

PHOTO ALBUMS AND PHOTO ALBUM FILLER PAGES FROM HONG KONG AND THE REPUBLIC OF KOREA

**Determinations of the Commission in
Investigations Nos. 731-TA-240
and 241 (Final) Under the Tariff
Act of 1930, Together With
the Information Obtained in
the Investigations**

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note: Information which would disclose the confidential operations of individual companies may not be published and has been deleted from this report. Numerical deletions are indicated by (***); the deletions of words, phrases, and sentences by (* * *); and the deletion of whole paragraphs or tables by (* * * * * * *).

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 731-TA-240 and 241 (Final)

PHOTO ALBUMS AND PHOTO ALBUM FILLER PAGES
FROM HONG KONG AND THE REPUBLIC OF KOREA

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission unanimously determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from Hong Kong and the Republic of Korea (Korea) of photo albums and photo album filler pages, provided for in items 256.60 (albums) and 256.87, 256.90, and 774.55 (filler pages) of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Further, pursuant to section 735(b)(4)(A) of the Act (19 U.S.C. § 1673d(b)(4)(A)), the Commission also unanimously determines that the material injury in the case involving imports from Korea is not by reason of massive imports over a relatively short period to an extent that, in order to prevent such material injury from recurring, it is necessary to impose the antidumping duty retroactively on these imports.

Background

The Commission instituted these investigations effective July 16, 1985, following preliminary determinations by the Department of Commerce that imports of photo albums and photo album filler pages from Hong Kong and Korea

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

were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of July 31, 1985 (50 F.R. 31055). Commerce subsequently extended the investigations by 30 days and, accordingly, the Commission revised its hearing date (50 F.R. 40244, Oct. 2, 1985). The hearing was held in Washington, DC, on November 1, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We determine that an industry in the United States is materially injured by reason of imports of photo albums and photo album filler pages from Hong Kong which have been found by the Department of Commerce (Commerce) to be sold in the United States at less than fair value (LTFV). We also determine that an industry in the United States is materially injured by reason of such imports from the Republic of Korea (Korea). 1/

Our affirmative decision in these investigations is based on the cumulative impact of the increases in volume and market penetration of LTFV imports from Korea and Hong Kong, evidence of underselling by these imports, and the declining profitability of the domestic industry. 2/

Like product and the definition of the domestic industry

As a threshold inquiry, the Commission is required to identify the domestic industry to be examined for the purpose of making an assessment of material injury. Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 3/ Section 771(10), in turn, defines "like product" as a "product which is like, or in the absence of like, most similar in characteristics and uses with, the articles subject to an investigation" 4/

The imported products covered by these investigations are photo albums and photo album filler pages. They are used to protect and display

1/ Material retardation is not an issue in this investigation.

2/ See Additional Views of Vice Chairman Liebeler, infra; see also notes 21 and 32 at 7 and 9, infra.

3/ 19 U.S.C. § 1677(4)(A).

4/ 19 U.S.C. § 1677(10).

photographs. The imported photo albums contain three different types of pages: magnetic, flip, or pocket style. Magnetic pages (also known as self-adhesive pages) are made of paper or board that is coated with adhesive and a removable thin plastic sheet to hold and protect the photographs. Flip pages have individual plastic pockets to hold photographs that are attached with a single hinge to each page. Pocket pages are made by sealing two plastic sheets together to form pockets for the photographs. Magnetic, pocket, and flip-style pages are also distributed as filler pages. Photo albums and packages of filler pages have varying numbers of pages. 5/

Photo albums from Hong Kong and Korea usually are bound one of three ways: with three-ring binders, with spiral binders, or post-bound with two screws. They also come with several different cover materials, including paper, vinyl, vinyl-coated paper, and bonded leather. 6/

In the preliminary investigation, we determined that all types of photo albums and filler pages constituted a single product which is like the imported product regardless of the kind of binding, the type of page, the type of covering, or whether the pages were incorporated in a binder or sold separately. 7/ Consequently, we concluded that the domestic industry consisted of the U.S. producers of photo albums and filler pages. That determination was based on the use common to all types of photo albums and filler pages: protection and display of photographs. Moreover, the essential characteristic of a photo album is the pages they contain. Additionally, filler pages account for approximately 40 to 60 percent of the total cost of a

5/ Report of the Commission (Report) at A-2.

6/ Id. at A-3.

7/ Photo Albums and Photo Album Filler Pages from Hong Kong and the Republic of Korea, Invs. Nos. 731-TA-240-41 (Preliminary), USITC Pub. 1660 at 4-5 (Mar. 1985).

typical 100-page magnetic album, are incorporated into the finished product at a late stage in the production process, and have no use independent of incorporation in a photo album. We again conclude that there is one like product and one domestic industry producing photo albums and filler pages.

Condition of the domestic industry

In making a determination as to the condition of the domestic industry, the Commission considers, among other factors, changes in U.S. production, capacity, capacity utilization, employment, domestic market share, domestic prices, and profitability. 8/

The value of U.S. producers' shipments of photo albums and filler pages rose from \$79.5 million in 1982 to \$86.9 million in 1983 and then fell to \$77.4 million in 1984, a level below that in 1982. 9/ This downward trend continued in January-June 1985. While capacity increased during the period of investigation, capacity utilization declined irregularly from 49 percent in 1982 to 36 percent in January-June 1985. 10/

The number of workers employed in the domestic industry declined by 30 percent between 1983 and 1984. This decline continued in January-June 1985, dropping an additional 19 percent compared with January-June 1984. 11/

During the period of investigation, the domestic industry's share of the market dropped dramatically from 71.4 percent in 1982 to 56.7 percent in 1984. 12/ Domestic prices also decreased substantially during the period.

8/ 19 U.S.C. § 1677(7)(C)(iii).

9/ Report at A-19.

10/ Id. at A-18, Table 8.

11/ Id. at A-26.

12/ Id. at A-42, Table 23.

For example, prices for the 100-page magnetic album fell steadily and, in April-June 1985, the price dropped to 71.4 percent of the January-March 1983 base period. 13/ Prices for the pocket style album followed a similar but irregular trend reaching 71.7 percent of the base period. 14/ For the flip style album, prices dropped even more dramatically to 46.6 percent of the base price in April-June 1985. 15/

Income and loss data indicate that net sales rose from \$46.4 million in 1982 to \$52.8 million in 1983 and then dropped to \$46.5 million in 1984, and continued to fall over 20 percent in January-June 1985 compared with January-June 1984. 16/ These declines in net sales occurred despite an increase in apparent consumption. Further, aggregate operating income declined from \$1.9 million in 1982 to losses of \$2.2 million in 1984, and continued losses in January-June 1985. 17/ Finally, operating income as a share of net sales dropped steadily from a profit of 4.1 percent in 1982 to a loss of 4.8 percent in 1984. 18/

13/ Id. at A-49, Table 29.

14/ Id.

15/ Id.

16/ Id. at A-28, Table 16.

17/ Id.

18/ Id.

Based upon our evaluation of the available data, we have determined that the domestic industry is suffering material injury. 19/ 20/

Material injury by reason of LTFV imports from Hong Kong and Korea 21/

In making a determination whether the domestic industry is being materially injured "by reason of" LTFV imports from Hong Kong and Korea, the Commission considers, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the effect of such imports on the relevant domestic industry. 22/ Evaluation of these

19/ Chairwoman Stern believes that the causal context is critical to a reliable material injury determination. For instance, in a case where a new industry is showing losses, it may be well ahead of expectations and hence "healthy." Or an industry which may warrant above normal returns as a return to innovation could be judged materially injured because LTFV imports had eroded its financial position (though profits might still be "normal" by other standards). The appropriate context for the material injury finding is in conjunction with the causal analysis.

Therefore, Chairwoman Stern does not believe it necessary or desirable to make a determination on the question of material injury separate from the consideration of causality. She joins her colleagues by concluding that the domestic industry is experiencing economic problems.

20/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. The Court of International Trade recently held that:

The Commission must make an affirmative finding only when it finds both (1) present material injury (or threat to or retardation of the establishment of an industry) and (2) that the material injury is 'by reason of' the subject imports. Relief may not be granted when the domestic industry is suffering material injury but not by reason of unfairly traded imports. Nor may relief be granted when there is no material injury, regardless of the presence of dumped or subsidized imports of the product under investigation. In the latter circumstance, the presence of dumped or subsidized imports is irrelevant, because only one of the two necessary criteria has been met, and any analysis of causation of injury would thus be superfluous.

American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1276 (Ct. Int'l Trade 1984) (emphasis supplied), aff'd sub nom., Armco, Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985).

21/ Vice Chairman Liebeler joins in this section to the extent that it is consistent with the analysis set forth in her Additional Views.

22/ 19 U.S.C. § 1677(7)(B).

factors involves a consideration of (1) whether the volume of imports or increase in volume is significant, (2) whether there has been significant price undercutting by the imported products, and (3) whether imports have otherwise depressed prices to a significant degree or prevented price increases. 23/ On the basis of the available data, we have concluded that there is a causal connection between the material injury to the domestic industry and LTFV imports from Hong Kong and Korea.

In connection with our consideration of material injury by reason of LTFV imports of photo albums and filler pages from Hong Kong and Korea, we have conducted a cumulative analysis of the impact of those imports on the domestic industry. Pursuant to section 612(a)(2)(A) of the Trade and Tariff Act of 1984, the "Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with the like products of the domestic industry in the United States market." 24/

Cumulation is appropriate in this investigation because all photo albums and filler pages produced in the United States or imported from Hong Kong and Korea compete with one another in the domestic marketplace. 25/ Imports from Hong Kong and Korea have been marketed in the United States throughout the

23/ 19 U.S.C. § 1677(7)(C).

24/ 19 U.S.C. § 1677(7)(C)(iv).

25/ The Hong Kong respondents suggested that cumulation is not appropriate because "most" imports from Hong Kong do not compete with imports from Korea and the domestic like product. Instead "most" imports from Hong Kong allegedly fill unique market niches in the the domestic market. While we agree that cumulation is inappropriate when imports from one country do not compete with imports from another country, such is not the case in this investigation. Imports from Hong Kong compete as a factual matter with imports from Korea and the domestic product both in the alleged niches and across all types of photo albums.

period of investigation and throughout the domestic market. 26/ Imports from Hong Kong and Korea often compete with one another and the domestic product in the same stores.

The value of imports of photo albums and filler pages from Hong Kong and Korea has cumulatively increased by 97 percent during the period 1982-84. 27/ Imports during January-June 1985 increased by an additional 13 percent over the corresponding period of 1984. 28/ Market penetration of such imports increased dramatically from 21 percent of apparent consumption in 1982 to 33 percent in 1984. 29/ At the same time, domestic producers' market share dropped from 71.4 percent in 1982 to 56.7 percent in 1984. 30/ The increased imports from Hong Kong and Korea represent approximately 80 percent of the overall growth of imports during the period of investigation. 31/

The evidence of record indicates that imports from Hong Kong and Korea have consistently undersold the domestic like product. 32/ Margins of underselling for the most popular types of photo albums ranged from 12.9 percent to 35.8 percent for Korea and from 7.1 percent to 33.9 percent for Hong Kong, although there were some isolated instances of overselling by Hong Kong. 33/ Moreover, this increased market penetration and widespread

26/ Report at A-38, Table 20 and A-41, Table 22.

27/ Id. at A-46.

28/ Id.

29/ Id.

30/ Id. at A-42, Table 23.

31/ Id.

32/ Vice Chairman Liebeler believes evidence of underselling to be unpersuasive on the question of causation. See Certain Table Wine from the Federal Republic of Germany, France, and Italy, Invs. Nos. 701-TA-258-60 and 731-TA-283-85 (Preliminary), USITC Pub. 1771 at 34-36 (1985) (Additional Views of Vice Chairman Liebeler).

33/ Report at A-49-A-51, Tables 30-31.

underselling occurred during a period of rapidly declining prices for both imports and the domestic product. 34/ 35/

The combination of consistent underselling by LTFV imports from Korea and Hong Kong together with rapidly increasing market penetration by those imports and declining domestic profitability lead us to conclude that such imports are a cause of material injury to the domestic industry.

Critical circumstances

Commerce has made a final affirmative determination that critical circumstances exist with respect to imports of photo albums and filler pages from Korea. Therefore, we must make a determination whether:

The material injury is by reason of massive imports . . . to an extent that, in order to prevent such material injury from recurring, it is necessary to impose [antidumping duties] retroactively. 36/

In reaching a critical circumstances determination, we examine the period between the filing of the petition and Commerce's preliminary determination, assessing the volume of imports relative to previous time periods. We also examine the margin of underselling, importers' inventories, price trends, and any other factors which bear on the ability of the allegedly massive imports to postpone prompt and effective relief to the domestic industry. In this investigation, total imports from Korea actually declined in the period January-June 1985 compared with the corresponding period January-June 1984,

34/ Id. at A-49, Table 29.

35/ The Korean respondents alleged that domestic producers led the price declines and lost customers due to delivery problems. Such allegations, however, were not verified.

36/ 19 U.S.C. § 1673(d)(4).

although inventories of Korean imports have increased. 37/ Moreover, Korean prices increased and the margins of underselling dropped in January-June 1985. 38/ Therefore, we determine that critical circumstances are not present with respect to imports from Korea.

37/ Report at A-32, A-47, Table 28.

38/ Id. at A-49-A-51, Tables 30-31.

ADDITIONAL VIEWS OF VICE CHAIRMAN LIEBELER

Based on the record in Investigation No. 731-TA-240-241 (Final), I determine that a domestic industry is materially injured by reason of imports of photo albums and photo album filler pages from Hong Kong and the Republic of Korea which are being sold at less than fair value (LTFV).¹

I join with the Commission majority in their discussions of like product, domestic industry, and cumulation. Because my views on causation differ from those of my colleagues, I offer these additional views.

In order for a domestic industry to prevail in a final antidumping investigation the U.S. International Trade Commission ("Commission") must determine that the dumped imports cause or threaten to cause injury to the domestic industry producing the like product.

In Certain Red Raspberries from Canada, I set forth a framework for examining causation in Title VII investigations:²

¹Material retardation is not an issue in this investigation.

²Inv. No. 731-TA-196 (Final), USITC Pub. 1680, (1985) Additional Views of Vice Chairman Liebeler.

The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).³

These factors, when viewed together, serve as proxies for the inquiry that Congress has directed the Commission to undertake: whether foreign firms are engaging in unfair price discrimination practices that cause material injury to a domestic industry.⁴

The starting point for the five factor approach is import penetration data. This factor is relevant because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. The cumulated import penetration ratio for photo albums from Hong Kong and Korea was 21 percent of United States consumption in 1982 and increased to 33 percent in 1984.⁵ This is sufficient to satisfy the first criterion.

The second factor is a high margin of dumping. The margin of dumping is determined by the Department of Commerce

³ Inv. No. 731-TA-196 (Final), USITC Pub. 1680, (1985) Additional Views of Vice Chairman Liebeler at 16.

⁴ Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

⁵ Report at A-46. These numbers are for photo albums
(Footnote continued to page 15)

("Commerce") after the Commission has made an affirmative determination in the preliminary investigation. The higher the margin of dumping, ceteris paribus, the more likely it is that the product is being sold below marginal cost, which is a requirement for predatory pricing. For Hong Kong, Commerce has determined the weighted average margin to be 3.69 percent.⁶ With respect to imports from Korea, Commerce found that the Korean producer's responses were not submitted in acceptable form. Thus, Commerce made its determination based on the data submitted by the petitioners.⁷ The resulting weighted average margin for Korea was 64.81 percent.⁸ Because the value of imports from Hong Kong in 1984 was only 20 percent of the value of imports from Korea in that same year,⁹ the overall weighted average LTFV margin for Hong Kong and Korea together is approximately 55 percent, which is large.¹⁰

The third factor is the homogeneity of the products. The more homogeneous are the products, the greater will be the

(Footnote continued from page 14)
only, separately imported filler pages account for only a small portion of the total value of imports of photo albums and filler pages. See id. at A-45, tables 26 and 27.

⁶Report at A-9.

⁷Id.

⁸Id.

⁹Id. at A-38.

¹⁰See discussion infra.

effect of any allegedly unfair practice on domestic producers. Although there are several different kinds of filler pages and binders that hold filler pages,¹¹ the same kinds of photo albums and filler pages appear to be made both in the United States and abroad.¹² Thus, I conclude that domestic and imported photo albums are similar.

The fourth factor is declining domestic prices. Evidence of declining domestic prices, ceteris paribus, might indicate that domestic producers were lowering their prices to maintain market share. United States producers' prices for all kinds of photo albums have fallen sharply from the first quarter of 1983 through the second quarter of 1985.¹³

The fifth factor is barriers to entry. The presence of barriers to entry makes it more likely that a producer can gain market power. Hong Kong and Korea together accounted for 77 percent of U.S. imports of photo albums, by value, in 1984.¹⁴ The limited record before us suggests that there may not be any other substantial competitors to Hong Kong and Korea

¹¹See discussion in Report at A-2-A-6.

¹²Id at A-11, table 2, A-43-A-44, tables 24, 25.

¹³For domestic magnetic and pocket albums the decline has been over 25 percent, whereas for flip albums the decline has been over 50 percent. Report at A-47-A-52, tables 29-32.

¹⁴Report at A-39. Taiwan and Japan each accounted for 8 percent of United States consumption in 1984. Id.

in the world market. Thus, the fifth factor may also be present.

The determination must be made on a case by case basis. In this case, all five factors appear to favor an affirmative determination. Consequently, I conclude that imports of photo albums and photo album filler pages from Hong Kong and Korea that are being sold at less than fair value cause material injury to the domestic industry.

