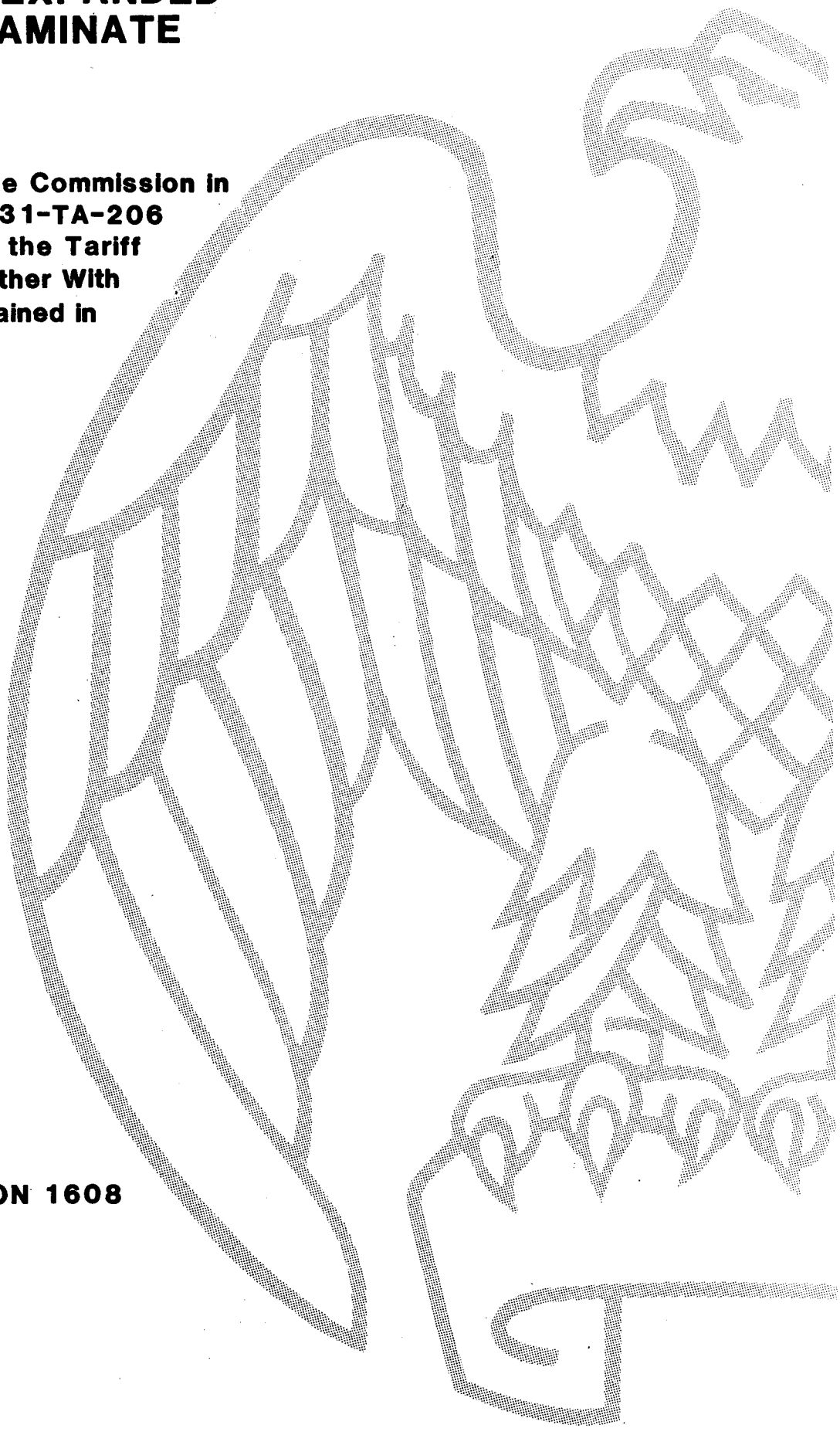
FABRIC AND EXPANDED NEOPRENE LAMINATE FROM JAPAN

Determination of the Commission in Investigation No. 731-TA-206 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



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Note.--Information which would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-206 (Preliminary)

FABRIC AND EXPANDED NEOPRENE LAMINATE FROM JAPAN

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-206 (Preliminary), the Commission determines, 2/ pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Japan of fabric and expanded neoprene laminate (except for fabric and expanded neoprene laminate containing metallic oxides), provided for in items 355.81, 355.82, 359.50, and 359.60 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On September 28, 1984, a petition was filed with the Commission and the Department of Commerce by Rubatex Corp., Bedford, VA, alleging that an

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

2/ Chairwoman Stern determines as follows:

(1) There is reasonable indication of material injury to a domestic industry consisting of production of petitioner's grade R-1400-N fabric and expanded neoprene laminate and any other comparable domestically produced material in thicknesses of 1/16 inch or greater;

(2) There is reasonable indication of material retardation of a domestic industry consisting of petitioner's grade R-131-N fabric and expanded neoprene laminate and any other comparable domestically produced material in thicknesses of 1/16 inch or greater; and

(3) There is no reasonable indication of material injury, threat thereof, or material retardation regarding domestic industries consisting of production most similar in characteristics and uses to fabric and expanded neoprene laminate in thicknesses less than 1/16 inch and to fabric and expanded neoprene laminate containing metallic oxides.

industry in the United States is materially injured by reason of LTFV imports of fabric and expanded neoprene laminate from Japan. Accordingly, effective September 28, 1984, the Commission instituted preliminary antidumping investigation No. 731-TA-206 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on October 11, 1984 (49 F.R. 39924). A public conference was held in Washington, DC, on October 22, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the record in investigation No. 731-TA-206 (Preliminary), we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of fabric and expanded-neoprene laminate from Japan which are allegedly sold at less than fair value (LTFV). 1/

The declining trends in domestic producers' production, shipments, capacity utilization, employment, sales, and profitability indicate that the industry is materially injured. The rapidly increasing level of imports from Japan, coupled with the data reflecting consistent price underselling by the Japanese product, and the increasing use by U.S. wetsuit manufacturers of the Japanese product provides a reasonable indication of a causal connection between imports and the material injury to the domestic industry. Further, in the absence of usable objective data and in view of the conflicting statements of the parties regarding quality, we cannot find in this preliminary investigation that quality differences are the cause of the condition of the domestic industry.

1/ Chairwoman Stern determines as follows:

(1) There is reasonable indication of material injury to a domestic industry consisting of production of petitioner's grade R-1400-N FENL and any other comparable domestically-produced material in thicknesses of 1/16 inch or greater;

(2) There is a reasonable indication of material retardation of a domestic indutry consisting of petitioner's grade R-131-N FENL and any other comparable domestically produced material in thicknesses of 1/16 inch or greater; and

(3) There is no reasonable indication of material injury, threat thereof, or material retardation regarding domestic industries consisting of production most similar in characteristics and uses to FENL in thicknesses less than 1/16 inch and to FENL containing metallic oxides.

Domestic industry and like product

The statutory framework within which the Commission must conduct its antidumping investigations requires that we first determine the domestic industry against which to assess the impact of the allegedly LTFV imports. The term "industry" is defined in § 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of the like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 2/ The term "like product" in turn is defined in § 771(10) 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 . . ." 3/

The imported product which is the subject of this investigation is fabric and expanded neoprene laminate (FENL). FENL is a sheet of rubber with a textile fabric bonded to one or both sides of the rubber. The rubber is an expanded rubber, usually neoprene or a blend predominantly of neoprene. 4/ The textile portion of the composite is primarily nylon, or a combination of nylon and spandex, which are used because they possess desired stretch and tensile-strength characteristics. The nylon fabric is available in various colors and constructions. 5/

2/ 19 U.S.C. § 1677(4)(A).

3/ 19 U.S.C. § 1677(10). See S. Rep. No. 249, 96th Cong., 1st Sess. 83 (1979); Sodium Nitrate from Chile, Inv. No. 731-TA-91 (Final), USITC Pub. 1357 (1983).

4/ Expanded rubber is a type of cellular rubber having closed cells, small pockets of gas (usually nitrogen) dispersed throughout the rubber. Report of the Commission (Report) at A-2.

5/ Id. at A-2. Fabric of differing surface texture and color may be bonded to each side of the expanded neoprene.

FENL is used primarily in the fabrication of wet suits used in surfing, sailboarding, diving, and other water sports. It is also used in sports-related activities, such as sailing apparel and ski masks, and, to a lesser extent, for eyeglass cases, mats, and bottle holders. 6/

The petitioner's FENL products on the market today are designated G-231-N, R-1400-N, and R-131-N. 7/ 8/ The R-1400-N is petitioner's largest volume FENL product. The G-231-N is a superior quality product used in the fabrication of wetsuits for professional and serious amateur diving, but apparently little used in other applications. 9/ R-131-N was introduced by the petitioner about six months ago, 10/ and was designed specifically to have the same desirable characteristics and uses for the same end-use markets as the Japanese imports. 11/ Two other FENLs, R-5000-N and R-6000-N, were introduced by petitioner in 1981 and 1983, respectively, specifically to the general use market in which the Japanese imports compete. Both products proved unacceptable in the marketplace and were discontinued. 12/

6/ Id. at A-4-5.

7/ FENL is also manufactured domestically by Kirkhill, but the record contains no information regarding the types or grades of FENL which it produces.

8/ Several parties in opposition to the petition argue that there is no domestic "like product," asserting that the imported and domestic products are not identical in physical terms and that domestic FENL lacks important characteristics (particularly flexibility, stretchability, and comfort) possessed by the imported product. Report at A-20-21; Yamamoto brief at 2-6; Daiwa brief at 6-10. If this case returns for a final investigation, we anticipate further development of the record regarding the asserted differences in physical properties and characteristics and uses between domestic and imported FENL.

9/ Transcript of the hearing (Tr.) at 39. See Yamamoto brief at 3; Daiwa brief at 3, nn.3 & 8; Tr. at 7.

10/ Tr. at 38.

11/ Tr. at 37, 57, and 66-67.

12/ Id.

The parties in opposition to the petition have argued that several types of imported FENL should be "excluded" from the investigation -- fire-retardant or nonflammable FENL, neoprene containing metallic oxides, and white neoprene. 13/ 14/ 15/ There is domestic production of fire-retardant or nonflammable neoprene. 16/ 17/ Neoprene containing metallic oxides is not used in wetsuits and has different characteristics (electric conductivity) from other FENLs. There is no domestic production of FENL containing metallic

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13/ Tr. at 61; Daiwa brief at 5-6.

14/ It has also been suggested that we determine that there is no like product for imported FENL below 1.5 millimeters in thickness. It has not been demonstrated that FENL below this thickness has characteristics sufficiently different from other FENLs to justify this distinction.

15/ Chairwoman Stern determines that FENL in thicknesses of less than 1/16 inch constitutes a separate product, and makes a negative determination regarding imports of this FENL. According to testimony at the hearing, neoprene fabric of less than 1/16 inch in thickness (generally 1.5 millimeters, 1 millimeter, or 0.5 millimeters) is very popular with wetsuit manufacturers and the consuming public because it allows for substantially more flexibility and comfort in areas such as the arms and knees. Accordingly, this very thin fabric is used to make "action panels" in many wetsuits. Tr. at 98. Id. Thus, FENL in thicknesses of less than 1/16 inch have substantially distinct characteristics and uses from the thicker neoprene and that consumers will not accept the substitution of the thicker FENL for the thinner FENL. Therefore, I find that it is a separate like product. Based upon the best information available, there is no current or planned domestic production of this product. Therefore, I find that imports of FENL in thicknesses less than 1/16 inch are not causing material injury, threat, or material retardation of a domestic industry composed of domestic production of a product most similar in characteristics and uses to these imports.

16/ At the time of the vote, the information of record was that there was no domestic production of fire-retardant or nonflammable FENL. Subsequently, it was learned that it is domestically produced. Accordingly, we include it as a like product in this investigation. 19 C.F.R. § 207.46. Chairwoman Stern notes that she modifies her public vote accordingly.

17/ Commissioner Rohr notes that he concurs in finding fire-retardant or nonflammable neoprene (which he believes means FENL meeting explicit Coast Guard specifications for survival suits) should not be excluded from the investigation at this time. He does not believe that information received by the Commission after a vote should be considered. As a practical matter, however, the effect of excluding this product would be to eliminate the possibility of further consideration of the appropriateness of including or excluding the product in a final investigation. If we were to do so, we would be excluding it on the basis that we had no information about domestic production rather than information that there is no domestic production.

oxides. 18/ With regard to imported white neoprene, there is no information on record that, aside from this color, it has different characteristics and uses as other FENL. 19/

We conclude that the domestic like product consists of FENL produced by Kirkhill, the three types of FENL produced by the petitioner (G-231-N, R-1400-N, and R-131-N), the two grades produced in the recent past (R-5000-N and R-6000-N), 20/ FENL containing white neoprene, and fire-retardant or nonflammable neoprene. 21/ 22/ We further conclude that there are no domestic products like imported neoprene containing metallic oxides.

18/ Telephone information from domestic producers.

19/ Chairwoman Stern notes that some respondents argued that the white neoprene allows them to use brighter colored fabrics. Tr. at 107. Others argued that the white neoprene produced domestically is not of as high quality as the imported product. Undated letter from Imperial Manufacturing Co. Since the record is not particularly clear on this issue, she has not been able to analyze it at this preliminary stage. However, she will examine it further in any final investigation.

20/ Chairwoman Stern finds that petitioner's grades R-5000-N and R-6000-N are not "like" the imported product because they are admittedly inferior "experimental" products that have been permanently withdrawn from the market. Tr. at 37. Thus declining trends for these products could skew data on production and profitability. Of course, purchasers' experiences in using these products may well be relevant to the issue of why they decided not to purchase the imported product in any final investigation.

21/ On the basis of the information now available, we do not believe that the differences between G-231-N and imported FENL are sufficient to make it an unlike product. This conclusion is buttressed by information that sales of G-231-N have been displaced by the Japanese imports and that prices of G-231-N have been depressed by those imports. See, e.g., petitioner's price lists attached to the Yamamoto brief. Should this case return for a final investigation, this matter will be examined fully.

22/ Chairwoman Stern and Commissioner Rohr find that petitioner's G-231-N grade FENL is not "like" the imported product. G-231-N is an established product occupying a specific market segment that the petitioner dominates and which it admits does not compete with the Japanese product. Its particular qualities make it uniquely suited for the more extreme environmental conditions experienced by the professional and serious amateur diver. The other types of FENL, which are the subject of this investigation, are specifically designed for less severe conditions, such as those experienced in surfing and sailboarding.

Accordingly, we find that the domestic industry consists of the domestic manufacturers of the like products.

Condition of the domestic industry 23/ 24/ 25/

Based on the key indicators of performance traditionally used by the Commission, the condition of this industry has been declining during the

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23/ There are only two domestic manufacturers of FENL; accordingly, much of the information of record is confidential. This analysis is necessarily presented in general terms.

24/ Because of the recent introduction of R-131-N, it has been suggested that injury in this case be measured under the standards for material retardation of the establishment of an industry. However, material retardation is appropriate "in those cases in which commercial production may have already begun but the domestic industry has yet to attain a stable presence in the market." Certain Dried Salted Codfish from Canada, Inv. No. 731-TA-199 (Preliminary), USITC Pub. 1571 at 6 (1984). Material retardation is not an appropriate standard here because the industry is not a nascent industry. Petitioner has produced FENL for a number of years and the introduction of R-131-N does not indicate the "start-up" of a new industry but rather a change in the product line. Any start-up costs for the industry have long-since been absorbed and the costs associated with the introduction with R-131-N are more properly viewed as research and development costs. Commissioner Rohr notes that having found there is material injury currently being experienced by a domestic industry, he does not reach the issue of material retardation of a domestic industry.

25/ Chairwoman Stern notes that a large part of the confusion regarding the record in this case stems from the fact that approximately six months ago petitioner began what appears to be its first serious effort to compete effectively with the imports under investigation by introducing the less dense R-131-N grade, and by enlarging the colors and types of fabrics available. The record also indicates some increased spending on research and development during the period. Report at A-15. Tr. at 38, 157, and 122. These very recent efforts have undermined some of the purchasers' arguments regarding availability and quality in the past. On the other hand, currently it is not clear whether even the R-131-N can compete with the imported FENL, or to what extent the imports may still offer certain fashion features that the domestic product doesn't. See, e.g., Tr. at 116, 125, 60, and 67, and notes of conversation with Parkway in INV-H-255. Based upon the current record, respondents have offered some compelling arguments (though perhaps no evidence) as to why any past injury was not by reason of imports from Japan. Thus, the injury allegation regarding grade R-1400-N appears at this time to be weak. On the other hand, petitioners' recent efforts to develop a new and competive product seems to represent a product that can, perhaps, compete

(Footnote continued)

period of the investigation. 26/ There have been sharp declines in domestic production, shipments, capacity utilization, employment, and sales. 27/ The financial performance of the domestic industry also demonstrated negative trends. 28/ The ratio of inventories to production increased throughout this period. 29/ Notwithstanding increased domestic consumption during January-September 1984, when compared to the same period in 1983, 30/ all the foregoing trends continued unabated. We conclude that the domestic industry is materially injured.

Reasonable indication of material injury by reason of allegedly LTFV imports

The Tariff Act of 1930 directs the Commission to determine whether there is a reasonable indication of material injury by considering, among other factors, (1) the volume of imports of the product which is the subject of the investigation, (2) the effect of the imports of such product on prices in the United States for the like product, and (3) the impact of the imports of such product on domestic producers of the like product. 31/

(Footnote continued)
head-to-head with the imports. Thus, I believe that the "material retardation" theory is entirely appropriate and is entirely consistant with previous cases. See, e.g., Salmon Gill Fish Netting of Manmade Fibers from Japan, Inv. No. 751-TA-5, USITC Pub. 1234 (1982); Thin Sheet Glass from Switzerland, Belgium, and the Federal Republic of Germany, Invs. Nos. 731-TA-126, 127, and 128, USITC Pub. 1376 (1983). Whether or not the company embarking upon production of the new product is new or well-established, the statute requires the Commission to define industry according to specific like products not in the general business sense.

26/ The investigation covered the period 1981 through the first nine months of 1984.

27/ Report at Tables 2-3 and 5-6.

28/ Id. at Tables 6-7.

29/ Id. at Table 4.

30/ Id. at A-7.

31/ 19 U.S.C. § 1677(7)(A), (B), and (C).

The absolute yearly volume of imports of FENL from Japan has increased steadily throughout the period of this investigation. 32/ As a share of apparent domestic consumption, those imports increased significantly throughout the period. 33/

The Commission requested pricing data per square foot on four different thicknesses of R-1400-N and four different thicknesses of R-131-N, with nylon laminated to both sides of the rubber in all instances, and the comparable thicknesses of imported Japanese FENL. For all four products, the imported FENL undersold petitioner's R-1400-N in each of the eight quarters for which data are available. 34/ There are also margins of underselling of the four R-131-N products during the two calendar quarters that R-131-N has been on the market. 35/ Margins of underselling also exist with regard to Kirkhill products. 36/ 37/ Domestic prices appeared to have declined in response to Japanese imports. 38/ The petitioner and Kirkhill both supplied lost sales allegations to the Commission. Most of these allegations were confirmed by the staff, even though many of the purchasers asserted that they purchased

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32/ Report at Tables 8-9. As the TSUS includes FENL in several basket categories, the Commission relied on import data provided in response to its questionnaires. Import data, although usually released by the Commission, are confidential in this case.

33/ Id. at Table 9. The rate of increase in import penetration is greater than the increase in the absolute volume of imports in the years 1981 through 1983 because of decreasing domestic consumption during that period.