As a final matter, this case raises a new question involving the cumulation provision of the Trade and Tariff Act of 1984 ("1984 Act"), which parties may want to address in the future. The issue is whether cumulation is required for all of the five factors described above. The 1984 Act amended Title VII by including a new section on cumulation, section 771(c)(iv), that reads as follows:

Cumulation-For purposes of clauses (i) and (ii), the Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States.¹⁵

Section 771(c)(i) is concerned with the volume of

¹⁵19 U.S.C. § 1677(c)(iv) (1982 & 1985 supp.).

dumped¹⁶ imports¹⁷ and section 771(c)(ii) is concerned with the effect of dumped imports on prices in the United States.¹⁸ Thus, the cumulation provision directs the Commission to assess cumulatively the volume of imports and their effect on domestic prices,¹⁹ assuming the cumulation

¹⁶The cumulation provision applies to subsidized imports as well as dumped imports.

¹⁷Section 771(c)(i) reads as follows:

Volume.--In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.

19 U.S.C. § 1677(c)(i) (1982).

¹⁸Section 771(c)(iii) reads as follows:

Price.--In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether--

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

19 U.S.C. § 1677(c)(ii) (1982).

¹⁹The cumulation provision does not apply to section 771(c)(iii), which is concerned with the impact on affected industries. Section 771(c)(iii) reads as follows:

Impact on affected industry.--In examining the impact on the affected industry, the Commission shall evaluate all relevant economic factors which have a bearing on the state of the industry, including, but not limited to--

- (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,
- (II) factors affecting domestic prices, and
- (III) actual and potential negative effects on

(Footnote continued to page 19)

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of imports is appropriate.²⁰

Consequently, the cumulation provision and section 771(c)(i) require that the dumped imports from countries subject to investigation be cumulated, which is taken into account in the first factor of the test. Similarly, the cumulation provision and section 771(c)(ii) require the effect of the dumped imports from the countries subject to investigation be cumulated, which is taken into account in the fourth factor of the test. The third and fifth factors, product homogeneity and barriers to entry, deal with the goods in general, and thus apply to both countries. Thus, following what is arguably the statutory directive, cumulation is inappropriate for the second factor of the test, which is the margin of dumping.²¹

(Footnote continued from page 18)

cash flow, inventories, employment, wages, growth, ability to raise capital, and investment. 19 U.S.C. § 1677(c)(iii) (1982).

²⁰The Commission has stated that it will cumulate imports subject to investigation if the imports compete with each other and the domestic like product and if the imports were reasonably coincident. See, e.g., Views of the Commission, *supra*, at 8.

²¹Treating imports from Hong Kong and Korea together, I have reached an affirmative determination. If, however, for the purpose of looking at the second factor, the margin of dumping, Hong Kong and Korea were considered separately, the final determination would have been affirmative with respect to Korea, but negative with respect to Hong Kong. If I had followed this approach, my negative determination with respect to Hong Kong would have been based on its very low margin of dumping. On the

(Footnote continued to page 20)

The statute would seem to require that cumulated imports from countries that satisfy the criteria for cumulation should be considered together for all five factors of the test. I base this conclusion on the following reasoning. First, as I discussed in Raspberries, sections 771(c)(i) and (ii) are concerned with causation, whereas section 771(c)(iii) is primarily concerned with injury, despite its title.²² Furthermore, the Conference Report accompanying the 1984 Act notes that "[t]he provision requires cumulation of imports from various countries that each account individually for a small percentage of total market penetration but when combined may cause material injury."²³ Finally, I note that the five factor test is a test for causation, not material injury. Therefore, in this case I assumed that the cumulation provision requires the Commission to cumulate imports for the purpose of determining causation, and thus requires that imports be cumulated for all five factors of the test.²⁴

(Footnote continued from page 19)
other hand, my determination with respect to Korea, which has a large dumping margin, would have still been affirmative.

²²Raspberries, supra note 2, at 12.

²³H.R. Rep. No. 98-1156, 98th Cong., 2d Sess., reprinted in 131 Cong. record 11531, 11578 (October 5, 1984). It is worth noting that this language has been employed to argue that cumulation is inappropriate among countries when at least one country accounts for a large share of the total market. Transcript of hearing in Low-fuming brazing copper and wire rod from South Africa, Inv. No. 731-TA-247 (Final) at 44-46 (December 4, 1985)

²⁴Parties may wish to address this issue in the future.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On January 30, 1985, counsel for Esselte Pendaflex, Inc., The Holson Co., Kleer-Vu Plastics Corp., and SPM Manufacturing Corp. filed antidumping duty petitions with the United States International Trade Commission and the United States Department of Commerce. The petitions allege that imports of photo albums and photo album filler pages (filler pages) from Hong Kong and the Republic of Korea (Korea) are being, or are likely to be, 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 imports of such merchandise. 1/

Accordingly, the Commission instituted preliminary antidumping investigations Nos. 731-TA-240 and 241 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) and, on March 13, 1985, unanimously determined that there was a reasonable indication that an industry in the United States was materially injured by reason of these alleged LTFV imports. 2/ Consequently, the Department of Commerce continued its investigations into the nature and extent of the alleged LTFV sales.

On July 16, 1985, Commerce published in the Federal Register its preliminary affirmative determinations that photo albums and filler pages from Hong Kong and Korea are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930. In addition, Commerce also preliminarily determined that "critical circumstances" exist for Korea, but not for Hong Kong.

As a result of Commerce's affirmative preliminary determinations of LTFV sales, the Commission instituted investigations Nos. 731-TA-240 and 241 (Final), effective July 16, 1985, to determine whether an industry in the United States is materially injured or threatened with material injury by reason of imports of photo albums and filler pages from Hong Kong (Investigation No. 731-TA-240) and Korea (Investigation No. 731-TA-241). Notice of the institution of these investigations was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of July 31, 1985 (50 F.R. 31055). 3/ Following a 30-day extension by Commerce of its final determinations, the Commission revised its hearing date (50 F.R. 40244, Oct. 2, 1985), and the hearing was held in Washington, DC, on November 1, 1985. 4/ All persons who requested the opportunity were permitted to appear in person or to be represented by counsel at the hearing.

1/ Photo albums and filler pages are provided for in the Tariff Schedules of the United States (TSUS) in items 256.60 (albums) and 256.87, 256.90, and 774.55 (filler pages).

2/ Photo Albums and Photo Album Filler Pages From Hong Kong and the Republic of Korea: Determinations of the Commission in Investigations Nos. 731-TA-240 and 241 (Preliminary)..., USITC Publication 1660, March 1985.

3/ Copies of the Commission's notices are presented in app. A.

4/ A list of witnesses appearing at the hearing is presented in app. B.

Commerce published its final affirmative determinations on LTFV sales of photo albums and filler pages from Hong Kong and Korea in the Federal Register on October 29, 1985. ^{1/} The Tariff Act of 1930 (19 U.S.C. 1673d(b)(1)) requires the Commission to make its final determinations for these investigations by December 6, 1985. The Commission's briefing and votes on these investigations were held on November 22, 1985. Other than investigations Nos. 731-TA-240 and 241 (Preliminary), there have been no prior investigations by the Commission concerning photo albums or filler pages.

The Product

Descriptions and uses

Photo albums are used to protect and display photographs, and are produced in a wide variety of page, cover, and binding styles, as well as in a varying assortment of album sizes. Albums thus may differ not only according to their style characteristics, but also according to the number of pages they contain and the number of photographs they are capable of storing.

Albums produced in the United States and imported from Hong Kong and Korea contain three different kinds of pages: magnetic, flip, and pocket styles. Magnetic pages (also known as self-adhesive pages) are made of paperboard that is coated on both sides with adhesive and covered on each side with a thin plastic sheet. This clear film pulls back from the adhesive so that photographs may be placed underneath it on the page; the plastic is then repositioned to hold the pictures in place. One sheet of paperboard supports two magnetic pages (i.e., the front and the back) and it may store several photographs per page, depending upon the size of the page and photographs.

Flip pages consist of double-sided, photograph-sized plastic pockets that are individually hinged in a column to a paperboard page. Each pocket may be flipped up or down to view photos, and each "flip" can store only two pictures (one on each side). Consequently, a flip-style photo album may hold only a predetermined number of photographs, unless it is bound in such a way that filler pages may be added (see below). Pocket pages are composed of two plastic sheets sealed together along gridlines to form a double-sided sheet of pockets for photographs. Each pocket stores one photo, and like flip albums, pocket-style albums may hold only a fixed number of pictures (unless filler pages may be added). In addition, pocket pages may vary according to their number of pockets—a pocket page may be constructed with three or more photo pockets per page.

In addition to the above-mentioned albums, there is a limited production in the United States of "scrapbook-style" photo albums. These albums require the consumer to apply adhesive picture corners to the album pages before the photos can be mounted. This once popular style of album has been largely replaced by the magnetic, flip, and pocket-type albums.

Photo album filler pages are essentially photo album pages that are packaged and sold separately as refills or additional pages for photo albums. Filler pages are available in magnetic, pocket, and flip styles, and may be

^{1/} Copies of Commerce's notices are presented in app C.

used with all major types of album bindings. Photo albums produced domestically and imported from Hong Kong and Korea are usually bound one of three ways—with a three-ring binder, a spiral binder, or a two-screw post binder. (Filler pages are, however, more commonly used in post-bound or three-ring photo albums, and only occasionally for spiral albums.) The photo album binders themselves may be made of bonded leather, vinyl, vinyl-coated paper, paper, or less common cover materials.

Manufacturing processes

The production of photo albums and filler pages involves three basic stages (two stages for filler pages): (1) manufacturing the pages, (2) manufacturing the binders, and (3) assembling the photo album or the packages of filler pages. The manufacture of photo albums and filler pages in the United States is a highly mechanized process with employees operating the equipment and feeding materials into the machinery.^{1/} The most labor-intensive stage is the final assembly and packaging, during which the pages are manually inserted into the binders and the albums made ready for wrapping and packing. Each of the three production stages is outlined below.

Pages.—In the manufacture of magnetic pages, paperboard is coated with glue and wrapped with plastic film (the film is either wrapped around the edge of the board or taped at the edge). The wrapped board is then cut into page-size lengths and hole-punched; at this point it is ready for assembly into an album or package of filler pages. Pocket pages are produced by thermally or sonically bonding strips of plastic along gridlines to form the photo pockets. The plastic strips are cut into page-size lengths and hole-punched, and are then ready for assembly. Flip pages have picture pockets that are made by folding and sealing a plastic sheet into two pockets (sometimes paper is inserted in the fold before the plastic is sealed). The photo pockets are then attached to the page by tape hinges, and the pages are ready for final assembly.

Binders.—The manufacturing processes for three-ring, spiral, and post-bound albums are fairly different. Although the production of covers is similar for all three styles, the attachment of the binding to the cover and the assembly of the albums is quite distinct for each. For all three types of binders, the front and back covers are made by gluing two or more layers of paperboard together, with a sheet of foam padding usually sandwiched between the layers of paperboard to provide more texture to the cover. The covers may be one piece of this composite board with the spine routed out, or the covers and spine may be separate sheets of board with the front and back covers and spine taped together. The final piece of cover board is then wrapped with one of several cover materials (bonded leather, vinyl, paper) and lining paper is glued on the unwrapped side. The complete cover is then typically gold-stamped with a design, and is ready for the attachment of the binding.

The attachment of the binding to the cover varies for each album style. For three-ring albums, the metal ring unit is simply riveted onto the spine. However, for spiral-bound albums, the lining material and punched pages are

^{1/} In comparison, production in Hong Kong is also highly mechanized, but the manufacturing process in Korea tends to be more labor intensive. A-3

assembled at one time. A spiral coil is mechanically wound through the pages, and this assembled section is glued to the cover so that the spiral binding itself does not attach to the cover.

Post-bound album covers consist of two pieces that are joined, along with the pages, by two screws. Generally, the front and back cover pieces are manufactured the same way as the covers for the three-ring and spiral-bound covers except that a narrow strip of board may be taped as a hinge on the front and back covers, and a piece of reinforced gold-stamped cover material may be used to create a cosmetic, flexible spine. The post binding is composed of two hollow metal posts that are inserted through holes in the back cover and album pages; the album is bound by inserting screws through the front cover into the metal posts.

Final assembly.—The final assembly of filler pages involves counting the number of pages and shrink-wrapping them in plastic into packages, and the assembly of albums involves counting pages and inserting them into the binders. For a three-ring album, the pages are inserted and the binder is snapped shut; for a spiral album, pages are attached to the coil and this assembled unit is affixed to the cover (see above); for a post-bound album, the posts are pushed through the back cover and pages and the front cover is screwed on. The albums, after assembly, are then boxed or shrink-wrapped in plastic and packed for shipment.

Like product issues

Two like product questions have arisen in these investigations, although the parties' dispute is generally over the number of like products, not over whether domestic products and imports constitute different "like products." 1/ The first concern is whether or not photo albums and photo album filler pages constitute one like product, the other is whether or not photo albums produced by the U.S. companies Hallmark Cards, Inc., and C.R. Gibson Co. are like products compared with the albums manufactured by other U.S. producers. 2/ At issue are the assertions by the petitioners that filler pages and photo albums are complementary, almost substitutable, goods, and that some types of photo albums are inherently different from others. Each of these two issues is discussed below.

Photo albums and filler pages as one like product.—The petitioners assert that photo albums and photo album filler pages are one like product; in the petition they state that:

1/ Sec. 771(10) of the Trade Act of 1930 (19 U.S.C. 1677(10)) defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title."

2/ In its preliminary determinations, the Commission decided that (a) albums and filler pages constitute a single like product and (b) there is no basis for discriminating between photo albums produced by Hallmark and Gibson and those produced by the rest of the industry.

Historically, sales of photo albums and photo album filler pages have been related. Prior to the gain in popularity of the 100 page photo album, a significant market existed for filler pages as additions to photo albums sold with, for example, 20 or 40 pages. More recently, the substantial increase in the market for larger photo albums (e.g., 100 pages) and the sales of below cost imports from Korea and Hong Kong have significantly reduced this market. Consumers purchasing 80 or 100 page albums are less likely to purchase additional filler pages for those albums and will find no reason to purchase filler pages when a complete album can be purchased at the unfair low prices of Korean and Hong Kong imports . . .

Furthermore, the photo album filler pages are identical to the major component in the photo album itself and have the same use, the display of photographs. The industry producing photo album filler pages and the equipment used is identical to the industry and equipment used to produce photo albums. 1/

Because of this interrelationship of sales, prices, and production of photo albums and filler pages, the petitioners believe that there is a basis for establishing photo albums and photo album filler pages a single like product.

In addition, because photo albums and filler pages are produced on the same machinery, the petitioners argue that it would not be possible to separate employment or profit data for photo albums and filler pages. 2/ In other words, the narrowest group or range of products for which the petitioners can provide information is photo albums and filler pages as one product. Counsel for the petitioners also maintains that the effectiveness of a dumping order on albums could easily be circumvented if the order were not applied to filler pages: the filler pages could be imported without penalty and easily assembled into album binders. 3/

However, counsel for the Korean producers contends that complete photo albums and filler pages (sold separately) are in fact two discrete like products. Counsel argues that filler pages do not have the same uses as photo albums, as is evidenced by several aspects of market behavior. First, a significant share of filler pages from Hong Kong and Korea are sold to U.S. producers for the manufacture of photo albums, and thus do not have the same purposes and uses as filler pages that are sold to retailers for sale to the consumer. Second, at the retail level, photo albums and filler pages are not substitutable—filler pages will usually only be purchased after an album has been bought and used. Finally, counsel argues, at the retail level, the sales of albums and filler pages are not perfectly complementary because albums and

1/ Amendments to the petition, Feb. 7, 1985, pp. 2 and 3.

2/ Postconference brief, p. 5.

3/ Pages account for about 47 percent of the cost to produce a typical 100-page album in Hong Kong and Korea (petition, p. 15). In comparison, three of the petitioners estimate that pages account for *** percent of the cost of a domestically produced 100-page album (field interviews with officials of * * *). However, * * * reports that pages account for *** percent of the cost to produce their 100-page album (field interview with officials of * * *).

pages are not always sold in conjunction with one another. In addition, not all albums take, or require, filler pages, and even though filler pages are a component part of photo albums, this does not mean that filler pages are "like" photo albums as a finished product. 1/ The thrust of these arguments is that there are separate supply and demand forces operating for photo albums and filler pages, and these goods therefore cannot be considered like products.

Photo albums by Hallmark and Gibson.—The petitioners argue that photo albums produced by Hallmark Cards, Inc., and C.R. Gibson Co. are not "like" the albums imported from Hong Kong and Korea, nor are they "like" the majority of albums produced by the domestic industry. Gibson and Hallmark albums have highly stylized covers for which royalties are frequently paid, leading to retail prices that are as much as 140 percent higher than the prices of comparable albums produced by the petitioners. In addition, Hallmark sells its albums primarily to its own franchises, and is thus allegedly insulated from competition with the importers and other U.S. producers.

According to the petitioners, both Gibson and Hallmark market their albums primarily as gifts; that is, the consumers of these stylized albums are not the end users as is the case with the imported albums. The albums marketed by Gibson and Hallmark also contain fewer pages than most of the albums sold in the United States: although the majority of domestic and imported albums are 100-page albums, Hallmark and Gibson only produce albums in the 15-20 page range. 2/ Gibson *** with the petitioners, and in its response to the Commission's questionnaire, stated:

* * * * *

Thus, the petitioners assert that the highly stylized albums should be excluded because they are stylized as well as directed toward a different market, much more expensive than normal, made with fewer pages, and bought primarily as gifts instead of for end use.