34/ Id. at Table 12.

35/ Id. at Table 13.

36/ Id. at Table 14.

37/ This pervasive underselling can be compared with the situation in Thin Sheet Glass from Switzerland, Belgium, and the Federal Republic of Germany, Invs. Nos. 731-TA-126, 127, and 128, USITC Pub. 1376 (1983). In Thin Sheet Glass, generally higher prices prevailed for the admittedly higher quality imports.

38/ Tr. at 14-15. See Report at Tables 12-13.

imported FENL exclusively because they believe that FENL from both the petitioner and Kirkhill is of poor quality. 39/

The parties in opposition to the petition have argued that the causes of injury are related exclusively to the quality of the petitioner's products. 40/ 41/ Their arguments center on alleged greater flexibility and stretching of the imported material leading to better fit, greater fashion appeal, greater product durability, and greater product functionality. Several purchasers stated that they would not purchase the domestic product even at prices below the Japanese. 42/ These arguments do not convince us that the injury being suffered by the domestic industry is caused solely by reasons other than the allegedly LTFV imports.

For example, the parties in opposition to the petition assert that if defective material is found, the Japanese producer or trading company provides a replacement while the petitioner only grants a negotiated credit. 43/ However, the petitioner states that where it only granted a partial credit for

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39/ Report at A-26.

40/ E.g., Yamamoto brief at 10-11; Daiwa brief at 17; letter from Blue Water; Tr. at 63, 81, 124-26.

41/ Although the Commission does not weigh causes of injury, H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979), where injury to a domestic industry is caused exclusively by factors other than the allegedly LTFV imports, a negative finding is required. Where the allegedly LTFV imports are one of the causes of injury and, regardless of other causes, there is a sufficient causal nexus between the imports and the injury, an affirmative finding is required. Certain Tapered Roller Bearings and Parts Thereof from Japan, the Federal Republic of Germany, and Italy, Invs. Nos. 731-TA-120, 121, and 123 (Preliminary), USITC Pub. 1359 (1983) (compare Views of Chairman Eckes finding a causal nexus with Views of Commissioner Stern, dissenting on the ground that there was no such nexus). The Commission has relied, inter alia, on quality considerations in negative preliminary determinations. Thin Sheet Glass from Switzerland, Belgium, and the Federal Republic of Germany, Invs. Nos. 731-TA-127, 128, and 129 (Preliminary), USITC Pub. 1376 (1983).

42/ Report at A-26.

43/ Tr. at 132-33 and confidential postconference submissions.

returned goods, the returns were due to errors in the purchaser's orders, not to defective material. When petitioner's FENL was defective, petitioner states that 100 percent credits were granted. 44/

With regard to the allegations of its very limited color selection, petitioner has supplied a sales sample book that includes a much wider range of colors. Although many of these colors may be custom colors or are otherwise not generally available, we cannot simply accept respondent's allegations based on the record at this time.

Most importantly, however, is the lack of usable test data that would provide an objective basis for evaluating the quality arguments, particularly regarding the stretchability and flexibility of the competing FENLs that lead us to reject respondent's argument at this time. In view of the conflicting information and statements of the parties regarding quality and in view of the lack of objective data to resolve these conflicts, we cannot find the allegedly inferior quality of the domestic product to be the cause of the condition of the domestic industry. We must conclude, on the present record, that there is a reasonable indication that the material injury being suffered by the domestic industry is caused by the allegedly LTFV imports. 45/

44/ Id. at 155 and confidential postconference submissions.

45/ Chairwoman Stern emphasizes that her analysis in this case is necessarily limited by the information currently on the record (or the information not yet developed). The current record is incomplete on several important issues, particularly the quality issue. This has resulted in part because Rubatex, the petitioner, is not represented by counsel, and did not supply a post-hearing brief and because the other domestic producer has not actively participated in the investigation. In light of the relatively low evidentiary standard of "reasonable indication" of material injury, I have given the domestic indutry the benefit of the doubt on the causation issue and other issues in this preliminary inestigation. However, I put them on notice that they will be held to a higher standard in any final inestigation, and shall be expected to participate, or at least fully cooperate in developing substantial evidence to resolve these issues.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 28, 1984, a petition was filed with the U.S. International Trade Commission by Rubatex Corp. (Rubatex), Bedford, VA, alleging that imports of fabric and expanded neoprene laminate from Japan are being sold in the United States at less than fair value (LTFV) and that an industry in the United States is materially injured or threatened with material injury by reason of such imports. Although the petitioner mailed the petition on the same date to the U.S. Department of Commerce, it received the petition on October 1, 1984.

Accordingly, effective September 28, 1984, the Commission instituted antidumping investigation No. 731-TA-206 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports from Japan of fabric and expanded neoprene laminate, provided for in items 355.81, 355.82, 359.50, and 359.60 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at LTFV.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 11, 1984 (49 F.R. 39924). 1/ The conference was held on October 22, 1984, 2/ and the briefing and vote was on November 6, 1984. The Commission notified Commerce of its determination on November 13, 1984.

Fabric and expanded neoprene laminate has not been the subject of any other investigation conducted by the Commission, and no other form of import relief is currently being sought by the petitioner or any other member of the domestic industry.

The Product

Description

The product under investigation, fabric and expanded neoprene laminate, is a textile fabric and rubber composite that is used as a fabric. The textile fabric is usually nylon, or nylon and spandex, 3/ and the rubber is an

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1/ Copies of the Commission's and Commerce's notices are shown in app. A.

2/ A list of those appearing in support of and in opposition to the petition is shown in app. B.

3/ Spandex is a manmade fiber in which the fiber-forming substance is a long-chain synthetic polymer made up of at least 85 percent of a segmented polyurethane and having characteristics of good elongation and recovery.

expanded rubber, usually neoprene or a blend predominantly of neoprene. 1/ The nylon may be laminated to one or both sides of the rubber. If the finished product is to have fabric laminated to only one side, then the rubber surface can be textured in various patterns to enhance customer appeal.

According to the American Society for Testing & Materials (ASTM), 2/ expanded rubber is a type of cellular rubber having closed cells dispersed throughout the rubber mass. Sponge rubber, in contrast, is a cellular rubber consisting predominantly of open cells dispersed throughout the mass. There is some inconsistency in use of the term "sponge rubber," because in the trade, closed-cell material is sometimes called sponge rubber, but it would be referred to as expanded rubber in ASTM terminology.

Nylon or nylon blended fabrics are used in the laminate, because they have the desired stretch and tensile-strength properties. The domestic producers use two major types and constructions of these fabrics in making the laminate. The main one, which is of warp knit construction, consists of 40-denier nylon yarn (81 percent) and 30-denier spandex (19 percent). The other one is of circular jersey knit construction, consisting entirely of 70-denier nylon yarn. Less important fabric constructions are terries and plushes.

The nylon fabrics are available in various colors and constructions. Often, one color fabric is laminated to one side of the neoprene and a different color fabric is laminated to the other side. The domestic producers offer approximately 16 different colors of the laminated fabric, but imported laminated fabrics are reported to be offered in 20 to 30 different colors. Given the numerous colors and constructions of fabric that are available, a large number of different color and fabric combinations are available.

Fabric and expanded neoprene laminate is sold in both sheet and roll form. 3/ The domestic producers' rolls measure from 40 to 44 inches in width and 50 feet in length; their sheets measure 40 or 44 inches by 120 inches. The imported fabric generally consists of sheets measuring either 44 inches by 80 inches or 50 inches by 126 inches. The thicknesses of the fabric and expanded neoprene laminate range from about 1/16 inch to about 3/8 inch, depending on the requirements of the end product. Domestically produced laminates are available principally in 1/16-inch, 3/32-inch, 1/8-inch, 3/16-inch, 1/4-inch, and 3/8-inch thicknesses. The imported product is available in thicknesses ranging from 0.5 to 9.0 millimeters, with 2.0, 2.5, 3.0, 4.0, 5.0, and 6.0 millimeters being the most widely used.

1/ Neoprene is a synthetic rubber made by the polymerization of chloroprene and characterized by superior resistance to decomposition by oils, oxygen, ozone, and many other substances.

2/ American Society for Testing & Materials, "Standard Specifications for Flexible Cellular Materials, Sponge or Expanded Rubber," Annual Book of ASTM Standards, ASTM D 1056-78, pp. 1-14.

3/ Only Rubatex offers rolls for sale.

Manufacturing processes

The manufacturing processes involved in producing fabric and expanded neoprene laminate consist of manufacturing the expanded neoprene and then laminating or adhering the fabric to one or both sides of the rubber.

U.S. manufacturing processes.--The manufacturing processes of Rubatex are described in the petition. Manufacturing processes of Kirkhill Rubber Co., the other domestic producer, are believed to be substantially the same as those employed by Rubatex.

At Rubatex, neoprene monomer is purchased along with all of the other basic ingredients and chemicals required to produce expanded neoprene. Neoprene is mixed with specified amounts of carbon black, calcium carbonate, mineral oil, and other chemicals required to produce a finished rubber with the desired characteristics. The ingredients are placed in a type of mixer common in the rubber industry where they are heated and mixed. The heated mixture is discharged into a roll mill for blending and cooling. This material is again placed in mixers along with vulcanizing chemicals and other chemicals that decompose upon heating to form nitrogen gas. The gas-forming chemicals are called "blowing agents" by the industry and are critical to the process as they form the closed cells in the finished rubber.

After mixing, blending, and cooling, the neoprene mix is extruded into a continuous ribbon which is conveyed on a moving belt through an oven. Vulcanization and formation of closed cells in the rubber takes place in the oven at elevated temperatures. An expansion by more than double in the dimensions of the rubber ribbon takes place as the blowing agents decompose into small nitrogen bubbles trapped within the vulcanizing neoprene. The expanded neoprene is cut into 50-foot lengths as it exits from the oven. The chemical reactions initiated by the vulcanization process continue at a diminished rate after cooling, and then the 50-foot sheets are allowed to age and stabilize for about 2 weeks. The sheets are about 1/2 inch thick and 40 to 44 inches wide at this stage.