However, the respondents argue that the albums produced by Gibson and Hallmark are different only in terms of quality and price, and not in terms of their characteristics and use. Counsel for the Hong Kong and Korean producers maintain that if these stylized albums are a separate like product from the albums produced by the petitioners, then the imported albums must also be a separate like product, since the petitioners argue that there are also quality and price differences between their products and the imports. Finally, the respondents point out that since one of the petitioners sells albums to Hallmark to be resold under the Hallmark label, then this should indicate that the petitioners' albums are of the same quality as those of Hallmark and Gibson. 3/

U.S. tariff treatment

Photo albums and photo album filler pages are classified and reported under Tariff Schedules of the United States Annotated (TSUSA) items 256.6000

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1/ Korean respondents' prehearing brief, p. 10.

2/ Postconference brief, pp. 3-4.

3/ ***.

(albums) and 256.8780, 256.9080, and 774.5590 (filler pages). 1/ Imports from both Hong Kong and Korea are entitled to duty-free entry under the Generalized System of Preferences (GSP) as to filler pages, but Korea is not entitled to the duty rate of "free" under TSUSA item 256.6000 (photo albums). 2/ Consequently, both photo albums and filler pages are imported free of duty from Hong Kong, but for Korea only filler pages are free of duty. Photo albums from Korea are assessed the column 1 most-favored-nation (MFN) rate of duty, which was reduced in the Tokyo round of Multilateral Trade Negotiations from 6.5 percent ad valorem to 4.0 percent ad valorem on January 1, 1980 (table 1). 3/

The tariff item for photo albums, 256.60, is a broad provision that also includes scrapbooks and autograph, postage stamp, postcard, and phonograph record albums, and the TSUSA items for filler pages, 256.8780 and 256.9080 (those of paper) and 774.5590 (those of plastic), are residual or "basket" categories that contain products not provided for more specifically elsewhere in the TSUSA. 4/ Table 1 provides information on the rates of duty for U.S. imports of photo albums and filler pages.

The Nature and Extent of Sales at LTFV

On October 23, 1985, the Department of Commerce issued its final determinations that photo albums and filler pages from Hong Kong and Korea are being, or are likely to be, sold at LTFV, and that "critical circumstances" exist for Korea but not Hong Kong (50 F.R. 43751, Oct. 29, 1985). In its final investigations of sales at LTFV, Commerce examined the sales of one Hong Kong producer (Climax) and six Korean producers (Dong In, Dong Won, Donam,

1/ According to official statistics of the U.S. Department of Commerce, imports of products that should have been reported under TSUSA item 774.5590 were erroneously reported under item 774.5595 from 1983 to September 1985 because of a typographical error in the TSUSA. Filler pages reported in item 774.5595 are included within the scope of products subject to these investigations; however, as of Sept. 1, 1985, the correct item number (774.5590) is reflected in the TSUSA.

2/ The GSP is a program of nonreciprocal tariff preferences granted by the United States to certain beneficiary developing countries, territories, and associations of countries for selected products and commodities. Pursuant to the Trade Act of 1974, eligible products are allowed to enter free of duty from the designated beneficiary countries, unless the country's imports exceed the so-called "competitive-need" limitations. The GSP program will continue until July 4, 1993.

3/ The rates of duty in column 1 are MFN rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA. MFN rates would not apply if preferential tariff treatment is sought and granted to products of developing countries under the GSP or other provisions for special rates of duty. The Tokyo round was conducted from 1973 to 1979 under the auspices of the General Agreement of Tariffs and Trade (GATT).

4/ U.S. Customs national import specialists indicate that probably 99 percent of album imports are indeed photo albums, and less than 5 percent of trade in the "baskets" covering filler pages actually consist of imports of filler pages. See report at A-37.

Table 1.--Photo albums and photo album filler pages: U.S. rates of duty, by TSUS item

TSUS item No. 1/	Description	Pre-MTN col. 1 rate of duty 2/	Staged col. 1 rates of duty 3/ effective with respect to articles entered on or after Jan. 1--				Col. 2 rate of duty 4/
			1980	1981	1983	1984	
256.60 A*	Autograph, photograph, postage-stamp, post-card, and scrap albums, and albums for phonograph records:--4/-----	6.5%	4.0 %	4.0%	4.0%	4.0%	4.0%
	Articles, of pulp, of papier- maché, of paper, of paper- board, or of any combina- tion thereof, n.s.p.f.: Other:						
256.87 A*	Of coated papers: Other:--4/-----	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
	1¢ per lb + 5%:						
256.90 A	Other:-----	8.5%	8.1%	7.7%	7.3%	6.9%	5.6%
	Articles, n.s.p.f., of rubber or plastics: Other:						
774.55 A*	Other:-----	8.5%	8.1%	7.7%	7.3%	6.9%	5.6%

1/ The designation "A" or "A*" indicates that the item is currently designated as an eligible article for duty-free treatment under the U.S. Generalized System of Preferences (GSP). "A" indicates that all beneficiary developing countries are eligible for the GSP. "A*" indicates that certain of these countries are not eligible (Korea is ineligible for duty-free treatment on item 256.60, Mexico is ineligible on item 256.87, and Taiwan is ineligible on item 774.55).

2/ Rate effective prior to Jan. 1, 1980.

3/ The symbol "%" indicates "percent ad valorem."

4/ The Tokyo round of Multilateral Trade Negotiations did not provide for staged tariff reductions during 1980-87 for these items.

Chinsung, Keywon, and Eunjin). These companies represent 85 percent and 64 percent of all exports of photo albums and filler pages from Hong Kong and Korea, respectively, to the United States. Of photo album imports from all countries during 1984, albums from Hong Kong accounted for 13 percent (by value) of total imports, and albums from Korea accounted for 64 percent (by value) of total imports.

To determine whether sales of photo albums and filler pages from Hong Kong and Korea to the United States were made at LTFV, Commerce compared the United States price with the foreign market value of the subject merchandise. Because the Hong Kong producer did not have sales of photo albums and filler pages in the home market, Commerce used both third country prices and constructed value as alternative measures of foreign market value for Hong Kong photo albums and filler pages. With respect to photo albums and filler pages from Korea, because adequate responses were not submitted in an acceptable form from the Korean producers, "best information" was used to establish both the United States price and foreign market value of the merchandise. 1/ The final weighted-average LTFV margins for all manufacturers calculated by Commerce are as follows (in percent ad valorem):

<u>Country</u>	<u>Weighted average margin</u>
Hong Kong-----	3.69
Korea-----	64.81

In addition to its findings of sales at LTFV, Commerce also found that "critical circumstances" exist with respect to imports of photo albums and filler pages from Korea. 2/ In arriving at this determination, Commerce established that (1) there was a history of dumping in the United States or elsewhere and (2) that there have been massive imports of photo albums and filler pages from Korea over a relatively short period. 3/ With respect to "massive imports" in this critical circumstances determination, Commerce found that imports of photo albums and filler pages from Korea during the period subsequent to the receipt of the petition have been massive when compared with recent import levels and import penetration ratios.

The U.S. Market

U.S. consumption

The United States is the world's largest market for photo albums, and two major developments have occurred in the retail photo album market during the

1/ "Best information" typically involves data submitted by the petitioners on prices, costs of production, etc.

2/ Critical circumstances were not established for Hong Kong because, although there was a history of dumping of Hong Kong photo albums and filler pages (see footnote 3, below), imports of these items subsequent to receipt of the petition were not massive when compared with recent import levels and import penetration ratios.

3/ On Mar. 26, 1985, the Antidumping Tribunal of Canada imposed antidumping duties on imports of photo albums and filler pages from Hong Kong, Korea, and the United States. See Canada Gazette, Part I, Apr. 13, 1985, pp. 2346-2349. A-9

past decade. First, there has been a substantial growth in the volume of picture-taking in the United States; second, there has been a strong trend toward larger-volume photo albums. These developments have been stimulated primarily by the market debut in 1978 of a large-capacity photo album and by major changes in the amateur photography industry.

In the mid-1970s, the market for photo albums was fairly stagnant, with albums tending to be small and requiring filler pages. About 20-25 percent of total sales at this time were composed of filler page purchases. However, during 1975-77, and even more so in the late 1970's, high-quality, low-cost 35-millimeter cameras became available to the general public. As these cameras rapidly gained in popularity and accessibility, so did the volume of picture taking in the United States, which tends to lead domestic sales of photo albums. (The picture-taking industry is currently growing about 3-4 percent a year.) Coinciding with this development in the photographic industry, a U.S. photo album manufacturer introduced a 40-page magnetic album in 1978, virtually "busting open" the photo album market. As a consequence of these two factors, sales of photo albums have grown rapidly and the trend has been toward increasingly large-volume albums: a 200-page magnetic photo album was recently introduced.

From 1982 to 1984, apparent U.S. consumption (by value) of photo albums and filler pages increased by 23 percent, from \$111 million in 1982 to \$137 million in 1984. ^{1/} Most of this increase occurred from 1982 to 1983 when annual growth was 20 percent; for 1983-84, the increase in consumption was 3 percent. The following tabulation provides the dollar value of U.S. consumption of photo albums and filler pages during 1982-84:

<u>Year</u>	<u>Consumption</u> (1,000 dollars)
1982.....	111,381
1983.....	133,237
1984.....	136,582

These values should be used with some caution in terms of estimating market trends in the consumption of the quantity of photo albums and filler pages. First, the prices of U.S.-produced and imported photo albums declined substantially during 1982-84 (see report at A-47), and because of this decrease in prices, an examination of the value of consumption will not reflect the real increase in the volume of photo albums purchased during this period. However, because of the diversity of the product line for photo albums, the size of the U.S. market is best reflected in dollar values and not quantity of albums. For further explanation, see report at A-16. Second, as

^{1/} Apparent consumption was calculated by using (a) the value of U.S. producers' shipments of domestically produced photo albums and filler pages, and (b) the c.i.f. value of photo album imports as reported by the Department of Commerce. Imports of filler pages are discussed separately under "U.S. imports". Quantity is not reported for apparent U.S. consumption because of the differences in recordkeeping for U.S. producers and importers and the U.S. Customs Service.

mentioned, filler page imports are not included in apparent consumption. Filler page imports are discussed separately in the section on "U.S. imports".

The U.S. market for photo albums and filler pages is highly seasonal, with demand strongest from September to February. In addition, each style of photo album—magnetic, pocket, flip—holds its own position in the market, although consumer preference is overwhelmingly in favor of magnetic albums (especially the 100-page magnetic). On the basis of shipment information provided by U.S. producers and importers, the greater majority of U.S. producers' and importers' 1984 sales were magnetic albums (table 2). 1/ About 84 percent of the domestic shipments of Hong Kong and Korean photo albums were magnetic-page albums, and 65 percent of U.S. producers' shipments were magnetic albums. Of total U.S. photo album consumption in 1984, 75 percent was accounted for by magnetic albums (35 percent, 100-page magnetic albums; 21 percent, 20-page albums; 19 percent, all other album sizes), 13 percent by pocket albums, 8 percent by flip albums, and all other album styles (e.g., scrapbook and wedding) accounted for 3 percent. 2/

Table 2.—Types of photo albums and their share, by quantity and value, of U.S. producers' and importers' 1984 domestic shipments 1/

Type of album	Share of total shipments					
	U.S. producers' shipments		Shipments of Hong Kong albums		Shipments of Korean albums	
	Quantity	Value	Quantity	Value	Quantity	Value
Magnetic:						
100 pp <u>2/</u>	46	46	11	27	31	56
20 pp	<u>3/</u>	<u>3/</u>	54	34	26	11
All others	19	19	20	17	26	16
Total	65	65	85	78	83	83
Flip	12	11	6	11	6	11
Pocket	18	19	5	6	11	6
All other albums	5	5	4	5	—	—
Total	100	100	100	100	100	100

1/ As reported by U.S. producers accounting for about 80 percent of producers' shipments in 1984, and importers accounting for about 80 percent of 1984 album imports from Hong Kong and 65 percent of album imports from Korea.

2/ * * * cannot separate its domestic product from its imported product for this album.

3/ U.S. producers' shipments of 20-page albums are discussed separately in the report at A-42.

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

1/ As reported by U.S. producers accounting for about 80 percent of producers' shipments in 1984, and importers accounting for about 80 percent of 1984 album imports from Hong Kong and 65 percent of album imports from Korea.

2/ These figures include U.S. shipments of 20-page magnetic albums. A-11 because of rounding, the values may not add to 100 percent.

Channels of distribution

Photo albums and filler pages are sold throughout the United States by U.S. producers, U.S. importers, and foreign producers to mass-merchandising chains, discount stores, catalog stores, camera shops, photo finishing shops, and stationery stores. Some of the larger mass-merchandising chains and department stores buy from U.S. producers and importers as well as foreign producers, but smaller stores usually purchase photo albums from U.S. producers or importers.

U.S. producers

There are currently 14 known producers of photo albums and filler pages in the United States. One firm, Bell and Howell, Inc., ***, and another, Stylecraft of Baltimore, ***. 1/ In the past two years, two companies have declared bankruptcy and ceased producing photo albums, and one firm has discontinued its photo album and filler page line. A&M Leatherlines, which produced a variety of stationery items, declared bankruptcy and quit producing albums about two years ago; the Holes-Webway Co. is currently in the midst of bankruptcy proceedings. In addition, as of July 1, 1985, Quality Business Accessories, Inc., is no longer producing or selling photo albums and filler pages.

Of these three companies, only one, the Holes-Webway Co., attributes the cause of its difficulties to imports of photo albums and filler pages. 2/ However, counsel for Hong Kong respondents argues that the bankruptcy of Holes-Webway was the consequence of an unsuccessful multimillion dollar real estate venture on the part of the owner of Holes-Webway and to the loss of a major Holes-Webway account to another U.S. producer. Counsel reports that the company's chapter 11 proceedings began shortly after the failure of the real estate project. 3/

Quality Business Accessories reports that its photo album line was ***. In addition, because Quality Business Accessories ***. 4/ A&M Leatherlines was bought in May 1984 by Samuel Ward Co., which reported that ***; nevertheless, Samuel Ward Co. ***. 5/

U.S. production of photo albums and filler pages occurs primarily in the northeastern United States: more than 66 percent of total shipments (by value) in 1984 were produced in the Northeast. The seven largest manufacturers of photo albums and filler pages, representing 94 percent of 1984 shipments, and their plant locations are presented in table 3. Of all photo album producers,

1/ In its response to the Commission's questionnaire, Stylecraft indicated ***.

2/ About *** percent of the sales of the Holes-Webway Co. were photo albums and filler pages. The remainder were stationery items.

3/ Hong Kong respondents' prehearing brief, p. 19.

4/ Telephone conversation with David Johannes, vice-president, Quality Business Accessories, Aug. 21, 1985.

5/ Telephone conversation with Elliot Comenitz, president, Samuel Ward Co., Aug. 21, 1985.

only two, the Holson Co. and Regal and Wade Manufacturing, manufacture photo albums and filler pages exclusively. The other companies also produce a variety of stationery items, office supplies, photography supplies, and microfilm.

Table 3.—Photo albums and photo album filler pages: U.S. producers, their plant locations, and share of shipments (based on value), 1984

Firms	Plant locations	Share of shipments <u>Percent</u>
C.R. Gibson Co.	Norwalk, CT	***
Esselte Pendaflex Corp. <u>1/2/</u>	Bronx, NY	***
Hallmark Cards, Inc.	Kansas City, MO	***
The Holson Co. <u>1/</u>	Wilton, CT Claremont, NH	***
Kleer-Vu Plastics Corp. <u>1/</u>	Brownsville, TN	***
Rembrandt Photo Services	City of Commerce, CA	***
SPM Manufacturing Corp. <u>1/3/</u>	Holyoke, MA	***
All other		6
Total		100

1/ A petitioner.

2/ Also known as Norwood.

3/ Also known as Springfield.

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

Related party issues

Climax Paper Converters, Ltd., of Hong Kong, a respondent and the largest Hong Kong producer of photo albums and filler pages (accounting for approximately 85 percent of Hong Kong photo album exports to the United States) argues that Esselte Pendaflex, Inc., (a petitioner) should be excluded from the domestic industry as a related party. 1/ Section 771(4)(B) of the Tariff Act of 1930 (19 U.S.C. 1677(A)(B)) states:

RELATED PARTIES—When some producers are related to the exporters or importers, or are themselves importers of the allegedly dumped merchandise, the term "industry" may be applied in appropriate circumstances by excluding such producers from those included in that industry.

Climax argues that because Esselte was, prior to 1984, the single largest importer of photo albums and filler pages from Hong Kong, it should be excluded from the domestic industry as a related party. 2/ Climax urges the

1/ In its preliminary investigations, the Commission determined not to exclude Esselte from the domestic industry; however, the Commission found that the inclusion of Esselte did not materially alter the domestic industry data or affect its decision in the investigations. A-13

2/ According to the Custom's net import file, Esselte was * * *.

exclusion of all data regarding Esselte's operations, both domestic and import, because the inclusion of such information would skew the data for the domestic industry. In particular, counsel argues that any sales lost by Esselte would have been sales of imported products in any event, and therefore are not sales lost by the "domestic industry." 1/

In addition, Climax and Esselte have had, at least until mid-1984, a close business relationship. Climax had been supplying Norwood (a photo album manufacturer bought by Esselte in February 1981) with photo albums and filler pages since 1976, and by 1981 the two firms had reached * * *. 2/ Climax reports that Norwood/Esselte purchased *** percent, *** percent, *** percent, and *** percent of Climax's exports in 1981, 1982, 1983, and 1984, respectively. 3/ The relationship between the two companies ended abruptly in 1984 after Esselte made an offer to purchase Climax's Hong Kong operations, which Climax declined. According to a spokesperson for Climax, orders from Esselte * * *. 4/ However, a spokesperson from Esselte reported that * * *. 5/

Esselte and two other U.S. producers (SPM and Kleer-Vu), also petitioners, have been importing photo albums and filler pages from Hong Kong and/or Korea since at least late 1981. Although none of the producers are currently importing from Hong Kong, all three continue to import merchandise from Korea. Table 4 presents the value of photo album imports by these three companies for 1982-84 and January-May 1985. In terms of the share of domestic shipments that these imports represent for each firm, Esselte's imports have averaged about *** percent of their shipments during 1982-84; Kleer-Vu, *** percent; and SPM, *** percent.

Table 4.—U.S. producers' imports of photo albums, by firms,
1982-84 and January-May 1985

* * * * *

The purpose of excluding individual firms as related parties is to prevent these companies, which may be benefiting from LTFV imports, from distorting trends within the industry. The assumption is that industry performance will be biased upwards. Since Esselte was able to provide only partial questionnaire data, its individual impact on the industry may be assessed only with respect to domestic shipments of photo albums and filler pages. Including Esselte as part of the industry, U.S. producers experienced a 3 percent decline in shipments (by value) from 1982 to 1984. If Esselte is excluded from the industry, shipments decline about *** percent during 1982-84.

All three of the petitioners who import photo albums and/or filler pages maintain that they do so because it is less expensive than producing the items

1/ Hong Kong respondent's postconference brief, p. 6.

2/ Telephone conversation with Charles Wong, general manager, Climax Paper Converters, Ltd., Aug. 30, 1985.

3/ Respondent's postconference brief, p. 4.

4/ Telephone conversation with Charles Wong, general manager, Aug. 30, 1985.

5/ Field interview with David Brous, Norwood Product Manager, Esselte Pendaflex, Aug. 15, 1985. Esselte reports that * * *. A-14

domestically. SPM and Esselte import ***, and all three companies import ***. Petitioners argue that they import these products in order to accommodate their customers and to round-out product lines. Kleer-Vu has ***. 1/

U.S. importers

Hong Kong.--The U.S. Customs Service net import file lists more than 90 firms that imported photo albums from Hong Kong during 1984. As shown in table 5, the largest importers were *** and ***. In general, three types of businesses import photo albums and filler pages from Hong Kong--independent trading companies, retail establishments, and a subsidiary of the largest foreign producer, Climax. 2/ These importers are located and market all over the United States, although the independent trading companies are based primarily on the east and west coasts.

Table 5.—Photo albums: Major importers from Hong Kong and their share of imports, by value, 1984

Firm	Comments	Share of imports from Hong Kong Percent
***	***	***
***	***	***
***	***	***
***	***	***
***	***	***
***	***	***
***	***	***
Subtotal		76
All other		24
Total		100

Source: Compiled from Customs net import files.

Korea.--More than 245 firms are listed in the Customs net import file as importers of photo albums from Korea during 1984. As shown in table 6, the largest importer ***, while the second largest importer was ***. The three major types of concerns that import photo albums from Korea are also independent trading companies, retail establishments, and subsidiaries of the foreign producers. Table 6 lists the top 10 importers of photo albums from Korea and their share (by value) of total imports in 1984.

1/ Field interview with Kleer-Vu officials, Sept. 25, 1985.

2/ Climax has a New York-based subsidiary that commenced operations in June 1984, and arranges for letters of credit as well as handling a few direct sales out of warehouse.

Table 6.—Photo albums: Major importers from Korea
and their share of imports, by value, 1984

Firm	Comments	Share of imports from Korea <u>Percent</u>
***	:	***
***	:	***
***	***	***
***	***	***
***	***	***
***	***	***
***	***	***
Subtotal	:	54
All other	:	46
Total	:	100

Source: Compiled from Customs net import files.

Consideration of Material Injury to an Industry in the United States

Measuring quantity in the photo album industry

Because of the nature of the photo album industry, identifying an industry standard unit of quantity is difficult, if not impossible. Although "number of albums" seems a logical choice, this measure is in fact not representative of the aggregate volume of production and shipment levels. For example, producing ten 100-page magnetic photo albums involves more time and materials and creates more "output" than producing ten 20-page magnetic photo albums. The extreme range of the product mix for photo albums requires that a unit of quantity be identified that can measure the volume, or photo storage capacity, of photo albums. In this way, data may be obtained that are more reflective of actual production and shipment levels than simply counting the number of albums.

For this investigation, "number of pages" was selected as the appropriate unit of quantity as a unit that can measure the volume of photo albums and not just the albums themselves. However, because of the variations in page sizes for pocket and flip-style albums, "page" in this context has very specific meanings. 1/ "Page" has been defined in the following manner: one magnetic sheet (leaf) equals two pages, one "flip" equals two pages, and one "pocket" equals one page. Thus, a 100-page magnetic album contains 50 magnetic sheets (leaves), a 200-page flip-style album contains 100 flips and can store 200 photos, and a 300-page pocket album contains 300 pockets and can store 300 photos.

1/ A review of the product descriptions might be useful at this point. See report at A-2.

The character of this definition means that total page quantities will not indicate trends for all photo albums, because the order of magnitude would be distorted by high page counts for flip and pocket albums; consequently, quantity data are discussed for each album style (trends for the industry with regard to specific album styles are meaningful) and not in the aggregate.

U.S. production and capacity

Four firms accounting for 62 percent of U.S. producers' shipments in 1984 were able to provide usable information concerning their capacity to produce photo albums and filler pages and their actual production of such items (table 7). The production of magnetic albums was up 40 percent during 1982-84, from 301 to 421 million pages, although production of pocket albums fluctuated and production of flip albums was down by 42 percent (214 to 125 million pages). There was, however, a net (12 percent) decline in the production of pocket albums between 1982 and 1984, from 290 to 256 million pages. For January-June 1985, the production of magnetic albums was down 5 percent from that in the corresponding period in 1984, while the production of both pocket and flip albums increased, by 23 percent for pocket albums and 14 percent for flip albums.

Table 7.—U.S. production of photo albums and filler pages, 1982-84, January-June 1984, and January-June 1985 1/

(In millions of pages)			
Year	Magnetic	Pocket	Flip
Photo Albums			
1982	301.1	290.2	214.1
1983	445.0	429.9	186.8
1984	420.7	255.9	125.0
January-June 1984	173.2	99.0	58.0
January-June 1985	165.4	121.7	66.0
Filler pages <u>2/</u>			
1982	14.7	31.7	3.9
1983	19.0	25.7	2.6
1984	22.7	23.9	5.8
Jan.-June 1984	10.3	13.3	3.2
Jan.-June 1985	8.7	13.7	2.0

1/ As reported by four firms accounting for 62 percent of U.S. producers' 1984 shipments of photo albums and filler pages.

2/ The production of filler pages for sale separately as filler pages.

With respect to filler pages, during 1982-84 production increased for magnetic pages and flip pages, but declined for pocket pages. The production of magnetic pages increased 54 percent from about 15 to 23 million pages, and flips increased 49 percent from about 4 to 6 million pages. However, the production of pocket pages declined 25 percent during this period, from about 32 to 24 million pages. For January-June 1985, the production of magnetic pages decreased 16 percent, pocket pages increased 3 percent, and flip pages declined 38 percent from production in the corresponding period of 1984.

Capacity utilization declined during 1982-84, from 49 percent in 1982 to 41 percent in 1984, after rising slightly to 52 percent in 1983 (table 8). However, productive capacity increased during this period by 26 percent as *** of the firms added newer, more efficient equipment to their operations. Utilization of productive capacity during January-June 1985 was up from that in the corresponding period of 1984, from 34 to 36 percent.

Table 8.—Photo albums and filler pages: U.S. production, capacity, and capacity utilization, 1982-84, January-June 1984, and January-June 1985 1/

Year	Production <u>2/</u> Million pages	Capacity <u>3/</u>	Capacity
			utilization Percent
1982	783	1,599	49
1983	999	1,915	52
1984	825	2,010	41
January-June 1984	342	1,005	34
January-June 1985	363	1,006	36

1/ Data are for 4 firms accounting for 62 percent of U.S. producers' 1984 shipments of photo albums and filler pages.

2/ One firm provided capacity data only for magnetic albums and pages, so these production values will not equal those presented in table 7. In addition, these production figures should only be used in relation to capacity because they are an aggregate page total.

3/ Capacity based on fifty weeks per year, but varying from one-half to three shifts per day.

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

U.S. producers' domestic and export shipments

U.S. producers' domestic shipments of photo albums and photo album filler pages decreased from \$79.5 million in 1982 to \$77.4 million in 1984, a decrease of 3 percent in 2 years (table 9). Shipments increased by 9 percent from 1982 to 1983, but declined 11 percent between 1983 and 1984. For firms accounting for 80 percent of U.S. producers' 1984 shipments, the value of shipments decreased by 13 percent in January-June 1985 compared with shipments in the corresponding period of 1984, from \$27.5 million to \$23.8 million.

Table 9.—Photo albums and photo album filler pages: U.S. producers' domestic shipments, by firms, 1982-84

Firm	1982	1983	1984
C.R. Gibson Co.	***	***	***
Esselte Pendaflex Corp.	***	***	***
Hallmark Cards, Inc.	***	***	***
Holes-Webway Co.	***	***	***
Holson Co.	***	***	***
Intercraft Industries Corp.	***	***	***
Kleer-Vu Plastics Corp.	***	***	***
Quality Business Accessories, Inc.	***	***	***
Regal & Wade Manufacturing, Inc.	***	***	***
Rembrandt Photo Services	***	***	***
SPM Manufacturing Corp.	***	***	***
Total	79,466	86,852	77,372
Bell and Howell, Inc.	1/	1/	***
Russell Corp.	1/	1/	***

1/ Data not available.

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

Five firms accounting for 65 percent of U.S. producers' 1984 shipments of photo albums and filler pages were able to provide information on the quantity and value of their shipments of domestically produced albums and filler pages for 1982-85. From 1982 to 1984, the quantity of shipments of magnetic-style photo albums increased by 28 percent, although the value of these shipments increased by only 5 percent (table 10). Shipments of pocket-type albums increased by 1 percent in quantity and 2 percent in value during this period, while shipments of flip albums declined in both number and value, by 37 percent and 29 percent, respectively.

The overall value of these producers' shipments declined from 1982 to 1984 by 2 percent (from \$40.3 million to \$39.6 million) after increasing 18 percent to \$47.7 million in 1983. For January-June 1985, the total value of photo album shipments was down 4 percent from that in the corresponding period of 1984; the quantity of shipments registered a 16-percent decline for magnetic albums, a 1-percent increase for pocket albums, and a 4-percent decrease for flip albums.

With respect to filler pages, from 1982 to 1984 the quantity of shipments of magnetic pages increased 44 percent, while the value of these shipments decreased 27 percent (table 10). Similarly, shipments of pocket pages declined in both volume and value, by 10 percent and 33 percent, respectively. Shipments of flip-style filler pages increased in quantity (41 percent) and value (50 percent). The overall value of filler page shipments declined by 26 percent during 1982-84. For January-June 1985, the overall value of filler page shipments was down 15 percent from that in the

Table 10.--U.S. producers' shipments of domestically produced photo albums and filler pages,
1982-84, January-June 1984, and January-June 1985 1/

(Quantity in millions of pages; value in millions of dollars)										
Type of page	1982	1983	1984	1984	1985	January-June--				
Quantity : Value :										
Photo albums										
Magnetic--	840.8 :	24.7 :	1040.8 :	29.6 :	1077.0 :	26.0 :	209.9 :	11.5 :	176.1 :	10.2
Pocket--	266.1 :	8.1 :	426.3 :	11.2 :	268.5 :	8.3 :	89.0 :	2.9 :	90.3 :	3.3
Flip--	204.6 :	7.5 :	190.3 :	6.9 :	128.1 :	5.3 :	50.7 :	2.2 :	48.7 :	2.4
Total-----:	<u>2/</u> :: 40.3 :: <u>2/</u> :: 47.7 :: <u>2/</u> :: 39.6 :: <u>2/</u> :: 16.6 :: <u>2/</u> :: 15.9									
Filler pages										
Magnetic--	12.6 :	4.4 :	13.1 :	3.4 :	18.2 :	3.2 :	8.3 :	1.5 :	7.9 :	1.2
Pocket--	29.8 :	3.0 :	24.2 :	2.5 :	26.9 :	2.0 :	13.2 :	1.0 :	12.8 :	.9
Flip--	3.9 :	.4 :	2.3 :	.2 :	5.5 :	.6 :	2.1 :	.2 :	1.9 :	.2
Total-----:	<u>2/</u> :: 7.8 :: <u>2/</u> :: 6.1 :: <u>2/</u> :: 5.8 :: <u>2/</u> :: 2.7 :: <u>2/</u> :: 2.3									

1/ As reported by five firms accounting for 65 percent of U.S. producers' 1984 shipments of photo albums and filler pages.

2/ Because of the different definition of "page" for each style of page, total page quantities would be meaningless.

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

corresponding period of 1984, and the quantity of shipments was down for magnetic (5 percent), pocket (3 percent), and flip (10 percent) filler pages.

No U.S. producer known to export photo albums provided information concerning its exports, which was requested in the questionnaires. Canadian imports, from the United States, of photo albums with magnetic pages and magnetic filler pages are presented in table 11. ^{1/}

Table 11.—Canadian imports of magnetic photo albums and magnetic filler pages from the United States, 1982–84

(In thousands of Canadian dollars)			
Product	1982	1983	1984
Photo albums	678	1,425	1,259
Filler pages	337	731	—
Total	1,015	2,156	1,259

Source: Canada Gazette, Part I, February 16, 1985, and telephone conversation with an official of the Canadian Department of National Revenue, Customs, and Excise, Oct. 3, 1985.

Six firms (accounting for about 80 percent of U.S. producers' shipments in 1984) provided information concerning the types of covers, bindings, and pages used for photo albums and filler pages they sold in 1984 (table 12). The majority (65 percent) of the album styles were magnetic albums, and nearly one-half of all U.S. producers' shipments were of the 100-page magnetic album. Pocket-style albums represented 19 percent of shipments, and flips, 11 percent. The remainder of the albums sold were a variety of specialty (e.g., wedding) albums. In addition, three-quarters of U.S.-produced albums sold in 1984 had vinyl or vinyl-coated paper covers, and most covers had three-ring bindings. This as well as additional information on shipments of photo albums and filler pages is presented in table 12.

In 1984, complete photo albums accounted for 85 percent (by value) of the producers' sales; filler pages (sold separately) accounted for the remaining 15 percent. Most of the U.S.-produced filler pages that are sold separately are magnetic pages that are shrink-wrapped in small quantities (usually 10 pages) and sold to the same retail outlets that buy the complete photo albums. Few U.S.-produced filler pages are sold to photo album producers for the manufacture of complete photo albums.

U.S. producers' inventories

Four firms accounting for 62 percent of U.S. producers' 1984 shipments were able to provide complete yearend inventory information on photo albums and filler pages for 1982–84 and January–June 1985 (tables 13 and 14). The

^{1/} The Canadian Department of National Revenue, Customs, and Excise reports that three companies, Esselte, Hallmark, and MBI were involved in shipping the subject goods during the investigation. Canada Gazette, Part I, Apr. 13, 1985. A-21

Table 12.--U.S. producers' shipments of photo albums and filler pages, by types of covers, bindings, albums, and pages, 1984 1/
 (In percent)

Item	Share of total quantity	Share of total value	Item	Share of total quantity	Share of total value
Type of album cover:					
Vinyl-coated paper	56	52	Type of album: Magnetic:		
Vinyl	20	17	100-page-----	46	46
Bonded leather	11	13	20-page-----	4/	4/
Paper	12	10	All other sizes-----	19	19
All other 2/	1	8	Total magnetic-----	65	65
Total	100	100	Pocket-----	19	18
			Flip-----	11	12
			All other 5/-----	5	5
			Total-----	100	100
Type of album binding:					
3-ring binder	63	55	Type of filler page:		
Post-bound	20	24	Magnetic-----	42	43
Spiral binder	8	4	Pocket-----	22	43
All other 3/	9	17	Flip-----	2	9
Total	100	100	All other 6/-----	34	5
			Total-----	100	100

1/ As reported by U.S. producers accounting for 80 percent of producers' 1984 shipments.

2/ Plastic, suede, cloth, etc.

3/ Flips, metal hinges, etc.

4/ U.S. producers' shipments of 20-page albums are discussed separately in report at A-42.

5/ Wedding albums, scrapbook-style albums, etc.

6/ Scrapbook pages, wedding album pages, etc.

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

value of yearend inventories of photo albums, as reported by these firms, declined steadily during 1982-84 by 14 percent, from \$6.3 million to \$5.4 million. The quantity of inventories also fell during this period, by 15 percent for magnetic albums, 22 percent for pocket albums, and 10 percent for flip-style albums. However, inventories during January-June 1985 were up in terms of both value and quantity over those in the corresponding period of 1984. The value of photo album inventories as of June 30, 1985, was up 23 percent, from \$5.7 million to \$7.0 million, and the increase in the quantity of inventories ranged from 2 percent for magnetic albums to 4 percent for pocket, and 36 percent for flip albums.