Some of the stabilized rubber is then cut into 10-foot lengths, following which the 10-foot and 50-foot sheets are split into thicknesses ranging from 1/16 inch to 3/8 inch. As the sheets are fed through the splitting machines, the edges of the sheets are trimmed to exact dimensions, leaving very little scrap.

Most, if not all, of the equipment used to produce expanded neoprene sheets at Rubatex can be, and is, used to produce other expanded rubber products, such as insulation for air-conditioning tubing or automobile gaskets.

The final manufacturing process is the lamination of a textile fabric to the sheet of expanded neoprene. In this process, a special rubber adhesive is applied to one side of the split expanded neoprene with a coating machine. Then the fabric is rolled onto the adhesive-coated neoprene and is passed through a vulcanizer that bonds the fabric to the neoprene, thus forming the laminate. If fabric is to be applied to both sides of the expanded neoprene, the sheet or roll makes another pass through the lamination operation, and fabric is applied to the other side.

Rubatex currently manufactures three grades of expanded neoprene for use in its laminates, which are designated as R-131-N, G-231-N, and R-1400-N. Grade R-131-N is the newest formulation used by Rubatex and is said to offer improved characteristics of softness, lightness, and flexibility. Grade G-231-N differs from the other grades in that blowing agents are not added to the rubber to produce the closed cells by internal gassing. This grade is manufactured by placing partially vulcanized rolls of neoprene in heated cylinders that are then pressurized to 5,000 pounds per square inch with nitrogen gas. The gaseous nitrogen is physically forced into the partially cured neoprene, and the vulcanization process traps nitrogen in the form of small bubbles within the neoprene.

Japanese manufacturing processes.--Information on the Japanese manufacturing processes was obtained for the most part from the petition, although some information was supplied by purchasers of fabric and expanded neoprene laminate who have visited the Japanese plants.

The formulation and mixing of the ingredients for the neoprene rubber by producers in Japan is similar to that of the U.S. producers. The mix is discharged, blended in a roll mill, and cut into strips. After cooling, the preformed sheets are partially vulcanized in a press. The final vulcanization and formation of the expanded neoprene is carried out in a larger press mold. This provides sheets of expanded neoprene of a standard size. The cured sheets are then split into various thicknesses. In the Japanese splitting operation, the standard thicknesses are measured in metric units. Each Japanese producer offers fabric laminated to different grades of neoprene, with the size of the closed cell varying among the different grades. Those grades of material with small cells are the most dense and most expensive, and grades with large cells are the least expensive. Lamination of nylon and spandex fabric to the expanded neoprene is believed to be essentially the same in Japan and the United States.

The most significant difference in the U.S. and Japanese manufacturing processes seems to be that Rubatex uses a continuous process to make most of its expanded neoprene (the exception being the premium G-231-N grade, which is produced by external gassing). In contrast, the Japanese process forms the expanded neoprene to specified dimensions in molds.

Uses

Fabric and expanded neoprene laminate is used to manufacture primarily wet suits, which are used mostly for diving and surfing apparel. Other uses of the fabric include various related recreational products, such as apparel for sailing, kayak cockpit-covers, weight-reducing belts, and ski masks. Less important uses of this fabric include such products as bottle and can holders, cases for eye glasses, table mats, and pads for medicinal purposes.

According to wet suit manufacturers, quality is generally more important than price when selecting a fabric and expanded neoprene laminate. The laminated fabric must be durable and comfortable, as well as appealing. Because of the nature and type of use of the end products, the durability of the laminated fabric is constantly being tested. The fabric must be abrasion and cut resistant to sharp or rough objects, resistant to strength

deterioration as a result of repeatedly becoming wet or damp and then dry again, and resistant to fading because of exposure to sunlight, water, and wind. Comfort is important, since it is worn next to the body, usually in various or abruptly changing temperatures, while the wearer is actively moving about. The end product is also more likely to bind or chafe if it resists stretching or is not smooth. Fashion, style, and color often determine which product is purchased. The availability of various colors or color combinations is important, since the majority of the products are purchased by individuals for recreational or sport purposes. Fashion is less important to purchasers for professional uses; however, they constitute only a small segment of the market. Professional divers reportedly often prefer wet suits made of a high-quality fabric and expanded neoprene laminate such as Rubatex's G-231-N, since the pressure-induced gas bubbles help provide excellent temperature insulation, shock cushioning, and floatability. Rubatex is the only known firm, domestic or foreign, that produces a grade of expanded neoprene by the more expensive external gassing method.

U.S. tariff treatment

Imports of the product under investigation may be classified in items 355.81, 355.82, or 359.50 of the TSUS depending on their composition. 1/ If the product weighs over 44 ounces per square foot and contains 50 percent or less, by weight, of textile fibers, 2/ it is classified under item TSUS 359.50. All other products, pursuant to headnote 2(c), part 4C, of schedule 3 are classified under TSUS items 355.81 (if over 70 percent by weight of rubber or plastics) or TSUS item 355.82 (if 70 percent or less by weight of rubber or plastics). TSUS items 355.81, 355.82, and 359.50 also include many fabrics other than those considered in this investigation.

The column 1 (most-favored-nation) rates of duty for TSUS items 355.81, 355.82, and 359.50 are 5.1 percent ad valorem, 6 cents per pound plus 11.8 percent ad valorem, and 14 cents per pound plus 24 percent ad valorem, respectively (table 1). The column 2 rates of duty 3/ for TSUS items 355.81, 355.82, and 359.50 are 25 percent ad valorem, 84.5 percent ad valorem, and 83.5 percent ad valorem, respectively. As a result of concessions made during the Tokyo round of multilateral trade negotiations (MTN), the column 1 rates of duty for these items are scheduled to be reduced as shown in table 1. Imports entered from least developed developing countries (LDDC's) under TSUS

1/ The petitioner also included TSUS item 359.60 in its petition, but it is doubtful that fabric and expanded neoprene laminate would be included under this number since it provides for laminated fabrics of other than manmade fibers.

2/ For the purpose of the tariff schedules, in determining the component fibers of chief value in coated, filled, or laminated fabrics and articles wholly or in part thereof, the coating or filling or the nontextile laminating substances shall be disregarded in the absence of context to the contrary.

3/ Applicable to countries enumerated in general headnotes 3(f) of the Tariff Schedules of the United States Annotated (TSUSA).

Table 1.--Woven or knit fabrics coated or laminated with rubber or plastics: Pre-MTN col. 1 rates of duty and staged reductions in the col. 1 rates, as of Jan. 1, of 1980-88

(Percent ad valorem; cents per pound)

Period	TSUS item 355.81	TSUS item 355.82	TSUS item 359.50
Pre-MTN 1/	6.0%	12.5¢ + 15.0%	25.0¢ + 30.0%
1980	6.0%	12.5¢ + 15.0%	25.0¢ + 30.0%
1981	6.0%	12.5¢ + 15.0%	25.0¢ + 30.0%
1982 2/	5.7%	10.0¢ + 13.9%	20.0¢ + 28.0%
1983	5.4%	8.0¢ + 12.8%	18.0¢ + 26.0%
1984	5.1%	6.0¢ + 11.8%	14.0¢ + 24.0%
1985	4.8%	4.0¢ + 10.7%	10.5¢ + 22.0%
1986	4.5%	2.0¢ + 9.6%	7.0¢ + 20.0%
1987	4.2%	8.5%	3.0¢ + 18.0%
1988	4.2%	8.5%	16.0%

1/ Rate effective prior to Jan. 1, 1980.
2/ The first staged reduction became effective Jan. 1, 1982.

item 355.81 are granted a preferential rate of 4.2 percent ad valorem. 1/ Also, imports under item TSUS 355.81 from all designated beneficiary developing countries except Taiwan (but including all LDDC's) are eligible for duty-free treatment under the Generalized System of Preferences (GSP). 2/ There are no preferential rates for imports entered under TSUS items 355.82 or 359.50 from LDDC's or GSP countries. Although TSUS items 355.81, 355.82, and 359.50 contain manmade fiber fabrics, they are not subject to the Arrangement Regarding International Trade in Textiles, commonly known as the Multifiber Arrangement (MFA), because of their large nontextile content.

The Nature and Extent of Alleged Sales at LTFV

Rubatex alleges in its petition that imports of fabric and expanded neoprene laminate from Japan are being sold in the United States at less than their cost of production. Comparisons were made between a constructed cost of production in Japan (which was based on Rubatex's costs with adjustments for different labor rates) and U.S. selling prices of imports from two Japanese producers (Daiwa Rubber & Chemical Industry and Yamamoto Corp.). Resulting LTFV margins for the three products examined were as follows:

1/ The preferential rates of duty in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items which are the products of LDDC's enumerated in general headnote 3(d) of the TSUS.
2/ The GSP, enacted as title V of the Trade Act of 1974, and extended by the Trade Act of 1984, provides duty-free treatment for specified eligible articles imported from designated beneficiary developing countries and is scheduled to remain in effect until July 1993.

	Alleged cost of production	Alleged U.S. selling price	Alleged LTFV margin
	Per square foot	Per square foot	Percent
Daiwa:			
1/8-inch fabric-------	$0.8384	$0.7767	7.3
3/16-inch fabric------	.9483	.8942	5.7
1/4-inch fabric-------	1.0582	1.0295	2.7
Yamamoto:			
1/8-inch fabric-------	.8384	.7650	8.7
3/16-inch fabric------	.9483	.9620	-
1/4-inch fabric-------	1.0582	.9483	2.1

The U.S. Market

Apparent U.S. consumption

Apparent U.S. consumption of fabric and expanded neoprene laminate declined by *** percent during 1981-83 but increased by *** percent during January-September 1984 when compared with consumption in January-September 1983. The increase in apparent U.S. consumption during January-September 1984 could reflect new markets for this product. Estimates of apparent U.S. consumption of fabric and expanded neoprene laminate, according to data submitted in response to the Commission's questionnaires, are as follows (in thousands of square feet):

	Apparent U.S. consumption
1981----------	***
1982----------	***
1983----------	***
January-September--	
1983----------	***
1984----------	***

U.S. producers

Rubatex is the larger of the two U.S. producers of fabric and expanded neoprene laminate, accounting for about *** percent of domestic production. In addition to producing fabric and expanded neoprene laminate, Rubatex produces numerous other expanded rubber products. All of Rubatex's manufacturing facilities for producing expanded rubber products are located in Bedford, VA. In 1983, sales of fabric and expanded neoprene laminate accounted for about *** percent of net sales of Rubatex's establishment in which this material is produced.