Unlike photo albums, the quantity of filler page inventories increased substantially during 1982-84, although the value of these stocks remained constant. Inventories of magnetic filler pages increased 75 percent, from 6 million to 10.5 million pages; pocket filler pages, 133 percent, from 5.1 million to 11.9 million pages; and flip pages, from no pages in 1982 to 200,000 in 1984. The total value of these inventories remained the same, however, at \$1.6 million. During January-June 1985, the quantity of filler page inventories was down (except for magnetic pages) from that in the corresponding period of 1984, as was the value of these inventories. Quantities were down 12 percent for pocket pages, down 88 percent for flip pages, and up 11 percent for magnetic pages. The value of the inventories was down 7 percent, from \$1.4 million to \$1.3 million.

In addition to the four firms that were able to provide the above information, * * * provided value information on its album and filler page inventories combined for 1983-84 and January-June 1984 and January-June 1985. The value of * * *'s inventories declined 54 percent during 1983-84, from *** to ***. The company's inventories during January-June 1985 were up 2 percent from those in the corresponding period of 1984, from *** to ***.

Table 13 shows the ratio of inventories to shipments for photo albums from 1982 to January-June 1985. The average ratio of inventories to shipments (in terms of both quantity and value) for photo albums declined during 1982-84, from 19 percent to 18 percent for quantity and from 17 percent to 16 percent for value. Inventories as an average proportion of shipments were up 21 percent during January-June 1985 over those in the corresponding period of 1984, from 66 percent to 80 percent, and the proportionate value of inventories was up 39 percent, from 41 percent to 57 percent. With respect to filler pages, the average ratio of inventories to shipments (as a share of quantity) for magnetic and pocket filler pages increased 55 percent during 1982-84, from 33 percent to 51 percent. During January-June 1985, inventories as a share of shipments increased 5 percent compared with those in the corresponding period of 1984, from 100 percent to 105 percent.

Both U.S. producers and importers try to maintain inventories of photo albums in order to supply the market on a timely basis. Three of the petitioners maintain warehouses on the east and west coasts, and Esselte has recently begun shipping photo albums from five regional warehouses. Counsel for the Korean respondents provided information concerning instances in which 24 department stores and mass-merchandisers experienced problems with the late delivery of U.S.-produced photo albums. 1/ According to counsel, these stores

^{1/} Staff contacted several of these companies and has reported its findings separately to the Commission. A-23

were forced to purchase imported photo albums in order to secure photo albums on a timely basis. However, the petitioners argue that the delivery problems were only temporary, and were the consequence of production disruptions resulting from import competition and idled equipment. In addition, Esselte's delivery problems occurred when it was relocating inventory from two to five warehouses. The petitioners maintain that they are capable of supplying the market in an efficient and timely manner.

Table 13.—Photo albums: U.S. producers' inventories, shipments, and ratios of inventories to shipments, 1982–84, January–June 1984, and January–June 1985 ^{1/}

Year/type of page	Inventories		Shipments		Ratio of inventories to shipments	
	Quantity	Value	Quantity	Value	Quantity	Value
	Million pages	Million dollars	Million pages	Million dollars	Percent	
1982:						
Magnetic	43.5	3.7	290.8	22.0	15	17
Pocket	66.7	1.2	266.1	8.1	25	15
Flip	36.4	1.4	204.6	7.5	18	19
Average	2/	2/	2/	2/	19	17
1983:						
Magnetic	46.0	3.7	440.8	27.2	10	14
Pocket	69.9	1.1	426.3	11.2	16	10
Flip	29.8	1.0	190.3	6.9	16	14
Average	2/	2/	2/	2/	14	13
1984:						
Magnetic	37.0	3.4	377.0	23.3	10	15
Pocket	52.1	.9	268.5	8.3	19	11
Flip	32.8	1.1	128.1	5.3	26	21
Average	2/	2/	2/	2/	18	16
January–June 1984:						
Magnetic	45.8	3.5	179.9	10.4	25	34
Pocket	79.9	1.0	89.0	2.9	90	34
Flip	42.7	1.2	50.7	2.2	84	55
Average	2/	2/	2/	2/	66	41
January–June 1985:						
Magnetic	46.9	3.4	156.1	9.1	30	37
Pocket	83.4	1.5	90.3	3.3	92	45
Flip	58.0	2.1	48.7	2.4	119	88
Average	2/	2/	2/	2/	80	57

1/ As reported by four firms accounting for 62 percent of U.S. producers' 1984 shipments of photo albums and filler pages.

2/ Averages for these values would be meaningless.

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

Table 14.—Photo album filler pages: U.S. producers' inventories, shipments, and ratios of inventories to shipments, 1982–84, January–June 1984, and January–June 1985 1/

Year/type of page	Inventories		Shipments		Ratio of inventories to shipments	
	Quantity	Value	Quantity	Value	Quantity	Value
	Million pages	Million dollars	Million pages	Million dollars		Percent
1982:						
Magnetic	6.0	1.2	12.6	4.4	48	27
Pocket	5.1	.4	29.8	3.0	17	13
Flip	—	—	3.9	.4	—	—
Average	2/	2/	2/	2/	33	20
1983:						
Magnetic	8.7	.9	13.1	3.4	66	26
Pocket	9.4	.5	24.2	2.5	39	20
Flip	.1	3/	2.3	.2	4/	4/
Average	2/	2/	2/	2/	53	23
1984:						
Magnetic	10.5	1.2	18.2	3.2	58	38
Pocket	11.9	.4	26.9	2.0	44	20
Flip	.2	3/	5.5	.6	4/	4/
Average	2/	2/	2/	2/	51	29
January–June 1984:						
Magnetic	8.9	1.0	8.3	1.5	107	66
Pocket	12.3	.4	13.2	1.0	93	40
Flip	.8	3/	2.1	.2	4/	4/
Average	2/	2/	2/	2/	100	53
Jan.–June 1985:						
Magnetic	9.9	.9	7.9	1.2	125	75
Pocket	10.8	.4	12.8	.9	84	44
Flip	.1	3/	1.9	.2	4/	4/
Average	2/	2/	2/	2/	105	60

1/ As reported by four firms accounting for 62 percent of U.S. producers' 1984 shipments of photo albums and filler pages.

2/ Averages for these values would be meaningless.

3/ Less than \$10,000.

4/ Because of the very low values for flip filler page inventories and shipments, these calculations have been omitted to prevent distorting trends for magnetic and pocket filler pages.

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

U.S. employment and wages

The total average number of employees engaged in the production of photo albums and photo album filler pages, as reported by six firms accounting for 66 percent of photo album and filler page shipments in 1984, increased from 632 in 1982 to 764 in 1983, when four of the six companies hired more workers (table 15). The number of workers then decreased to 535 in 1984, 15 percent below the number of workers in 1982 and 30 percent below the number employed in 1983. For January-June 1985, the number of employees engaged in the production of photo albums and filler pages was down 19 percent from that in the corresponding period of 1984. *** was not able to provide employment information for 1982, but did provide data for 1983-84 and January-June 1984 and January-June 1985. *** reports that its number of workers producing photo album and filler pages declined by 23 percent from 1983 to 1984, from *** employees to **. In addition, employment was down 4 percent in January-June 1985 from that in the corresponding period of 1984, from *** to *** workers.

Table 15.—Average number of production and related workers engaged in the manufacture of photo albums and photo album filler pages, hours worked by such workers, wages paid, and total compensation, 1982-84, January-June 1984, and January-June 1985 1/

Period	Number	Hours	Wages	Total
	of workers	worked	paid	compensation
	Thousands		Per hour	
1982	632	1,228	\$6.46	\$7.65
1983	764	1,341	7.29	8.58
1984	535	1,061	7.44	8.90
January-June 1984	592	607	6.01	6.89
January-June 1985	481	500	6.41	7.42

1/ Data are for 6 firms that accounted for 66 percent of U.S. producers' 1984 shipments.

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

Five of the six reporting firms and *** gave information on 14 specific instances in which a total of 473 employees were laid off permanently and an additional 160 were laid off for short-term and indefinite durations. In each of these instances, the reasons provided for the layoffs were uniformly either declines in production or lower sales. Only one company, **, reported that no photo album workers were dismissed between 1982 and 1984.

Although three of the petitioners invested *** in new equipment during 1982-84, few of the employee layoffs were the consequence of labor displacement. ***'s equipment investments actually added production steps; nearly all declines in the company's work force were the result of loss of contracts. However, only about half of ***'s layoffs were **. * A-26 reported that out of *** workers lost, about *** were displaced due to greater

equipment productivity, and Kleer-Vu noted that about 10-15 percent of its decline in employment was the result of modernization. 1/

Employees at DeLuxe Craft, Esselte, and Intercraft are unionized and belong to the Teamsters, and employees at Holson and Quality Business Accessories belong to the International Paperworkers Union. Total compensation received by employees producing photo albums increased from \$7.65 per hour in 1982 to \$8.90 per hour in 1984, an increase of 16 percent, although total compensation during January-June 1985 was down below 1982 levels at \$7.42 per hour.

Financial experience of U.S. producers

Income-and-loss data for photo album and filler page operations were received from five firms accounting for 70 percent of U.S. producers' 1984 shipments of photo albums and filler pages. However, one firm, ***, could not supply data for the interim period ended June 30, 1984, and another firm, ***, did not provide data for 1982 or usable data for 1983. Hence, data for 1982-84 are reported for firms accounting for about 60 percent of producers' 1984 shipments, and data for January-June 1984 and January-June 1985 are reported for firms accounting for 67 percent of producers' 1984 shipments.

U.S. producers' net sales of photo albums and filler pages increased by 14 percent from \$46.4 million in 1982 to \$52.8 million in 1983 and then declined 12 percent to \$46.5 million in 1984 (table 16). During the interim period ended June 30, 1985, total net sales dropped by 20 percent to \$19.8 million, compared with \$24.8 million in the corresponding period of 1984.

The industry operated profitably only in 1982 and then reported operating losses during 1983 through June 1985. The responding producers reported an aggregate operating loss of \$1.1 million, or 2.1 percent of net sales, in 1983 despite increasing sales. In 1984, their operating loss increased to \$2.2 million, or 4.8 percent of net sales. During the interim period ended June 30, 1985, operating losses declined in absolute dollars to \$2.5 million, compared with such losses of \$2.9 million in the corresponding period of 1984. During the same period, however, operating losses declined at a slower rate than net sales, resulting in the higher operating loss margin of 12.4 percent, compared with 11.5 percent. Because of the seasonal nature of the market for photo album and filler pages, with demand strongest in the second half of the year, the industry reflected a much higher operating loss margin during the interim periods ended June 30, compared with those for the full year of 1983 and 1984. Pretax income and loss margins followed a trend similar to that of operating income or loss margins.

Cash flow generated from U.S. producers' photo album and filler pages operations turned from a positive \$2.6 million in 1982 to a negative \$2.2 million in 1984 and a negative \$2.3 million in the interim period ended June 30, 1985. Four firms in both interim periods and three firms in 1983 and 1984 sustained net losses, compared with no firms experiencing net losses in 1982.

1/ Field interview with officials of ***; hearing transcript, p. 47 A-27

Table 16.—Income-and-loss experience of 5 U.S. producers on their operations producing photo albums and/or photo album filler pages, accounting years 1982–84, and interim periods ended June 30, 1984, and June 30, 1985 1/

Item	1982	1983	1984	Interim period	
				ended June 30— 1984	1985
Net sales— 1,000 dollars—	46,432	52,806	46,508	24,792	19,801
Cost of goods sold— do—	32,491	38,569	35,110	20,121	15,596
Gross profit or (loss)— do—	13,941	14,237	11,398	4,671	4,205
General, selling, and administra- tive expenses— do—	12,026	15,338	13,641	7,532	6,661
Operating income or (loss)— do—	1,915	(1,101)	(2,243)	(2,861)	(2,456)
Interest expenses— do—	786	1,429	1,481	687	584
Other (income) or expense, net 1,000 dollars—	(339)	(119)	(160)	(8)	(57)
Net income or (loss) before income taxes— 1,000 dollars—	1,468	(2,411)	(3,564)	(3,540)	(2,983)
Depreciation and amortization expense included above 2/ 1,000 dollars—	1,119	1,502	1,350	690	641
Cash flow from operations 2/-do—	2,587	(909)	(2,214)	(2,850)	(2,342)
As a share of net sales:					
Cost of goods sold—percent—	70.0	73.0	75.5	81.2	78.8
Gross profit or (loss)—do—	30.0	27.0	24.5	18.8	21.2
General, selling, and adminis- trative expenses—percent—	25.9	29.0	29.3	30.4	33.6
Operating income or (loss) percent—	4.1	(2.1)	(4.8)	(11.5)	(12.4)
Net income or (loss) before income taxes—percent—	3.2	(4.6)	(7.7)	(14.3)	(15.1)
Number of firms reporting:					
Operating losses—	0	1	2	4	4
Net losses—	0	3	3	4	4

1/ Data for 1982–84 are for firms accounting for about 60 percent of U.S. producers 1984 shipments of photo albums and filler pages, while data for January–June 1984 and January–June 1985 are for producers accounting for 67 percent of shipments.

2/ One firm, ***, did not provide depreciation and amortization expense. Hence depreciation and amortization expense and cash flow from operations are somewhat understated.

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

Operations on overall establishments.--Income-and-loss data on the overall operations of establishments wherein photo albums and filler pages are produced were supplied by six U.S. firms accounting for 70 percent of U.S. producers' 1984 shipments of photo albums and filler pages (table 17). Net sales of photo albums and filler pages as a share of overall establishment net sales (excluding ***'s sales) declined from 52 percent in 1982 and 1983 to 48 percent in 1984. Trends in net sales and profitability for the overall establishments are similar to those for photo album and filler page operations. The only difference is that establishment operations showed a declining operating income margin in each period, while photo album and filler page operations experienced an increasing operating loss margin in each period since 1983.

Establishment net sales rose by 13 percent, from \$116.1 million in 1982 to \$131 million in 1983 and then declined by 8 percent to \$120.9 million in 1984. Such sales dropped by 24 percent, from \$56.5 million in the interim period ended June 30, 1984, to \$43.1 million in the corresponding period of 1985.

The operating income for establishment operations fell from \$10.1 million, or 8.7 percent of net sales, in 1982 to \$3.7 million, or 3.0 percent of net sales, in 1984. Such income further dropped to \$104,000, or 0.2 percent of net sales, in the interim period of 1985, compared with \$667,000, or 1.2 percent of net sales, in the corresponding period of 1984. Net income or loss before income taxes followed a trend similar to that of operating income or loss.

Investment in productive facilities.--Six firms accounting for 70 percent of U.S. producers' 1984 shipments of photo albums and filler pages supplied data concerning their investment in productive facilities employed in the production of all products of their establishments, while five firms accounting for about 60 percent of producers' shipments provided such data relating to the production of photo albums and filler pages. Reported investment in property, plant, and equipment is shown in the following tabulation (in thousands of dollars):

Period	All products of the establishments		Photo albums and filler pages	
	Original cost	Book value	Original cost	Book value
	:	:	:	:
1982	30,335	17,235	15,268	8,235
1983	34,140	18,686	17,399	8,779
1984	36,214	18,632	19,372	9,375
As of June 30--				
1984	35,288	18,589	17,907	8,635
1985	36,704	17,673	19,593	8,818

The aggregate investment in productive facilities for photo albums and filler pages, valued at cost, increased steadily from \$15.3 million in 1982 to A-29

Table 17.—Income-and-loss experience of 6 U.S. producers on the overall operations of the establishments within which photo albums and/or photo album filler pages are produced, accounting years 1982–84, and interim periods ended June 30, 1984, and June 30, 1985 ^{1/}

Item	1982	1983	1984	Interim period ended June 30—	
				1984	1985
Net sales	1,000 dollars	116,084	130,961	120,904	56,513
Cost of goods sold	do	80,566	93,314	89,586	41,597
Gross profit or (loss)	do	35,518	37,647	31,318	14,916
General, selling, and administrative expenses	do	25,400	29,295	27,666	14,249
Operating income or (loss)	do	10,118	8,352	3,652	667
Interest expenses	do	1,001	1,997	2,207	1,136
Other (income) or expense, net	1,000 dollars	(539)	449	1,073	540
Net income or (loss) before income taxes	1,000 dollars	9,656	5,906	372	(1,009)
Depreciation and amortization expense included above ^{2/}	1,000 dollars	1,515	2,045	2,059	1,143
Cash flow from operations ^{2/-do}	11,171	7,951	2,431	134	(395)
As a share of net sales:					
Cost of goods sold—percent		69.4	71.3	74.1	73.6
Gross profit or (loss)—do		30.6	28.7	25.9	26.4
General, selling, and administrative expenses—percent		21.9	22.4	22.9	25.2
Operating income or (loss)—percent		8.7	6.4	3.0	1.2
Net income or (loss) before income taxes—percent		8.3	4.5	0.3	(1.8)
Number of firms reporting:					
Operating losses		0	1	2	3
Net losses		0	1	3	3

^{1/} Data for 1982–84 are for firms accounting for 70 percent of U.S. producers' 1984 shipments of photo albums and filler pages, while data for January–June 1984 and January–June 1985 are for producers accounting for 67 percent of shipments.

^{2/} One firm, ***, did not provide depreciation and amortization expense. Hence depreciation and amortization expense and cash flow from operations are somewhat understated.

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

\$19.4 million in 1984, and rose further by \$221,000 to \$19.6 million as of June 30, 1985. The book value of such assets showed a similar trend during 1982 through June 1985. Total investment in productive facilities for establishment operations, valued at cost, increased from \$30.3 million in 1982 to \$36.2 million in 1984 and \$36.7 million as of June 30, 1985.

Capital expenditures and research and development expenses.--Six firms accounting for 70 percent of U.S. producers' 1984 shipments of photo albums and filler pages furnished data relative to their capital expenditures for land, building, machinery, and equipment used in the manufacture of all products of their establishments, and five firms accounting for about 60 percent of producers' shipments supplied such data for photo albums and filler pages, as well as research and development expenses relating to the operations on photo albums and filler pages. These reported data are presented in the following tabulation (in thousands of dollars):

Period	Capital expenditures :All products of:Photo albums and :establishments: filler pages	: Research and develop- ment expenses related to photo albums and filler pages	
1982	4,644	2,486	819
1983	3,806	2,254	1,019
1984	3,544	1,447	547
January-June 1984	1,209	664	205
January-June 1985	573	236	208

Capital expenditures relating to photo albums and filler pages declined steadily from \$2.5 million in 1982 to \$1.4 million in 1984 and to \$236,000 during January-June 1985, compared with \$664,000 in the corresponding period of 1984. Such expenditures for all products of establishments showed a trend similar to that of photo albums and filler pages.

Research and development expenses relative to operations on photo albums and filler pages increased from \$819,000 in 1982 to \$1.0 million in 1983 and then dropped to \$547,000 in 1984. Such expenses remained almost the same at about \$205,000 during January-June 1984 and January-June 1985.

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

In its examination of the question of the 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 the LTFV imports, the rate of increase of U.S. market penetration by such imports, quantities of such imports held in inventory in the United States, and the capacity of the foreign producers to generate exports (including the availability of export markets other than the United States). Each of these factors is discussed below, and more extensive coverage of trends in imports and market penetration is presented in the

section of this report that addresses the causal relationship between the alleged injury and LTFV imports. 1/

Rate of increase of LTFV imports

Total imports, by value, of photo albums have increased by 176 percent since 1980. 2/ The largest share (75 percent) of this increase is accounted for by imports from Korea, which grew from \$9.7 million in 1980 to \$38.0 million in 1984 (or by 291 percent). Korea accounted for 45 percent of all photo album imports in 1980 and 64 percent of all imports in 1984. Imports of photo albums from Hong Kong increased 80 percent during 1980-84, from \$4.2 million to \$7.6 million, but Hong Kong's share of total photo album imports in the United States declined from 20 percent to 13 percent during this period.

Photo album imports from Hong Kong and Korea have increased (by value) 11 percent and 133 percent, respectively, from 1982 to 1984. From January to June 1985, imports of photo albums from Korea were up 2 percent over those in the corresponding period of 1984, and up 90 percent for Hong Kong.

Rate of increase of U.S. market penetration

Photo album imports from Hong Kong have maintained a fairly steady market share since 1982, about 5 percent of total U.S. consumption (by value). However, photo album imports from Korea realized an 87-percent gain in market share during 1982-84, from 15 percent in 1982 to 28 percent in 1984. All other imports increased their market penetration during this period from 8 to 10 percent. U.S. producers experienced a 20-percent decline in their share of the photo album market, from 71 percent in 1982 to 57 percent in 1984.

Inventories held by importers

Seven importers, accounting for about 30 percent of Hong Kong photo album imports in 1984, reported inventories of photo albums and filler pages valued at *** at the end of 1984, an amount equal to *** percent of their 1984 imports. This is nearly a 60-fold increase from 1982, when reported inventories were **. Inventories at yearend 1983 amounted to **. For the period ended June 30, 1985, importers accounting for about 22 percent of 1984 photo album imports from Hong Kong held inventories of photo albums of **, up from *** inventories in the corresponding period of 1984. No usable data on filler page inventories were reported.

1/ Section 771(7)(F)(ii) of the Tariff Act of 1930 (19 U.S.C. 1677(7)(F)(ii)) provides that "Any determination by the Commission...that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

2/ The value is the c.i.f. value as reported by the Department of Commerce. Filler pages are not included in the import calculations because they represent less than 5 percent of their TSUSA category.

* * * * *

Importers accounting for 36 percent of 1984 album imports from Korea reported a 731-percent increase in photo album inventories during 1982-84, from \$313,000 to \$2.6 million, an amount equal to 22 percent of their 1984 imports. Inventories at yearend 1983 amounted to \$1.5 million. For importers representing about 32 percent of 1984 Korean album imports, inventories at the end of June 1985 were up 28 percent over those in the corresponding period of 1984, from \$2.2 to \$2.8 million. No usable data on filler page inventories were reported.

Ability of foreign producers to generate exports

The ability of foreign producers to increase the volume of their exports of photo albums to the United States depends on several factors, including the availability of other export markets, their productive capacity and capacity utilization, volume of export shipments, and levels of producer inventories. For both Hong Kong and Korea, the major export markets ***.

Canadian import diversion.—Because of a recent final affirmative antidumping determination by the Antidumping Tribunal of Canada 1/ with regard to magnetic photo albums and filler pages from Hong Kong, Korea, and the United States, the petitioners have expressed some concern that the Hong Kong and Korean albums will be diverted to the U.S. market. According to the petition, because of these antidumping determinations, photo album producers in Hong Kong and Korea:

...must look for another market to absorb products previously dumped in Canada ...the Korean and Hong Kong producers almost surely will divert much of their Canadian exports to the United States. Moreover in order to find buyers for the increased shipments to the United States, the Korean and Hong Kong producers will have to reduce prices to United States buyers.

The net effect of such export diversion, the petitioners argue, would be even more lost sales and reduced revenues to the domestic industry.

Prior to this most recent Canadian antidumping decision, there was an outstanding antidumping order in Canada involving imports of magnetic photo albums from Korea. The new determination includes magnetic albums and filler pages from Hong Kong and the United States as well as magnetic filler pages from Korea. The final weighted-average dumping margins found by the Canadian government are shown in the following tabulation (in percent): 2/

1/ Antidumping Tribunal of Canada, Mar. 26, 1985, Review No. R-3-84.

2/ Canada Gazette, Part I, Apr. 13, 1985, p. 2347.

Imports from	:	Margin
Hong Kong:	:	
Albums with magnetic pages	:	33.4
Magnetic filler pages	:	33.9
Korea:	:	
Albums with magnetic pages 1/	:	34.0
Magnetic filler pages	:	27.7
The United States:	:	
Albums with magnetic pages	:	41.6
Magnetic filler pages	:	14.0

1/ Final margin; dumping order issued on Jan. 24, 1975.

Counsel for the Korean respondents argues that any diversion of Korean exports of photo albums to Canada would have already taken place, since the anti-dumping order has been outstanding since 1975. 1/

The estimated Canadian market in 1984 for magnetic page albums is \$12.2 million (in Canadian dollars) and is \$1 million for magnetic filler pages. 2/ As can be seen from table 18, photo album imports from Hong Kong and the United States accounted for 33 percent of the Canadian photo album market in 1983 and 28 percent of the market in 1984, while filler page imports from Hong Kong, Korea, and the United States accounted for 89 percent of the filler page market in 1983 and 50 percent in 1984.

An official of the Canadian Department of Customs, Excise, and Revenue reports that there have been virtually no exports of photo albums from the United States to Canada since April 1985, and that imports from Hong Kong and Korea are down substantially. 3/ More detail on Hong Kong and Korean photo album export markets is provided below, together with information on production, capacity utilization, inventories, and exports.

Hong Kong.—Climax Paper Converters, Ltd., is the major Hong Kong producer and exporter of photo albums and filler pages, accounting for about 85 percent of all exports of such merchandise. Counsel for Climax provided data concerning Climax's production, capacity, and shipments of photo albums in 1983 and 1984. In 1984, utilization of productive capacity ranged from *** percent for the flip-style albums to *** percent for the spiral-bound albums, as shown in the following tabulation (in percent):

Type of construction	Capacity	Capacity
	utilization 1983	utilization 1984
Spiral bound	***	***
Ring bound	***	***
Post bound	***	***
Flip-style	***	***
Average	***	***

1/ Korean respondents' prehearing brief, pp. 29-30.

2/ Canada Gazette, Part I, Feb. 16, 1985, p. 1074.

3/ Telephone conversation between staff and Mr. Aqueel of the Canadian Department of Customs, Revenue, and Excise, Assessment Programs, Oct. 3, 1985.

Table 18.—Canadian imports of magnetic photo albums and filler pages from Hong Kong, Korea, and the United States, 1982–84

Imports from	(In thousands of Canadian dollars)		
	1982	1983	1984
Hong Kong:			
Photo albums	207	2,609	2,128
Filler pages	4	25	—
Korea:			
Filler pages	29	136	500
The United States:			
Photo albums	678	1,425	1,259
Filler pages	337	731	—
Total	1,255	4,926	3,887

Source: *Canada Gazette*, Part I, Feb. 16, 1985, p. 1074, and telephone conversation with an official from the Canadian Department of National Revenue, Customs, and Excise, Assessment Programs.

Climax's productive capacity *** during 1982–84, and counsel for the company reports that there are no immediate plans for future capacity expansion. Climax keeps no inventory in Hong Kong, but does warehouse a small inventory in the United States through its U.S. subsidiary, Climax Industries. In its response to the Commission's questionnaire, Climax Industries reported end-of-period inventories of *** at the end of June 1985 (the subsidiary started operations during 1984, and had *** inventories as of December of that year).

*** is Hong Kong's largest market for photo albums, accounting for *** percent of its total shipments in 1984. Other major markets were ***. Information concerning Hong Kong's exports of photo albums and filler pages for 1983 and 1984 is presented in the following tabulation (in thousands of dollars):

<u>Market</u>	<u>Exports</u>	<u>Exports</u>
	1983	1984
***	***	***
***	***	***
***	***	***
***	***	***
Total	***	***

Korea.—There are 15 major producers of photo albums and photo album filler pages in Korea. The United States is Korea's major export market, accounting for 59 percent of total exports in 1984 (table 19). The European Community is the second largest export market, accounting for 29 percent of total exports.

Table 19.—Photo albums and photo album filler pages: Exports from Korea to principal markets, 1982–84, January–June 1984, and January–June 1985

Market	(In thousands of dollars)					
	1982	1983	1984	Jan–June 1984	Jan–June 1985	
United States	17,323	31,164	36,315	17,838	15,904	
Canada	528	971	840	390	403	
European Community	14,658	16,879	17,489	9,269	7,295	
All other	6,028	6,161	6,500	3,444	2,213	
Total	38,536	55,175	61,144	30,941	25,815	

Source: Compiled from data submitted by counsel for the Korea Stationery Industry Cooperative.

The Korea Stationery Industry Cooperative projects that Korea's production of photo albums and photo album filler pages will be the same for 1985–87 as it was in 1984. Utilization of productive capacity ranged from *** percent capacity for magnetic albums to *** percent for flips in 1984, and the Cooperative estimates that productive capacity utilization will range from *** percent for 1985–87, as shown in the following tabulation (in percent):

Type of Album	Capacity utilization 1984	Capacity utilization 1985–87
Magnetic	***	***
Flip	***	***
Pocket	***	***
Average	***	***

Counsel for Korean respondents reports that there is "no significant warehouse ...within the Korean industries. At any given time, inventory levels are always low since Korean producers only manufacture in response to specific purchase orders." 1/

Korean export restraint program.—Effective January 1, 1985, the Korean Government initiated a program to restrict the exportation of photo albums with magnetic sheets and magnetic filler pages to the United States. This program, to be administered by the Korea Stationery Industry Cooperative, establishes a quota of 550 million sheets for 1985. Korea's exports to the United States of photo albums with magnetic sheets and magnetic filler pages for 1982–84, according to information supplied by counsel for the Korea Stationery Industry Cooperative (for firms that accounted for 96 percent of total exports of photo albums to the United States in 1984) are presented in the following tabulation (in millions of sheets):

	Quantity
1982	220
1983	452
1984	541

1/ Korean respondents' prehearing brief, p. 28.

The export restraint program also established a "guided price system" that will establish base prices for the sale of photo albums to the United States. The base price for 1985 for the 100-page magnetic album, for example, is *** per album f.o.b. Korea. In comparison, according to information provided by the Korea Stationery Industry Cooperative, the average f.o.b. prices for the 100-page magnetic album from Korea for 1982-84, are shown in the following tabulation:

	<u>Price</u>
1982-----	\$ 2.98
1983-----	2.91
1984-----	2.63

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

U.S. imports

Photo albums and photo album filler pages are imported under TSUSA items 256.6000 (albums) and 256.8780, 256.9080, and 774.5590 (filler pages). 1/ The tariff item for photo albums, 256.6000, is a broad provision that also includes scrapbooks and autograph, postage stamp, postcard, and phonograph record albums, while TSUSA items for filler pages, 256.8780 and 256.9080 (those of paper) and 774.5595 (those of plastic), are residual "basket" categories that contain products not specifically provided for elsewhere in the TSUSA. Photo albums are classified "eo nomine" (by name); that is, according to how albums are commonly known rather than according to their chief component material or end-use.

U.S. Customs national import specialists from the two customs districts that import the largest amount of photo albums (New York and Los Angeles) indicate that probably 99 percent of album imports are indeed photo albums, and less than 5 percent of trade in the tariff items covering filler pages actually comprises imports of filler pages. 2/ The Customs import specialists were not aware of any trends or recent changes in the product mix entering under the TSUSA items pertinent to this investigation.

Because filler pages account for such a small portion of the imports under their TSUSA items, the official import data do not reflect the actual magnitude or trends in the quantity or value of filler page imports.

1/ According to official statistics of the U.S. Department of Commerce, imports of products that should have been reported under TSUSA item 774.5590 were erroneously reported under item 774.5595 from 1983 to September 1985 because of a typographical error in the TSUSA. Filler pages reported in item 774.5595 are included within the scope of products subject to these investigations; however, as of Sept. 1, 1985, the correct item number (774.5590) is reflected in the TSUSA.

2/ Telephone conversation between Commission staff and the New York and Los Angeles district customs offices.

Information concerning imports of filler pages has been obtained from responses to Commission questionnaires and from counsel for the respondents and is presented in the sections of this report concerning imports from Hong Kong and Korea.

Total imports of photo albums increased from 36 million albums in 1982 to 53 million albums in 1984, or by 47 percent (table 20). The total value of such imports increased by 86 percent during the period, rising from \$32 million in 1982 to \$59 million in 1984. Korea accounted for 86 percent of the increase in quantity of such imports and 79 percent of the increase in value of these imports during 1982-84. Imports of photo albums during January-June 1985 were up 8 percent by value and 6 percent by quantity over those in the corresponding period of 1984.

Table 20.—Photo albums: U.S. imports, by principal sources, 1982-84 1/

Source	1982	1983	1984	Jan-June 1984	Jan-June 1985
Quantity (million units)					
C.i.f. value (million dollars)					
Korea	14.5	22.2	28.9	16.3	13.8
Taiwan	1.1	4.8	8.5	3.9	2.4
Hong Kong	5.1	6.6	6.9	3.3	4.0
Singapore	2.2	2.1	3.4	1.9	2.4
Japan	4.0	2.3	2.7	1.7	2.2
Canada	1.6	1.3	1.2	.7	.6
All other	7.5	5.5	1.2	1.0	5.0
Total	36.0	44.8	52.8	28.8	30.4
1/ Imports under item 256.6000 of the TSUSA. These imports include scrapbook, autograph, photograph, postage stamp, postcard, and phonograph record albums. Photograph albums account for the vast bulk of the imports under this item.					

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

In 1984, the Far East accounted for the bulk of U.S. imports of photo albums. Korea was the largest exporter of this product to the United States, accounting for 55 percent of the quantity and 64 percent of the value of A-38

U.S. imports. Hong Kong accounted for 13 percent of the quantity and value of all U.S. imports of photo albums, as shown in the following tabulation (in percent):

Source	:	Share of total quantity	:	Share of total value
Korea	:	55	:	64
Taiwan	:	16	:	8
Hong Kong	:	13	:	13
Singapore	:	6	:	3
Japan	:	5	:	8
Subtotal	:	95	:	96
All other	:	5	:	4
Total	:	100	:	100
	:		:	

Imports from Hong Kong.--Imports of photo albums from Hong Kong increased by 35 percent, from 5.1 million albums in 1982 to 6.9 million albums in 1984. In 1984, the total value of these imports from Hong Kong was 10 percent higher than the value in 1982. During January-June 1985, imports from Hong Kong were up 90 percent by value (from \$3.0 to \$5.7 million) and 19 percent by quantity (from 3.3 to 4.0 million albums) over those in the corresponding period of 1984.

According to data submitted by counsel for the Hong Kong producer, Esselte accounted for most of Climax's exports prior to 1984. The following tabulation contains Climax's reported shipments to Esselte during 1981-84, and the share of total photo album imports from Hong Kong that these shipments represent (in millions of dollars):

	<u>Shipments to Esselte</u>	<u>Total imports from Hong Kong</u>	<u>Esselte's share (percent)</u>
1981	***	***	***
1982	***	***	***
1983	***	***	***
1984	***	***	***

As can be seen from the above tabulation, Esselte's annual average share of Climax's exports from 1981-83 was *** percent, but this dropped to *** percent in 1984 when Esselte ***. In addition, Esselte accounted for *** of Hong Kong's exports of filler pages prior to 1984, ***. Filler page exports increased from *** in 1982 to *** in 1983; Esselte accounted for *** percent and *** percent of these exports, respectively. Climax's exports of filler pages declined to *** in 1984.

Imports from Korea.--Imports of photo albums from Korea nearly doubled during 1982-84, from 14.5 million albums to 28.9 million albums. The value of these imports increased from \$16.3 million in 1982 to \$38.0 million in 1984, an increase of 133 percent. Imports of photo albums from Korea during

January-June 1985 were up 2 percent by value (from \$21.5 to \$22.0 million), but down 15 percent by quantity (from 16.3 to 13.8 million albums) compared with those in the corresponding period of 1984. Information concerning imports by U.S. producers of photo albums and photo album filler pages from Korea is presented in table 21.