Rubatex is a wholly owned subsidiary of Great American Industries, Inc., located in Binghamton, NY. Rubatex, one of the pioneers in the production of

expanded rubber products, began operation in 1935. They now have sales offices in *** major cities throughout the United States, in addition to *** foreign sales offices located in ***, ***, and ***. Rubatex also maintains three warehouses, located in Santa Fe Springs, CA; Decatur, GA; and St. Louis, MO.

The only other domestic producer of fabric and expanded neoprene laminate is Kirkhill Rubber Co., located in Brea, CA. Kirkhill is independently owned and operated.

U.S. importers

In 1984, approximately 20 firms imported fabric and expanded neoprene laminate classified under TSUS items 355.81, 355.82, and 359.50. These firms consist of at least two Japanese trading companies and one broker, all of which import, warehouse, and sell to individual wet suit manufacturers. The remaining importers of record are domestic wet suit manufacturers. The importers are located primarily along the west coast, with the balance located mostly on the east and gulf coasts. The following tabulation shows importers that responded to the Commission's questionnaires and their related firms, if any:

Importer	Related firm
*	*
*	*
*	*
*	*
*	*
*	*
*	*

Channels of distribution

Domestic producers of fabric and expanded neoprene laminate sell directly to fabricators (i.e., wet suit makers, surface suit makers, and other processors). Imported fabric and expanded neoprene laminate is either purchased directly from Japan by fabricators or imported through a trading company which then sells to the fabricators.

Consideration of Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

As the larger of the two producers of fabric and expanded neoprene laminate, Rubatex accounted for *** percent of U.S. production in 1981 and *** percent in 1983. U.S. production of fabric and expanded neoprene laminate fell by *** percent during 1981-83 and by *** percent during January-September 1984 compared with that in January-September 1983 (table 2). Neither domestic producer reported any significant losses in production because of employment-related problems, temporary equipment-related problems, source problems, transition problems, or any other unusual circumstances in their fabric and expanded neoprene laminate plants during this period. The drop in production during January 1981-September 1984 also was not a result of a reallocation of resources to any foreign subsidiaries.

Table 2.--Fabric and expanded neoprene laminate: U.S. producers' production, practical capacity, and capacity utilization, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Production					
1,000 square feet	***	***	***	***	***
Practical capacity 1/--do	***	***	***	***	2/ ***
Ratio of production to capacity-------percent	***	***	***	***	***

1/ Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operations. Capacities are based upon 1983 ratios of production of 1-sided and 2-sided laminations of expanded neoprene.

2/ * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

* * *. Practical capacity to produce laminations on both sides of the expanded neoprene is one-half the capacity to produce laminations on one side, because the expanded neoprene passes through the lamination process two times. Equipment is not now available that will laminate fabric simultaneously to both sides of the expanded neoprene. In addition, the share of production accounted for by 1-sided laminations and 2-sided laminations varies from year to year and during the year. Consequently, 1983 production for each firm was selected as the product mix to be used to establish annual practical U.S. capacity.

Product thicknesses are not a limiting factor in practical capacity; nevertheless, both domestic producers were asked to provide data for ranges of thicknesses and laminations for their production in 1983. Their responses to that request are shown below:

	Percentage distribution of total 1983 production	
	Rubatex	Kirkhill
Thickness:		
3/32-inch (or 2mm) or less	***	***
Over 3/32-inch (or 2mm) to 1/8-inch (or 3mm)	***	***
Over 1/8-inch (or 3mm) to 3/16-inch (or 5mm)	***	***
Over 3/16-inch (or 5mm) to 1/4-inch (or 6mm)	***	***
Over 1/4-inch (or 6mm) to 3/8-inch (or 10mm)	***	***
Total	100	100

Lamination:		
One side only	***	***
Two sides	***	***
Total	100	100

Capacity utilization for the production of fabric and expanded neoprene laminate declined from *** percent during 1981 to *** percent during 1983 and from *** percent during January-September 1983 to *** percent during January-September 1984.

From the point at which the expanded neoprene is split into different thicknesses, the domestic producers manufacture fabric and expanded neoprene laminate separately from other expanded rubber products. Operating its fabric and expanded neoprene laminate producing facility *** hours per week, *** weeks per year, Rubatex's capacity to produce fabric and expanded neoprene laminate *** at *** square feet per year during 1981-September 1984. Kirkhill's capacity, based upon operating the firm's fabric and expanded neoprene facilities *** hours per week, *** weeks per year, was *** at *** square feet per year during 1981-83, but was *** by *** percent during January-September 1984. * * *. During 1981-September 1984, Rubatex's maximum utilization rate of *** percent and Kirkhill's maximum rate of *** percent *** occurred during ***.

U.S. producers' domestic shipments, intracompany shipments, and exports

The trend for U.S. producers' shipments parallels that for its production (table 3). During 1981-83, U.S. producers domestic shipments dropped by *** percent in quantity and *** percent in value; intracompany shipments dropped by *** percent in quantity and an estimated *** percent in value; and exports fell by *** percent in quantity and *** percent in value. The trend continued during January-September 1984, when domestic shipments fell by *** percent in quantity and *** percent in value, and intracompany shipments fell by *** percent in quantity and an estimated *** percent in value, from the levels reported during the corresponding period of 1983.

Domestic producers' exports fell by *** percent in quantity and *** percent in value during January-September 1984 when compared with those in January-September 1983. Exports accounted for *** percent of the total quantity of fabric and expanded neoprene laminate shipped during 1981 and *** percent of the 1983 total.

U.S. producers' inventories

U.S. producers' end-of-period inventories of fabric and expanded neoprene laminate declined by *** percent during 1981-83 (table 4). The level of inventories at the end of September 1984, however, was *** percent above that at the end of September 1983. As a share of the total quantity shipped during the preceding period, inventories increased from *** percent in 1981 to *** percent in 1983 and from *** percent in January-September 1983 to *** percent in January-September 1984.

Table 3.--Fabric and expanded neoprene laminate: U.S. producers' domestic shipments, intracompany shipments, and exports, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
	Quantity (1,000 square feet)				
Domestic shipments 1/	***	***	***	***	***
Intracompany shipments 2/	***	***	***	***	***
Export shipments	***	***	***	***	***
Total	***	***	***	***	***
	Value (1,000 dollars)				
Domestic shipments 1/	***	***	***	***	***
Intracompany shipments 2/	3/ ***	3/ ***	3/ ***	3/ ***	3/ ***
Export shipments	***	***	***	***	***
Total	***	***	***	***	***

1/ Excluding intracompany shipments.
2/ * * *.
3/ * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 4.--Fabric and expanded neoprene laminate: U.S. producers' inventories as of Dec. 31 of 1981-83, Sept. 30, 1983, and Sept. 30, 1984

Item	December 31--			September 30--	
	1981	1982	1983	1983	1984
Inventories 1,000 square feet--	***	***	***	***	***
Ratio of inventories to total shipments during the preceding period----------percent--	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. employment, wages, and productivity

The average number of U.S. production and related workers producing fabric and expanded neoprene laminate fell by *** percent from 1981 to January-September 1984 (table 5). Total compensation paid to those workers fell by *** percent during 1981-83 and by *** percent during January-September 1984 compared with that paid during January-September 1983. Their average hourly compensation, however, increased during each reporting period, from $*** in 1981 to $*** in January-September 1984. Worker productivity *** in 1982, *** to a period *** in 1983, and then reached a period *** during January-September 1984. Similarly, unit labor costs *** in 1983, *** to a period *** in 1983, and then *** sharply during January-September 1984. Rubatex's workers are represented by the United Rubber Workers of America; Kirkhill's workers are not represented by a union.

Financial performance of U.S. producers

* * * * * * *

Selected financial data on Rubatex's fabric and expanded neoprene laminate operations are shown in table 6. * * *. * * *. The company did provide a *** figure for the *** period. According to this figure, Rubatex's sales of fabric and expanded neoprene laminate have been on a steady decline since 1981. Between 1981 and 1983 sales declined by *** percent from $*** to $***. The trend continued into January-September 1984, when sales fell by *** percent from those in the corresponding period of 1983. In addition to declining sales, the company has been plagued by rising product costs and period expenses, which have eroded the gross and operating margins. During 1982 and 1983, product costs rose from *** percent of net sales to *** percent, and period expenses rose *** from *** to *** percent. Within the product cost category, every element (raw materials, direct labor, and other factory costs) increased, although the most significant increase occurred in raw materials, from *** percent of net sales to *** percent. As a result, gross profit fell from *** percent of net sales in 1982 to *** percent in 1983, and net operating income fell from *** percent of net sales to *** percent.

The trend in the deterioration of margins continued into January-September of 1984, when the level of product costs continued to rise, again led by rising raw material costs. There was a reduction in the level of general, selling, and administrative expenses (from *** percent of net sales in January-September 1983 to *** percent in January-September 1984), but this was not enough to stem the further erosion of the operating margin from *** percent of net sales during January-September 1983 to *** percent during January-September 1984.