Table 21.—Photo albums and photo album filler pages: Exports from Korea to U.S. photo album producers, 1982-84

Year	Exports to U.S. producers	Exports to U.S. producers as a share of total exports to the United States
	<u>1,000 dollars</u>	<u>Percent</u>
1982	562	4
1983	3,067	10
1984	1,621	5

Source: Compiled from data submitted by counsel for the Korea Stationery Industry Cooperative.

According to information provided by counsel for the Korean producers, exports of filler pages (sold separately) totaled \$442,000 in 1982, increased to \$1.6 million in 1983, and then decreased to \$684,000 in 1984, as shown in the following tabulation (in thousands of dollars):

Period	Magnetic	Pocket	Flip
1982	442	—	—
1983	1,131	159	287
1984	536	148	—
January-June 1984	273	—	68
January-June 1985	103	337	—

Of these exports of filler pages, 100 percent were sold to U.S. photo album producers in 1982, 97 percent were sold to U.S. producers in 1983, and 31 percent were sold to U.S. producers in 1984. None of the filler pages exported to the United States during January-June 1985 were sold to U.S. producers, compared to 31 percent in the corresponding period of 1984.

Imports by customs districts.—In 1984, the Customs districts of New York and Los Angeles combined accounted for 66 percent and 65 percent of the total imports of photo albums from Hong Kong and Korea, respectively, as shown in table 22.

Table 22.—Photo albums: Distribution (by value) of U.S. imports from Hong Kong and Korea, by customs districts, 1984 1/

(In percent)			
Item	: Share of total: : imports ::	Item	: Share of total : imports ::
Hong Kong:	:	Korea:	:
New York, NY	50 ::	Los Angeles, CA	33
Los Angeles, CA	16 ::	New York, NY	32
Baltimore, MD	5 ::	Chicago, IL	5
New Orleans, LA	5 ::	San Francisco, CA	5
Dallas-Fort Worth, TX	4 ::	Seattle, WA	5
Savannah, GA	3 ::	Portland, OR	4
Subtotal	83 ::	Subtotal	84
All other	17 ::	All other	16
Total	100 ::	Total	100

1/ Imports under item 256.6000 of the TSUSA. These imports include scrapbook, autograph, photograph, postage stamp, postcard, and phonograph record albums. Photograph albums, however, account for the vast bulk of the imports under this TSUSA item.

Source: Official statistics of the U.S. Department of Commerce.

Market penetration

Photo album imports from Hong Kong have maintained a fairly steady market share since 1982, about 5 percent of total U.S. consumption (by value). However, photo album imports from Korea realized a 90-percent gain in market share during 1982-84, from 15 percent in 1982 to 28 percent in 1984. All other imports increased their market penetration during this period from 8 to 10 percent. U.S. producers experienced a 21-percent decline in their share of the photo album market, from 71 percent in 1982 to 57 percent in 1984. Table 23 illustrates the specific shares of U.S. consumption held by U.S. producers, Hong Kong imports, Korean imports, and all other imports for 1982-84.

Although market penetration cannot be calculated for the partial year January-June 1985, it may be noted that imports of photo albums from Hong Kong were up 90 percent in this period compared with the corresponding period of 1984, from \$3 to \$5.7 million, and imports from Korea were up 2 percent, from \$21.5 to \$22.0 million. January-June 1985 shipments of photo albums and filler pages by the U.S. producers were down 13 percent from those in the corresponding period of 1984, from \$27.5 to \$23.8 million (as reported by firms accounting for 80 percent of U.S. producers' 1984 shipments).

Nature of photo album and filler page import competition

Information concerning importers' sales of photo albums and filler pages imported from Hong Kong and Korea in 1984 was provided by firms that accounted for about 80 percent of 1984 photo album imports from Hong Kong and about 65

Table 23.—Photo albums: U.S. imports for consumption by specified sources, U.S. producers' domestic shipments, and apparent consumption, 1982–84

Year	Imports from—				U.S.	
	Hong Kong	Korea	All other	Total	producers' domestic shipments	Apparent consumption
	C.i.f. value (million dollars)					
1982	6.9	16.3	8.7	31.9	79.5	111.4
1983	5.8	29.6	11.0	46.4	86.3	133.2
1984	7.6	38.0	13.6	59.2	77.4	136.6
Share of apparent consumption (percent)						
1982	6.2	14.6	7.8	28.6	71.4	100.0
1983	4.4	22.2	8.2	34.8	64.8	100.0
1984	5.6	27.8	10.0	43.3	56.7	100.0

Source: Official statistics of the U.S. Department of Commerce and questionnaires of the U.S. International Trade Commission.

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

percent of 1984 photo album imports from Korea. This information, divided by types of covers, bindings, albums, and pages, is presented for Hong Kong in table 24 and for Korea in table 25.

As can be seen from tables 24 and 25, photo album imports from Hong Kong and Korea represent a wide variety of album styles and sizes. Although the vast bulk of Hong Kong and Korean albums have covers that are vinyl or vinyl-coated paper (93 percent and 92 percent, respectively), the majority (71 percent) of Hong Kong albums are spiral bound whereas 49 percent of the Korean albums are spiral bound. Only 8 percent of Hong Kong albums are of the three-ring variety, compared with 38 percent for Korea. In addition, most of the Hong Kong albums are 20-page magnetic albums (54 percent), and most of the Korean albums are 100-page magnetics (31 percent) and 20-page magnetics (26 percent). Eighty-five percent of Hong Kong albums and 83 percent of Korean photo album imports are accounted for by magnetic-style albums, while 5 percent of Hong Kong albums are pocket and 6 percent are flip and 11 percent of the Korean albums are pocket and 6 percent are flip.

When these imports are compared with U.S. producers' 1984 shipments (see report at A-21), differences in the product range of domestic and imported photo albums may be seen. U.S. albums have a slightly greater variety of album covers, with 76 percent being vinyl or vinyl-coated paper. Most (63 percent) domestically produced albums have three-ring binders, but U.S. magnetic albums have less of a share of domestic shipments than imported magnetic albums—65 percent versus 85 percent for Hong Kong albums and 83 percent for Korean albums. Nineteen percent of U.S. albums are pocket-style albums and 11 percent are flip-style albums. In addition, * * *.

Table 24.—U.S. imports of Hong Kong photo albums and filler pages,
by types of covers, bindings, albums, and pages, 1984 ^{1/}

(In percent)					
Item	Share of total	Share of total	Item	Share of total	Share of total
	quantity	value		quantity	value
Types of album covers:					
Vinyl-coated paper	38	42	Types of albums:		
Vinyl	55	47	Magnetic:		
Bonded leather	2	8	100-page	11	27
Paper	5	4	20-page	54	34
All other ^{2/}	0	0	All other sizes	20	17
Total	100	100	Total magnetic	85	78
Types of album bindings:					
3-ring binder	8	16	Total	100	100
Post-bound	13	24			
Spiral binder	71	45			
All other ^{3/}	9	15			
Total	100	100			

^{1/} As reported by importers accounting for about 80 percent of 1984 imports of Hong Kong photo albums.

^{2/} Plastic, suede, cloth, etc.

^{3/} Flips, metal hinges, etc.

^{4/} Wedding albums, scrapbook style albums, etc.

^{5/} Scrapbook pages, wedding album pages, etc.

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

Table 25.—U.S. imports of Korean photo albums and filler pages,
by types of covers, bindings, albums, and pages, 1984 ^{1/}

(In percent)

Item	Share of total	Share of value	Item	Share of total	Share of value
Types of album covers:					
Vinyl-coated paper-----					
Vinyl-----	40	31	Types of albums:		
Bonded leather-----	52	65	Magnetic:		
Paper-----	<u>2/</u>	1	100-page-----	31	56
All other ^{3/} -----	7	3	20-page-----	26	7
Total-----	<u>2/</u>	<u>2/</u>	All other sizes-----	26	20
	<u>100</u>	<u>100</u>	Total magnetic-----	83	83
			Pocket-----	11	6
			Flip-----	6	11
			All other ^{5/} -----	-	-
			Total-----	100	100
Types of album bindings:					
3-ring binder-----	38	60	Types of filler pages:		
Post-bound-----	2	2	Magnetic-----		
Spiral binder-----	49	25	Pocket-----	99	68
All other ^{4/} -----	12	12	Flip-----	<u>2/</u>	23
Total-----	<u>100</u>	<u>100</u>	All other ^{6/} -----	1	8
			Total-----	<u>100</u>	<u>100</u>

^{1/} As reported by importers accounting for about 65 percent of 1984 imports of Korean photo albums.

^{2/} Less than 0.5 percent.

^{3/} Plastic, suede, cloth, etc.

^{4/} Flips, metal hinges, etc.

^{5/} Wedding albums, scrapbook style albums, etc.

^{6/} Scrapbook pages, wedding album pages, etc.

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

With regard to filler pages, 99 percent of filler page imports from Korea are magnetic pages, and 83 percent of filler page imports from Hong Kong are flip pages. In comparison, only 42 percent of U.S. filler page shipments in 1984 were magnetic pages, with 22 percent of the shipments represented by pocket pages and 36 percent by other page styles.

Counsel for the Hong Kong and Korean respondents have provided information concerning respondents' shipments of photo albums and filler pages. With respect to Climax's shipments to the United States, the volume of photo album exports decreased *** percent from 1983 to 1984, from *** to *** albums (table 26). However, the value of these exports increased *** percent. Although shipments of magnetic albums declined during this period by *** percent, exports of pocket albums were up *** percent (from *** to *** albums) and exports of flip albums were up *** percent (from *** to *** albums). During January-June 1985, shipments of pocket and flip albums were *** than shipments for all of 1984 (* * * by *** percent and *** percent, respectively). With respect to filler pages, Climax's shipments to the United States of magnetic pages increased *** percent from 1983 to 1984, but * * * exports of this page type were reported for January-June 1985. Shipments of pocket pages declined *** percent during 1983-84, but had * * * *** percent * * * the 1984 total as of June 30, 1985.

Table 26.—Hong Kong's shipments to the United States of photo albums and filler pages, 1983-84 and January-June 1985

* * * * *

According to data provided by counsel for the Korean respondents, Korean shipments to the United States of magnetic-style photo albums increased *** percent during 1982-84, from *** pages to *** pages; the value of these shipments also increased by *** percent (table 27). Exports of pocket pages during this same period increased *** percent by quantity and *** percent by value; flip pages increased *** percent by quantity and *** percent by value. During January-June 1985, shipments of magnetic and flip albums (by number of pages) were down *** percent and *** percent, respectively, compared with those in the corresponding period of 1984; however, shipments of pocket pages were up *** percent over those in the corresponding period.

Table 27.—Korean shipments to the United States of photo albums and filler pages, 1982-84, January-June 1984, and January-June 1985

* * * * *

With respect to filler pages, shipments of magnetic pages decreased *** percent during 1983-84, and were also down *** percent in January-June 1985 compared with those shipments in the corresponding period of 1984. Exports of flip pages increased from *** pages in 1982 to *** pages in 1984; however, * * * shipments of flip filler pages were reported for January-June 1985. There were * * * Korean exports of pocket filler pages in 1982 or 1984, but * * *. A-45

Cumulative effects of Hong Kong and Korean imports

The Trade and Tariff Act of 1984, at section 612(a)(2)(A), amends title VII of The Tariff Act of 1930 by adding a new subsection which establishes:

Cumulation—for the purposes of clauses (i) and (ii), the Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market.

The Conference Report accompanying the Act notes that:

The provision requires cumulation of imports from various countries that each account individually for a small percentage of total market penetration but when combined may cause material injury. The conferees do intend, however, that the marketing of imports of accumulated [sic] be reasonably coincident. Of course, imports of like products from countries not subject to investigation would not be included in the cumulation.^{1/}

Thus, cumulation is required in this investigation if it can be demonstrated that imports of Hong Kong and Korean photo albums and filler pages compete with one another and with the domestic like product(s) in the same market and at reasonably coincident periods of time. Cumulation would not be warranted if imports from Hong Kong and Korea did not compete with each other or with the domestic product because of (for example) different marketing areas, channels of distribution, and quality considerations. The evidence on record indicates that imports and the domestic like product(s) are marketed in the same areas, through the same channels of distribution, and during the same time periods.^{2/}

In terms of the cumulative effects of Hong Kong and Korean photo album imports, these imports increased 97 percent between 1982 and 1984, from \$23.2 million to \$45.6 million. Imports during January–June 1985 were up 13 percent over those in the corresponding period of 1984, from \$24.5 to \$27.6 million. The quantity of imports from Hong Kong and Korea increased 83 percent from 1982 to 1984, from 19.6 million photo albums to 35.8 albums. However, the quantity of imports during January–June 1985 was down 10 percent compared with the quantity in the corresponding period of 1984. Photo album imports from Hong Kong and Korea accounted for 73 percent, by value, and 54 percent, by volume, of imports from all countries in 1982; these shares rose to 77 percent and 68 percent, respectively, in 1984. Market penetration of these imports increased from 21 percent of U.S. consumption in 1982 to 33 percent in 1984, a 60 percent rise.

Critical circumstances

The Tariff Act of 1930 requires the Commission to make a critical

^{1/} H.R. Report No. 98-1156, 98th Congress, 2nd session, reprinted in 131 Congressional Record 11531, 11578 (Oct. 5, 1984). A-46

^{2/} See comments on like products, report at A-4.

circumstances determination in its final investigation if the Department of Commerce has done so (19 U.S.C. 1673d(4)(A)). The Act states:

...the final determination of the Commission shall include a finding as to whether the material injury is by reason of massive imports...to an extent that, in order to prevent such material injury from recurring, it is necessary to impose the duty imposed by section 731 retroactively on these imports.

In its investigations, Commerce found that critical circumstances do exist with regard to imports from Korea as a consequence of massive imports subsequent to the receipt of the petition (January 30, 1985). The period for retroactive duty imposition is April 17 to July 16, 1985. Table 28 provides import statistics for imports of photo albums from Korea on a monthly basis from January 1984 to July 1985.

Table 28.—Imports of photo albums from Korea, by months,
January 1984 to August 1985 1/

Month	1984		1985		Net change 1984-85 <u>2/</u>	
	Quantity	Value	Quantity	Value	Quantity	Value
	Million albums	Million dollars	Million albums	Million dollars	—	percent
January	3.4	4.6	2.1	3.3	- 36	- 30
February	3.2	3.4	2.1	3.3	- 33	- 4
March	3.0	4.3	2.5	3.9	- 17	- 8
April	2.0	2.7	2.7	4.7	+ 36	+ 73
May	2.1	3.3	2.4	4.2	+ 17	+ 27
June	2.7	3.2	1.9	2.6	- 29	- 19
July	2.7	3.5	2.2	2.5	- 18	- 28
August	1.5	1.9	1.1	1.8	- 29	- 7
September	2.3	2.2				
October	1.8	2.4				
November	2.1	3.5				
December	1.9	2.8				

1/ C.i.f. value.

2/ From unrounded figures.

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

Prices

Prices of photo albums are typically quoted on a per album basis to firms that purchase from domestic producers and importers of albums produced in Hong Kong and Korea. U.S. producer prices are negotiated from list prices and are generally f.o.b. warehouse with the purchaser paying for shipping. Importers also sell f.o.b. warehouse. However, purchasers have reported paying delivered prices for both U.S.-produced and imported photo albums when

transportation cost was negotiated with the purchase order. 1/ Although no standard discount policies were reported, two domestic producers offered discounts of up to 5 percent for large volume customers, and a third producer was willing to reduce prices or alter terms in order to meet competition.

In addition, two of the producers reported providing additional services to some of their customers, such as prepaid freight, display racks, advertising programs, and volume rebates. These services were requested by the customers, and demand for these "perquisites" has intensified since 1984. 2/ Several importers listed discounts of up to 15 percent for customers purchasing large quantities. Terms of net 30 days were generally offered by all domestic producers and importers, with late payment penalties ranging from none to 2 percent. No domestic producer reported providing financing, while some importers finance at prime rate plus 2 percent.

Photo albums are usually transported by truck and occasionally by rail. Transportation costs are low, averaging less than 4 percent of the selling price, as reported in questionnaires by both producers and importers when they paid shipping costs. No domestic producers reported in the questionnaires that they freight-equalize, although *** provides a 3-percent freight allowance. 3/ ***, which imports from both Korea and Hong Kong, freight-equalizes on all domestic shipments. *** importer of Korean albums, reported it freight-equalized on 10 percent of its shipments. No other importers equalize freight or offer a shipping allowance.

Producers and importers were requested to provide the Commission with the net selling prices of their largest sale of each of six styles of photo albums and magnetic photo album filler pages, by quarters, from January 1983 through June 1985. Selling prices were requested for vinyl and vinyl-coated paper covers on 100-page magnetic albums, 300-page pocket albums, 100-page flip albums, and for magnetic filler pages. Producers and importers agreed that these types of photo albums are standard products for the U.S. market. Usable questionnaire responses were received from 4 domestic producers, as well as 18 importers, 3 of which are domestic producers. 4/ The Commission received comparable pricing data only for magnetic filler pages and for those albums that had vinyl-coated paper covers (the U.S. producers that responded did not produce any albums with vinyl covers). Table 29 presents the price indexes for U.S., Hong Kong, and Korean albums from January 1983 to June 1985.