Data for Rubatex's total operations for its establishment in which fabric and expanded neoprene laminate is produced are shown in table 7. Fabric and expanded neoprene laminate constituted ***, ***, and *** percent of establishment sales in 1981, 1982, and 1983, respectively. The decline of this product continued into January-September of 1984, when fabric and expanded neoprene laminate accounted for *** percent of establishment sales (compared with *** percent during January-September 1983).

Table 5.—Average number of U.S. producers' employees, total and production and related workers producing all products and those producing fabric and expanded neoprene laminate; hours worked by, wages paid to, total compensation paid to, and average hourly compensation paid to such workers; output per man-hour; and unit labor cost in producing fabric and expanded neoprene laminate, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Average employment:					
All persons	***	***	***	***	***
Production and related workers producing—					
All products	***	***	***	***	***
Fabric and expanded neoprene laminate	***	***	***	***	***
Hours worked by production and related workers producing--					
All products--1,000 hours	***	***	***	***	***
Fabric and expanded neoprene laminate--do	***	***	***	***	***
Wages paid to production and related workers producing--					
All products 1,000 dollars	***	***	***	***	***
Fabric and expanded neoprene laminate--do	***	***	***	***	***
Total compensation paid to production and related workers producing--					
All products 1,000 dollars	***	***	***	***	***
Fabric and expanded neoprene laminate--do	***	***	***	***	***
Average hourly compensation paid to production and related workers producing--					
All products	$***	$***	$***	$***	$***
Fabric and expanded neoprene laminate	$***	$***	$***	$***	$***
Output of fabric and expanded neoprene laminate per man hour square feet	***	***	***	***	***
Unit labor cost of producing fabric and expanded neoprene laminate per 1,000 square feet	$***	$***	$***	$***	$***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 6.--Selected financial data on Rubatex's fabric and expanded neoprene laminate operations, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Net sales-----1,000 dollars--	***	***	***	***	***
Cost of goods sold:					
Raw Materials--------do----	1/	***	***	***	***
Direct labor---------do----	1/	***	***	***	***
Other factory costs--do----	1/	***	***	***	***
Total-------------do----	1/	***	***	***	***
Gross profit----------do----	1/	***	***	***	***
General, selling, and administrative expenses----------do----	1/	***	***	***	***
Net operating profit---do----	1/	***	***	***	***
Depreciation expenses--do----	1/	***	***	***	***
Cash flow from operations 2/----------do----	1/	***	***	***	***
Ratio to net sales of--					
Raw material------percent--	1/	***	***	***	***
Direct labor---------do----	1/	***	***	***	***
Other factory costs--do----	1/	***	***	***	***
Total costs of goods sold----------do----	1/	***	***	***	***
Gross profit---------do----	1/	***	***	***	***
General, selling, and administrative expenses----------do----	1/	***	***	***	***
Net operating profit-do----	1/	***	***	***	***

1/ Not available.
2/ Defined as net operating profit or loss plus depreciation expense.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

* * * * * * *

* * * * * * *

During 1981-83, Rubatex spent an annual low of $*** and a high of $*** on capital expenditures. During January-September 1984, the company spent $*** on capital expenditures compared with *** $*** for January-September 1983.
* * *.

Table 7.--Selected financial data on Rubatex's establishment in which fabric and expanded neoprene laminate is produced, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Net sales-----1,000 dollars--	***	***	***	***	***
Cost of goods sold-----do----	***	***	***	***	***
Gross profit----------do----	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars--	***	***	***	***	***
Net operating profit---do----	***	***	***	***	***
Depreciation expenses--do----	***	***	***	***	***
Cash flow from operations 1/----------do----	***	***	***	***	***
Ratio to net sales of--					
Cost of goods sold----------percent--	***	***	***	***	***
Gross profit---------do----	***	***	***	***	***
General, selling, and administrative expenses percent--	***	***	***	***	***
Operating income-----do----	***	***	***	***	***

1/ Defined as net operating profit plus depreciation expense.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

* * *. * * *. Rubatex's expenditures on research and development related to fabric and expanded neoprene laminate increased by *** percent during 1981-83, from $*** in 1981 to $*** in 1983.

Consideration of Threat of Material Injury to an Industry in the United States

In its examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of allegedly LTFV imports, the capacity of producers in the exporting country to generate exports, the availability of export markets other than the United States, and other factors, such as U.S. importers' inventories.

Rate of increase of allegedly LTFV imports

Official U.S. Government statistics for imports of fabric and expanded neoprene laminate do not exist. The Commission, therefore, must rely upon questionnaires sent to all known importers of this product and upon information available from other sources to assess the levels of imports during January 1981-September 1984. 1/

According to somewhat incomplete responses to the importers' questionnaires, the available data show sharp increases in imports of fabric and expanded neoprene laminate during January 1981-September 1984. No imports of this product were discovered from any country other than Japan. Tabulated results show that imports of fabric and expanded neoprene laminate more than *** from *** square feet, valued at $***, during 1981 to 4.4 million square feet, valued at $4.4 million, during 1983. Another sharp increase was reported during January-September 1984, when imports reached 5.2 million square feet ($5.6 million) in comparison with 3.2 million square feet ($3.2 million) during January-September 1983 (table 8). It should be noted that these data are understated in that not all known importers of this product have responded to the Commission's questionnaires. Nevertheless, it is believed that the responses represent over 80 percent of total imports and that any additional data would show the same trends in the levels of allegedly LTFV imports.

Table 8.--Fabric and expanded neoprene laminate: U.S. imports for consumption from Japan, by importers, 1981-83, January-September 1983, and January-September 1984

* * * * * * *

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Rate of increase of U.S. market penetration by allegedly LTFV imports

According to available data, the ratio of imports of fabric and expanded neoprene laminate from Japan to apparent U.S. consumption increased rapidly from *** percent during 1981 to *** percent during 1982, *** percent during 1983, and *** percent during January-September 1984 (table 9).

Parties to this investigation have expressed optimism about market growth for fabric and expanded neoprene laminate. Information for 1981-83, however, generally indicates shifts in market shares of laminate producers rather than market growth.

1/ As a soliloquy to this investigation, the Commission may wish to consider requesting that the Committee for Statistical Annotations to the Tariff Schedules (the 484(e) Committee) establish new statistical annotations to the TSUSA for fabric and expanded neoprene laminate.

Table 9.--Fabric and expanded neoprene laminate: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1981-83, January-September 1983, and January-September 1984

Period	U.S. producers' shipments	Imports from Japan	U.S. producers' exports	Apparent consumption	Ratio of imports to consumption
	1,000 square feet				Percent
1981	***	***	***	***	***
1982	***	***	***	***	***
1983	***	***	***	***	***
Jan.-Sept.--					
1983	***	***	***	***	***
1984	***	***	***	***	***

Source: Compiled from information submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. importers' inventories

Inventory levels vary considerably from importer to importer. However, as of September 30, 1984, U.S. importers were holding at least *** square feet of fabric and expanded neoprene laminate in inventory, nearly double the *** square feet held as of September 30, 1983 (table 10).

Table 10.--Fabric and expanded neoprene laminate: U.S. importers' end-of-period inventories, by importers, 1981-83, January-September 1983, and January-September 1984

* * * * * * *

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Ability of foreign producers to generate exports and availability of export markets other than the United States

Foreign producers of fabric and expanded neoprene laminate identified during the course of this investigation are Asahi Rubber Co., Ltd. (Asahi), Kobe, Japan; Daiwa Rubber & Chemical Industry Co., Ltd. (Daiwa), Kobe, Japan; Misuzu Chemical Industry Co., Ltd. (Misuzu), Kobe, Japan; Sedo Chemical Co., Ltd. (Sedo), Kobe, Japan; St. Albans Rubber Co., St. Albans, England; and Yamamoto Corp. (Yamamoto), Osaka, Japan.

Data regarding the capacity, production, and capacity utilization for four of the five Japanese producers on their fabric and expanded neoprene laminate operations are shown in table 11. Operating at about *** to *** percent of capacity, these four firms together produced *** square feet of fabric and expanded neoprene laminate in 1981, *** square feet in 1982, and *** square feet in 1983.

Table 11.--Fabric and expanded neoprene laminate: Capacity, production, and capacity utilization for 4 Japanese producers, 1/ 1981-83

Item	1981	1982	1983
Capacity-------1,000 square feet--	***	***	***
Production-----------------do----	***	***	***
Capacity utilization-----percent--	***	***	***

1/ Asahi, Daiwa, Sedo, and Yamamoto. These 4 firms are believed to have accounted for nearly all exports of fabric and expanded neoprene laminate to the United States during 1981-84.

Source: Compiled from data provided by counsel for Asahi, Daiwa, Sedo, and Yamamoto.

Some additional information was also provided by counsel for Asahi, Daiwa, Sedo, and Yamamoto on those companies' exports of fabric and expanded neoprene laminate. Counsel for Asahi, Daiwa, and Sedo reported that exports to the United States for those three firms combined *** from $*** in 1981 to $*** in 1983. During the same period, their combined sales in Japan *** from $*** to $***, and exports to countries other than the United States *** from $*** to $***.

Data submitted to the Commission by counsel for Yamamoto show that its home-market sales *** from *** square feet in 1981 to *** square feet during 1983. 1/ In ***, Yamamoto's export sales *** from *** square feet during 1981 to *** square feet during 1983. Yamamoto also reported the value, in yen, of its export sales by markets (countries) for 3 fiscal years. According to that data, Yamamoto's exports to the United States accounted for *** percent of its total exports during March 1980-February 1981, *** percent during March 1981-February 1982, and *** percent during March 1982-February 1983.

1/ Data were reported by Yamamoto on the basis of sheets per year; they were converted by the Commission to square feet using Yamamoto's sheet size of *** inches by *** inches.

Consideration of the Causal Relationship Between Allegedly LTFV Imports and the Alleged Material Injury

U.S. imports

Japan was the only identified source of imports of fabric and expanded neoprene laminate during January 1981-September 1984 (table 8). Imports from Japan increased by *** percent in quantity and by *** percent in value during 1981-83, from *** square feet, valued at $***, during 1981, to 4.4 million square feet, valued at $4.4 million, during 1983. The trend continued during January-September 1984, when imports from Japan increased by 60.2 percent in quantity and by 76.4 percent in value compared with those entered in the corresponding period of 1983. Unit values of imports dropped from $*** per square foot in 1981 to $1.00 per square foot in 1983 and then increased to $1.07 per square foot during January-September 1984.

U.S. market penetration by imports

U.S. imports of fabric and expanded neoprene laminate from Japan have rapidly increased their U.S. market penetration, as shown in the following tabulation (in percent):

	Share of apparent U.S. consumption of imports from Japan
1981	***
1982	***
1983	***
January-September--	
1983	***
1984	***

The issue of product quality

Early in this investigation the Commission was alerted that there may be considerations for the purchasers of fabric and expanded neoprene laminate other than price. 1/ When the Commission's questionnaires were received from importers of record and as the discovery processes proceeded at the Commission, it became evident that particular attention should be given to the issue of qualitative differences, however defined, between the domestic and imported product. Interested parties at the Commission's conference were asked to address this issue in their arguments. 2/ The issue of quality is also a factor mentioned frequently in the discussion of lost sales allegations presented later in this report.

Position of the U.S. industry.--Rubatex, the petitioner, stands alone as the member of the domestic industry seeking relief from allegedly LTFV

1/ Letter from Henderson Aquatics, Millville, NJ, dated Oct. 9, 1984.
2/ Transcript of the conference, pp. 25 and 26.

imports. Kirkhill did not join in the petition, appear at the conference, or respond in any way other than completing the Commission's producer's questionnaire.

At the conference, Rubatex responded to the issue of quality by stating that the quality of their fabric and expanded neoprene laminate is on par with the Japanese product. According to Rubatex officials, their record of returns and allowances for defects is good. During January 1981-September 1984, allowances or credits were less than 1 percent of shipments. 1/ Rubatex's response to allegations that it shipped undersized sheets was that it hears complaints only when sheets are undersized, not when the sheets are oversized. 2/ With respect to other allegations about quality, Rubatex maintains that they have high standards of quality, established and extensive internal quality controls, quality checks and procedures, and that their fabric and expanded neoprene laminate was, and is, at least equal in all respects to that of the Japanese. 3/

Position of parties opposed to the petition.--Counsel for Yamamoto, Toyomenka, and Chugai stated that the Commission should note the consistent elements in the statements of parties in opposition to the petition, even though the parties in opposition represent diverse interests and are competitors in the market for wet suits. 4/ In addition, counsel sums the position of import interests with the statement that if the domestic industry has suffered injury, it is because of its own shortcomings and failures rather than because of imports from Japan. 5/ Rubatex's grades of expanded neoprene were repeatedly said to be inferior to those of the Japanese. 6/

The president of Blue Water, a wet suit producer, stated that his company used Rubatex fabric and expanded neoprene laminate during 1976-82 but changed to Japanese material because of dissatisfaction with Rubatex's product. 7/ He further noted that price is not the key issue, in his view, because Blue Water could have purchased Rubatex materials at a price below that of the Japanese product but chose not to do so because of quality considerations. 8/ He was asked to document that statement 9/ and did so in a postconference submission. 10/

A representative of O'Neill, a leading domestic manufacturer of garments for water-sports, outlined a long history of quality problems with Rubatex's fabric and expanded neoprene laminate. 11/ It was also stated that, for

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1/ Transcript of the conference, pp. 27-29.
2/ Ibid., p. 30.
3/ Ibid., pp. 33 and 34, 154-158, and postconference submissions by Rubatex.
4/ Ibid., pp 52 and 160.
5/ Ibid., p. 53.
6/ Ibid., pp. 56 and 57 and 73-76.
7/ Ibid., pp. 62-66.
8/ Ibid., p. 68.
9/ Ibid., p. 69.
10/ Confidential submission No. 84-427.
11/ Transcript of the conference, pp. 79-85.

O'Neill, quality and service are more important than price and that Rubatex is not competitive with Japanese manufacturers in terms of quality and service. The issue of quality was addressed further in a letter from O'Neill dated October 25, 1984. 1/

Counsel for Dive N'Surf, Body Glove, and Diving Co. of America stated that these firms have also experienced quality related problems with Rubatex fabric and expanded neoprene laminate and, according to counsel, suffered financial harm because of these quality problems. 2/

Counsel for Rip Curl, another wet suit producer, also argued that Rubatex offered a product that is not competitive with that available from Japan. In addition, Rubatex's service and customer relations were said to be poor when compared with those of the Japanese. 3/

In addition to the statements and submissions outlined above, letters for the record were received from Harvey's Custom Wetsuits, Inc.; Imperial Manufacturing Co.; and Interstate Business Consultants/International Business Consultants. Each of these letters cites problems these firms have experienced with the quality of Rubatex fabric and expanded neoprene laminate.

Prices

Prices of fabric and expanded neoprene laminate are quoted on the basis of square feet. Domestic producers sell at list prices on sales of each type of fabric and expanded neoprene laminate. At the end of the year, rebates are given to customers who have purchased large quantities. In each of the years for which information was requested, 1983 and 1984, the rebate policies were different as to the amount of the rebate and the base quantity to which the rebate was applicable.

Fabric and expanded neoprene laminate prices are quoted on a delivered basis. Delivered prices include transportation costs; however, transportation costs are paid by the purchaser, not by the producer. Freight equalization is not practiced in the industry. Both truck and rail are used, depending on the area the producer is serving, and transportation costs range from *** to *** percent of the delivered price.

Prices of imports were available from only three importers who sell to end users. Most importers of record are end users themselves and do not sell the product to unrelated parties at market prices. End-user purchases from importers are on an f.o.b. basis, with delivery costs from the docks generally paid by the end user. No discounts or end-of-year rebates are said to be offered. Transportation costs range from *** to *** percent of delivered prices. Direct purchases by end users from Japanese manufacturers are on a c.i.f. basis with the end user paying for transportation costs.

1/ Confidential submission No. 84-431.
2/ Transcript of the conference, pp. 88-92.
3/ Ibid., pp. 95-102.

Transportation costs are reported to range from *** to *** percent of the delivered price. Prices are denominated in either dollars or yen, depending on which Japanese producer is being dealt with. * * *. Volume discounts can be obtained, again depending upon the Japanese manufacturer.

There is considerable disagreement among the parties as to what are comparable products in this case. Counsel for importers and certain purchasers argue that there is no fabric and expanded neoprene laminate produced in the United States like the imported products. Rubatex contends that its traditional R-1400-N rubber, which has been on the market for several years, is essentially the same, although of a heavier density.

Since 1982, Rubatex has introduced three new fabric and expanded neoprene laminates, presumably to better compete with Japanese products in terms of softness, lightness, and flexibility. Two of these products have been discontinued. The most recently introduced product, R-131-N, is currently available, and Rubatex has supplied prices for April-September 1984. It is slightly lower in price than R-1400-N. Kirkhill supplied prices for its currently marketed laminate.

U.S. producers and importers were requested to provide actual transaction prices, net of all discounts and allowances, to their largest customer, by quarters, for January 1983-September 1984 for the following products:

> Product 1: A rubber-textile material 3/32 inch (or 2mm) in thickness with stretch-nylon fabric laminated to both sides of the expanded neoprene rubber.
>
> Product 2: A rubber-textile material 1/8 inch (or 3mm) in thickness with stretch-nylon fabric laminated to both sides of the expanded neoprene rubber.
>
> Product 3: A rubber-textile material 3/16 inch (or 5mm) in thickness with stretch-nylon fabric laminated to both sides of the expanded neoprene rubber.
>
> Product 4: A rubber-textile material 1/4 inch (or 6mm) in thickness with stretch-nylon fabric laminated to both sides of the expanded neoprene rubber.

Rubatex grade R-1400-N.--Prices and margins of underselling for R-1400-N products are presented in table 12. Grade R-1400-N prices for all products ranged from a low of $*** to a high of $***. Prices of large sales for all products declined during the period. Margins of underselling by Japanese products ranged from a low of *** percent to a high of *** percent.

Rubatex grade R-131-N.--Prices and margins of underselling for Rubatex's R-131-N are presented in table 13. This product was introduced in May 1984. Grade R-131-N prices for all products ranged from a low of $*** to a high of $***. Prices of large sales for all products remained constant over the short period for which data are available. Margins of underselling by the Japanese products ranged from a low of *** percent to a high of *** percent.

Table 12.--Fabric and expanded neoprene laminate: Prices reported by Rubatex for its R-1400-N products and margins of underselling by products imported from Japan, by products and by quarters, January 1983-September 1984

(Per square foot)

Period	R-1400-N							
	Product 1		Product 2		Product 3		Product 4	
	Price	Margin	Price	Margin	Price	Margin	Price	Margin
		Percent		Percent		Percent		Percent
1983:								
Jan.-Mar-----	$***	***	$***	***	$***	***	$***	***
Apr.-June----	***	***	***	***	***	***	***	***
July-Sept----	***	***	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***	***	***
1984:								
Jan.-Mar-----	***	***	***	***	***	***	***	***
Apr.-June----	***	***	***	***	***	***	***	***
July-Sept----	***	***	***	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 13.--Fabric and expanded neoprene laminate: Prices reported by Rubatex for its R-131-N products 1/ and margins of underselling by products imported from Japan, by products and by quarters, April 1984-September 1984

(Per square foot)

Period	R-131-N							
	Product 1		Product 2		Product 3		Product 4	
	Price	Margin	Price	Margin	Price	Margin	Price	Margin
		Percent		Percent		Percent		Percent
1984:								
Apr.-June----	-	-	$***	***	***	***	***	***
July-Sept----	$***	***	***	***	***	***	***	***

1/ Grade R-131-N was introduced in May 1984.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Kirkhill products.--Prices and margins of underselling for Kirkhill's largest sales are presented in table 14. Kirkhill's prices for all products ranged from a low of $*** to a high of $***. Prices have fallen for all but product ***, which remained constant. Prices for the Japanese products reflected a range from overselling of *** percent to underselling of *** percent. Margins of underselling exceeded *** percent in all periods for

product ***, and Japanese prices were higher in all periods reported for product *** and for several periods reported for products *** and ***.

Table 14.--Fabric and expanded neoprene laminate: Prices reported by Kirkhill and margins of underselling by products imported from Japan, by products and by quarters, January 1983-September 1984

(Per square foot)

Period	Kirkhill							
	Product 1		Product 2		Product 3		Product 4	
	Price	Margin	Price	Margin	Price	Margin	Price	Margin
		Percent		Percent		Percent		Percent
1983:								
Jan.-Mar-----	$***	***	$***	***	$***	***	$***	***
Apr.-June----	***	***	***	***	***	***	***	***
July-Sept----	***	***	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***	***	***
1984:								
Jan.-Mar-----	***	***	***	***	***	***	***	***
Apr.-June----	***	***	***	***	***	***	***	***
July-Sept----	***	***	***	***	-	-	-	-

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Japanese products.--Weighted-average prices for the largest sales of imported Japanese fabric and expanded neoprene laminate are reported in table 15. Prices for all Japanese products ranged from a low of $*** per square foot to a high of $***. There was a slight *** trend in prices until July-September 1984, when prices *** for all products.

Exchange rates

The value of the Japanese yen depreciated significantly in relation to the U.S. dollar, both in nominal terms and in real terms, during 1981-83 (table 16). From January-March 1981 through July-September 1984, the nominal rate declined irregularly by 10.5 percent. The real exchange rate, which takes into account the relative rates of inflation in Japan and the United States declined by 17.4 percent during this period.

Lost sales

The domestic producers were asked to furnish the Commission with customer names, quantities, and dates relating to any sales of fabric and expanded neoprene laminate they lost to like products from Japan since January 1, 1981. Rubatex reported that it lost sales to *** accounts for calendar year 1984 that would have amounted to *** square feet, valued at $*** (table 17).

Table 15.--Fabric and expanded neoprene laminate: Prices reported by importers of products from Japan, 1/ by products and by quarters, January 1983-September 1984

(Per square foot)

Period	Importers of products from Japan			
	Product 1	Product 2	Product 3	Product 4
1983:				
Jan.-Mar	$***	$***	$***	$***
Apr.-June	***	***	***	***
July-Sept	***	***	***	***
Oct.-Dec	***	***	***	***
1984:				
Jan.-Mar	***	***	***	***
Apr.-June	***	***	***	***
July-Sept	***	***	***	***

1/ All import prices are for merchandise from Japan. * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 16.--Indexes of the nominal and real exchange rates between the U.S. dollar and the Japanese yen, by quarters, January 1981-September 1984 1/

(January-March 1981=100)

Period	Nominal exchange rate index	Real exchange rate index
1981:		
January-March	100.0	100.0
April-June	93.4	94.5
July-September	88.6	87.9
October-December	91.5	90.5
1982:		
January-March	88.0	86.7
April-June	84.2	83.1
July-September	79.4	78.7
October-December	79.2	78.3
1983:		
January-March	87.2	84.6
April-June	86.5	82.8
July-September	84.8	80.5
October-December	87.8	82.5
1984:		
January-March	89.0	82.8
April-June	89.5	82.6

1/ Based on exchange rates expressed in U.S. dollars per unit of yen.

Source: Compiled from data reported by the International Monetary Fund.

Table 17.--Fabric and expanded neoprene laminate: Lost sales reported by Rubatex, by customers, January 1981-September 1984

* * * * * * *

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Kirkhill reported that it lost *** annual accounts, *** in 1982 and *** in 1983, for unspecified quantities of fabric and expanded neoprene laminate, valued at $***, in *** of the 2 years. The allegations involve all thicknesses and laminations of fabric and expanded neoprene laminate. * * *. * * *. The *** consumers of fabric and expanded neoprene laminate identified by Rubatex as lost sales included the *** firms named by Kirkhill. All were contacted by the Commission, and all confirmed that they purchased fabric and expanded neoprene laminate from Japan. Most stated, rather strongly in some instances, that they were purchasing from Japan because the Japanese offered better material than that available domestically. Numerous comments were made about poor-quality products received from both Rubatex and Kirkhill. The quality of the U.S.-made textile fabrics laminated to the expanded neoprene was said to be inferior to those available from Japan, both in durability and appearance. Complaints were voiced about undersize sheets, variations in the thicknesses of the sheets, defective expanded neoprene, poor service, and even worse customer relations by Rubatex.

All of the identified customers, or former customers, stated that quality was the primary reason they purchased from Japan, along with superior service as a secondary reason. Some said they would prefer to purchase domestically if the same quality and characteristics of the imported product were available from U.S. sources. None would say that price was the principal consideration in their purchases of fabric and expanded neoprene laminate for the wet suit business.

* * * * * * *

Some of the firms listed as lost sales appeared at the Commission's conference in opposition to the petition. A comparison of table 17 with table 8 shows that a number of the firms listed under alleged lost sales are now importers of record.

Lost revenues

Both Rubatex and Kirkhill stated in their questionnaire responses that they had lost revenues as a result of making some price concessions or price related concessions that would not have been made in the absence of Japanese fabric and expanded neoprene laminate in the U.S. market. The specifics of the lost revenue allegations were vague and not quantified in either a unit of measurement or in value.

APPENDIX A

FEDERAL REGISTER NOTICES

[Investigation No. 731-TA-206; Preliminary]

Fabric and Expanded-Neoprene Laminate From Japan

AGENCY: United States International Trade Commission.

ACTION: Institution of a preliminary antidumping investigation and scheduling of a conference to be held in connection with the investigation.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-206 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports from Japan of fabric and expanded-neoprene laminate, provided for in items 355.81, 355.82, 359.50, and 359.60 of the Tariff Schedules of the United States, which are allegedly sold in the United States at less than fair value (LTFV).

EFFECTIVE DATE: September 28, 1984.

FOR FURTHER INFORMATION CONTACT: Mr. Tedford Briggs (202-523-4612), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on September 28, 1984, by Rubatex Corp., Bedford, VA. The Commission must make its determination in this investigation within 45 days after the date of the filing of the petition, or by November 13, 1984 (19 CFR 207.17).

Participation

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than seven (7) days after the publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the Chairwoman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service of documents

The Secretary will compile a service list from the entries of appearance filed in this investigation. Any party submitting a document in connection with this investigation shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigation. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)).

Written submissions

Any person may submit to the Commission on or before October 24, 1984, a written statement of information pertinent to the subject matter of this investigation (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m., on October 22, 1984, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Mr. Tedford Briggs (202-523-4612) not later than 12:00 noon, October 17, 1984, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Public inspection

A copy of the petition and all written submissions, except for confidential business data, will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street NW., Washington, DC.

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

Authority: This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: October 2, 1984.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-26675 Filed 10-10-84; 8:45 am]

BILLING CODE 7020-02-M

[A-580-405]

Fabric Expanded Neoprene Laminate From Japan; Initiation of Antidumping Duty Investigation

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

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether fabric expanded neoprene laminate (FENL) from Japan is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are causing material injury, or threaten material injury, to a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 13, 1984, and we will make ours on or before March 9, 1985.

EFFECTIVE DATE: October 25, 1984.

FOR FURTHER INFORMATION CONTACT: Mary Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone: (202) 377-2438.

SUPPLEMENTARY INFORMATION:

The Petition

On October 1, 1984, we received a petition in proper form filed by Rubatex Corporation. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that the imports of the subject merchandise from Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are causing material injury, or threaten material injury, to a United States industry.

The petitioner based the United States prices on actual sales to U.S. purchasers, less foreign inland freight, ocean freight, duty, insurance, commissions, credit expenses, and U.S. inland freight. Petitioner had no information on Japanese home market or third country prices. We calculated foreign market value based on petitioner's production costs adjusted to reflect estimated Japanese costs with the statutory minimums for general expenses and profit. Based on the comparison of prices to costs calculated by the foregoing methods, we found potential dumping margins ranging from 12 to 22 percent.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an anti dumping duty investigation and whether it contains information reasonably available to the petitioners supporting the allegations.

We examined the petition on FENL and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether FENL from Japan are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by March 9, 1985.

Scope of Investigation

The product covered by this investigation is fabric expanded neoprene laminate currently classified under item numbers 355.81, 355.82, 359.50, and 359.60 of the *Tariff Schedules of the United States* (TSUS). This material is used primarily in the manufacture of wet suits and similar products for the skin diving and recreational markets.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by November 13, 1984, whether there is a reasonable indication that imports of FENL from Japan are causing material injury, or threaten material injury, to a United States industry. If its determination is negative the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Dated: October 22, 1984.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-28226 Filed 10-24-84; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE COMMISSION'S CONFERENCE

FERENCE

(Preliminary)

MINATE FROM JAPAN

States International Trade
h the subject investigation on
SITC Building, 701 E Street,

ties

ecutive Officer

g duties

later Manufacturing, Inc.

r

CALENDAR OF PUBLIC CONFERENCE--Continued

In opposition to the imposition of antidumping duties--Continued

Diving Company of America
(Hermosa Beach, CA)
Dive N' Surf
(Hermosa Beach, CA)

Richard Lesser, Counsel

Luce, Forward, Hamilton & Scripps--Counsel
San Diego, CA
on behalf of--

Trestles, Inc. (a subsidiary of Rip Curl Pty., Ltd.)

Lisa A. Sanderson--OF COUNSEL

Bayh, Tabbert & Capehart--Counsel
Washington, DC
on behalf of--

Asahi Rubber Co., Ltd.
Daiwa Rubber & Chemical Industry Co., Ltd.
Sedo Chemicals Co., Ltd.

Thomas V. Vakerics)
Kenneth G. Weigel) --OF COUNSEL

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

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