Tables 30-32 present quarterly weighted-average prices and margins of underselling and overselling for 100-page magnetic albums and 300-page pocket albums with vinyl-coated paper covers, and magnetic filler pages. From January-March 1983 through April-June 1985, weighted-average prices declined for these styles of domestically produced albums. Data for Hong Kong were limited to one to three questionnaire responses per album style; therefore price trends could not be established. The data received, however, showed irregularly fluctuating prices for the two photo album styles. Weighted-average prices of Korean-produced albums show a downward price trend for all

1/ Telephone conversation with ***, Oct. 24, 1985.

2/ Field interviews with officials of ***, Aug. 15, 1985, and Sept. 25, 1985.

3/ Telephone conversation with ***, Oct. 28, 1985.

4/ ***.

styles included in the report, with the exception of filler pages, which showed variable price movement.

Table 29.—Photo albums: Indexes of U.S. producers' prices and importers' prices of the products from Hong Kong and Korea, by quarters, January 1983–June 1985 1/

Period	(First period with data=100.0)				Importers prices, magnetic 2/	
	U.S. producers' prices				Hong Kong	Korea
	Magnetic 2/	Pocket	Flip			
1983:						
Jan.–Mar.	100.0	100.0	100.0	3/		100.0
Apr.–June	89.4	86.1	81.4	3/		89.7
July–Sept.	91.7	71.0	64.9	3/		96.0
Oct.–Dec.	86.9	91.7	72.0	3/		98.2
1984:						
Jan.–Mar.	87.1	67.9	64.3	3/		90.7
Apr.–June	80.2	87.1	66.6	100.0		93.0
July–Sept.	78.3	74.1	64.1	155.0		83.7
Oct.–Dec.	77.7	70.0	64.5	136.3		86.2
1985:						
Jan.–Mar.	71.7	71.8	46.8	115.3		86.7
Apr.–June	71.4	71.7	46.6	156.0		88.4

1/ Weighted-average net f.o.b. point of shipment prices for the largest quarterly sale.

2/ 100 pages (50 sheets).

3/ No prices reported.

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

100-page magnetic albums.—The weighted-average prices and margins of underselling of domestic and imported 100-page albums are presented in table 30. U.S.-produced album prices show an almost steady decline during January–March 1983 through April–June 1985, falling from \$5.66 to \$4.04 during this period, a decrease of 28.6 percent. The prices of albums imported from Hong Kong were only reported for the period April–June 1984 through April–June 1985, and fluctuated irregularly, ranging from a low of *** during April–June 1984 to a high of *** during April–June 1985. Prices of albums imported from Korea also fluctuated, showing a general decline over the period of the investigation. The period January–March 1983 through April–June 1985 shows an overall decline in Korean prices of 11.6 percent, falling from \$3.98 to \$3.52. Prices fluctuated irregularly during the period January–March 1983 through July–September 1984, when a low price of \$3.33 was reported. From July–September 1984 through April–June 1985, prices gradually increased.

Prices for 100-page magnetic albums from Hong Kong fluctuated above and below those reported by domestic producers, while prices for Korean albums were consistently below those of domestic producers. Margins of underselling for the Hong Kong imports occurred during three separate quarters, ranging

from a high of 33.9 percent in *** to a low of 7.1 percent in **. Data indicated overselling by the Hong Kong product during two quarters, with margins of 4.9 percent in *** and 16.2 percent in **. The margin of underselling for the Korean import ranged from a high of 29.7 percent in January-March 1983 to a low of 12.9 percent in April-June 1985.

Table 30.—100-page magnetic albums: U.S. producers' prices and importers' prices of the product from Hong Kong and Korea, by quarters, January 1983-June 1985 1/

Period	Importers' prices : Margins of under-			
	U.S. producers' prices		of product from	selling or (over-
	Hong Kong	Korea	Hong Kong	Korea
	<u>Per album</u>		<u>Percent 2/</u>	
1983:				
Jan.-Mar.	\$5.66	3/	\$3.98	3/ 29.7
Apr.-June	5.06	3/	3.57	3/ 29.5
July-Sept	5.19	3/	3.82	3/ 26.4
Oct.-Dec	4.92	3/	3.91	3/ 20.6
1984:				
Jan.-Mar.	4.93	3/	3.61	3/ 26.8
Apr.-June	4.54	***	3.70	*** 18.5
July-Sept	4.43	***	3.33	*** 24.9
Oct.-Dec	4.40	***	3.43	*** 22.1
1985:				
Jan.-Mar.	4.06	***	3.45	*** 15.0
Apr.-June	4.04	***	3.52	*** 12.9

1/ Weighted-average net f.o.b. point of shipment prices for the largest quarterly sale.

2/ From unrounded figures.

3/ No prices reported.

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

300-page pocket albums.—Prices for domestically produced 300-page pocket-style albums, though fluctuating, generally declined during the period under investigation, falling from \$6.11 in January-March 1983 to \$4.38 in April-June 1985, a decline of 28.3 percent (table 31). Prices for the Hong Kong album increased by 7.7 percent from July-September 1984 through April-June 1985, remaining stable during the second half of 1984 before increasing by 7.9 percent during January-March 1985. Prices for the Korean-produced pocket albums decreased from a high of \$3.94 in July-December 1983 to a low of \$3.28 in July-September 1984 before rising to \$3.45 in October-December 1984.

Prices of imports from Hong Kong and Korea were consistently lower than domestic prices. Margins of underselling for the Hong Kong pocket albums ranged from a high of 17.1 percent in *** to a low of 7.2 percent in **. A-50

Underselling by Korean imports ranged from a low of 9.2 percent in July-September 1983 to a high of 35.8 percent in April-June 1984.

Table 31.—300-page pocket albums: U.S. producers' and importers' prices of the product, by quarters, January 1983–June 1985 1/

Period	U.S. producers' prices	Importers prices of product from			Margins of under- selling or (over- selling)	
		Hong Kong	Korea	Hong Kong	Korea	
		Per album			Percent	
1983:		:	:	:	:	:
January–March	\$6.11	2/	2/	2/	2/	2/
April–June	5.26	2/	2/	2/	2/	2/
July–September	4.34	2/	\$3.94	2/	2/	9.2
October–December	5.60	2/	3.94	2/	2/	29.7
1984:		:	:	:	:	:
January–March	4.13	2/	2/	2/	2/	2/
April–June	5.32	2/	3.42	2/	2/	35.8
July–September	4.53	***	3.28	***	***	27.6
October–December	4.28	***	3.45	***	***	19.3
1985:		:	:	:	:	:
January–March	4.39	***	2/	***	2/	2/
April–June	4.38	***	2/	***	2/	2/

1/ Weighted-average net f.o.b. point of shipment prices for the largest quarterly sale.

2/ No prices reported.

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

50-page flip albums.—The weighted-average price for domestically produced flip-style photo albums declined from \$5.21 during January–March 1983 to \$2.48 in April–June 1985, a decrease of 52.4 percent. One importer provided Hong Kong data, and similarly, one importer provided Korean price data; therefore, price trends could not be established. 1/ Prices for the Hong Kong product were only available for three quarters during 1984, rising from *** in April–June 1984 to *** in October–December 1984. Korean prices remained at *** for the period July–September 1984 through April–June 1985.

Magnetic filler pages.—Prices for magnetic filler pages are reported for 100 pages of packaged pages for sale at the retail level. 2/ Weighted-average prices and margins of overselling are presented in table 32. U.S.-produced filler page prices show an almost steady decline from \$8.32 per 100 pages in January–March 1983 to \$6.03 per 100 pages in April–June 1985. Prices for the

1/ Additional price data for flip albums from Hong Kong and Korea were received from another importer; however, prices submitted represented an album of fewer than 50 flip pages.

2/ Magnetic filler pages are typically packaged in quantities of 10 pages each.

Korean product declined from \$9.69 in April-June 1983 to \$8.13 in October-December 1984, before rising to \$9.59 in April-June 1985. No usable prices were reported for filler pages from Hong Kong.

Prices for Korean filler pages were consistently higher than those of domestic filler pages. Margins of overselling occurred during all quarters, moving erratically from an initial margin of 21.8 percent in April-June 1983 to a margin of 59.0 percent in April-June 1985.

Table 32.—Magnetic filler pages: U.S. producers' and importers' prices of the product from Korea, by quarters, January 1983–June 1985 1/

Period	U.S. producers' prices	Importers' prices of product from Korea	Korean margins of underselling or (overselling)
	100 pages	100 pages	Percent 2/
1983:			
January–March	\$8.32	3/	3/
April–June	8.00	\$9.69	4/ (21.8)
July–September	7.50	9.74	4/ (29.9)
October–December	7.35	9.73	4/ (32.4)
1984:			
January–March	7.26	8.27	4/ (13.9)
April–June	6.99	8.14	(16.5)
July–September	6.05	8.25	4/ (36.4)
October–December	6.76	8.13	(20.3)
1985:			
January–March	6.02	9.29	4/ (54.3)
April–June	6.03	9.59	(59.0)

1/ Weighted-average price net f.o.b. point of shipment prices for the largest quarterly sale.

2/ From the unrounded figures.

3/ No prices reported.

4/ Based on two questionnaire responses.

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

Lost sales

The U.S. producers were asked to furnish the Commission with information concerning sales they lost to photo albums and photo album filler pages imported from Hong Kong and Korea since January 1, 1983. Four producers submitted allegations of lost sales. Many of the allegations did not list values or quantities involved.

* * * alleged a lost sale (value and quantity unspecified) to * * * of 100-page magnetic photo albums to the Korean product during April 1984. * * * of * * * was not willing to speak about confidential information over the telephone. He stated, however, that the * * * account was dropped, but that

* * * now purchases from * * *, another domestic producer. * * * added that no purchases of photo albums are made from Korean importers.

* * * alleged a lost sale (value and quantity unspecified) to * * * of 100-page magnetic photo albums during April 1984 due to Korean imports being sold at LTFV. * * *, a purchaser for * * *, stated that the * * * account was dropped in 1983. He gave several reasons for discontinuing the account, including the unwillingness of * * * to prepay freight to warehouse and to negotiate quantity discounts. * * * added that * * * now purchases mainly through brokers and agents, as they are willing to accept a smaller profit margin by offering the product at a lower price. Also, he said that * * * is "loyal to nobody," purchasing from both domestic and foreign producers, which may include those from Hong Kong and Korea, although not necessarily.

* * * alleged a lost sale (value and quantity unspecified) to * * * of 100-page magnetic photo albums during June 1984 to the Korean product. * * *, the purchaser for * * *, stated that * * * has purchased from both * * * and * * * over the past four years, and that no 100-page magnetic albums have ever been imported from Korea or any other country.

* * * alleged a lost sale (value and quantity unspecified) to * * * of 100-page magnetic photo albums during April 1984 to the Korean product. Staff attempts to contact * * * were unsuccessful.

* * * alleged a lost sale (value and quantity unspecified) to * * * of 100-page magnetic photo albums during April 1984 to the Korean product. Staff attempts to contact * * * were unsuccessful.

* * * alleged a lost sale (value and quantity unspecified) to * * * of 100-page magnetic photo albums during April 1984 to the Korean product. Staff attempts to contact * * * were unsuccessful.

Both * * * and * * * alleged lost sales to * * * of 100-page magnetic albums to the Korean product. * * *'s lost sales allegedly occurred in April 1984 for an unspecified amount of albums, and * * *'s allegedly occurred in July 1985, for a value of ***. * * *, the buyer for * * *, stated that the company was a direct importer and that only * * * ever made an offer on photo albums, and that was for a different style of album than the 100-page magnetic and was prior to 1985. * * * imports a complete line of photo albums from Singapore, Hong Kong, and Korea.

* * * alleged lost sales to * * * of both 100-page magnetic albums and 100-page (300-pocket) albums to the Korean products. These alleged lost sales took place in the fall of 1984 and were for *** albums valued at ***. * * *, buyer for * * *, reported that she buys a whole range of Korean albums through * * *. She also stated that * * * had not approached * * * for more than a year and could not have competed for a purchase of albums in 1984. * * * did add that * * * had a good service history and good working relationship with * * *, and since the price differences between domestic and imported albums were not that great, loyalty was with the imported product.

* * * alleged a lost sale in July 1985 to * * * of 100-page (300 pocket) photo albums valued at ***. * * *, buyer for * * *, reported that ^{A-53} he did purchase these albums from Hong Kong, but for reasons of quality more than

price. Because there was not much of a price difference between the domestic and imported album, he chose the imported product because it was of better quality.

* * * alleged a lost sale in 1984 to * * * of 100-page magnetic albums valued at *** in 1984. * * *, purchaser for * * *, reported that all of * * *'s recent photo album purchases occurred in the fall of 1984 and were purchased from Hong Kong. * * * stated that the U.S. producers did try to compete, but that they could not come far enough down in their prices, noting that photo albums were very price-sensitive merchandise. Because * * * purchased by the containerload, the company received a discount. * * * stated that she would have preferred buying a U.S. product because of better quality, but the price of the Hong Kong albums was too attractive. * * * purchased over *** of photo albums from October 1984 to March 1985.

* * * * *

* * * alleged a lost sale in January 1985 to * * * of 100-page magnetic albums valued at *** (*** albums). * * *, purchaser for * * *, stated that * * * never considered a purchase that large in 1984 or 1985, and that quality, price, and delivery were all equally considered when he makes a purchase decision. The majority of * * *'s 100-page magnetic albums are from Korea; the most recent large purchase was at *** landed value.

Both * * * and * * * alleged lost sales in 1984 and 1985 of 100-page magnetic and 50-page pocket albums, respectively, to * * *. * * * did not provide information on the quantity or value of the lost sale, while * * * reported that its lost sale of February 1985 was worth *** (for *** albums). * * *, the buyer for * * *, * * *.

* * * alleged a lost sale in 1984 to * * * of 100-page magnetic albums valued at ***. * * *, buyer for * * *, stated that until this year * * * had been * * *'s primary album supplier, but that the company now imports 100-page magnetic albums from Taiwan.

Price suppression

* * * alleged lost revenues because of price suppression caused by imports from Korea in a business contract with * * *. * * *, a purchasing agent with * * *, stated that * * * is the only producer of photo albums with which he deals, purchasing a complete line of 10-12 products. For this reason, * * * could not confirm any price suppression allegation.

* * * alleged lost revenues because of price suppression caused by imports from Korea in a contract with * * *. * * *, a purchasing agent with * * * stated that since 1982 no imported photo albums have been purchased. * * * added that he has heard sales presentations for imported albums, but has not considered purchasing the imported product.

Exchange rates

The value of the Hong Kong dollar and Korean won depreciated in relation to the U.S. dollar in nominal terms and in real terms from January-March 1983

through April-June 1985 (table 33). From January-March 1983 through April-June 1985, the nominal value of the Hong Kong dollar declined by 15.1 percent. The real value, which takes into account the relative rates of inflation in Hong Kong and the United States, declined by 4.0 percent during this period. From January-March 1983 through April-June 1985, the nominal value of the Korean won declined by 13.1 percent. The real value, which takes into account the relative rates of inflation in Korea and the United States, declined by 15.1 percent during this period.

Table 33.—Indexes of the nominal and real exchange rates between the U.S. dollar, the Korean won, and the Hong Kong dollar, by quarters, January 1983–June 1985

(January–March 1983=100.0)					
Period	Korean won		Hong Kong dollar		
	Nominal	Real	Nominal	Real	
1983:	:	:	:	:	:
January–March	100.0	100.0	100.0	100.0	100.0
April–June	97.9	96.9	94.1	96.1	
July–September	95.9	93.7	87.5	90.2	
October–December	94.8	92.1	83.5	89.3	
1984:	:	:	:	:	:
January–March	94.5	91.4	84.7	91.3	
April–June	94.4	90.8	84.5	91.6	
July–September	93.0	90.4	84.2	92.4	
October–December	91.9	89.6	84.4	93.4	
1985:	:	:	:	:	
January–March	89.8	87.8	84.6	94.7	
April–June	86.9	84.9	84.9	96.0	

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

APPENDIX A

FEDERAL REGISTER NOTICES OF THE COMMISSION

Department of Commerce extended the date for its final determinations in the investigations from September 23, 1985, to October 23, 1985 (50 FR 36911, September 10, 1985, and 50 FR 37018, September 11, 1985). The Commission, therefore, is revising its schedule in the investigations to conform with Commerce's new schedule.

The Commission's new schedule for the investigations is as follows: the deadline for filing prehearing briefs is October 25, 1985; the hearing will be held in room 331 of the U.S. International Trade Commission Building on November 1, 1985, the 11:00 a.m.; and the deadline for filing all other written submissions, including posthearing briefs, is November 7, 1985.

For further information concerning these investigations see the Commission's notice of investigations cited above and the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

Authority

These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: September 24, 1985.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-23560 Filed 10-1-85; 8:45 am]

BILLING CODE 7530-02-4

(Investigations Nos. 731-TA-240 and 241
(Final))

Photo Albums and Photo Album Filter Pages From Hong Kong and the Republic of Korea

AGENCY: International Trade Commission.

ACTION: Revised schedule for the subject investigations.

EFFECTIVE DATE: September 24, 1985.

FOR FURTHER INFORMATION CONTACT:

Maria Papadakis (202-523-0439), Office of Investigations, U.S. International Trade Commission, 701, E Street NW., Washington, DC 20436. Hearing impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION: On July 16, 1985, the Commission instituted the subject investigations and established a schedule for their conduct (50 FR 31055, July 31, 1985). Subsequently, the

(LTFV). Unless the investigation are extended, Commerce will make its final LTFV determinations on or before September 23, 1985, and the Commission will make its final injury determination by November 12, 1985 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b))).

For further information concerning the conduct of these investigations, hearing procedures, and rule of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201, as amended by 49 FR 32569, Aug. 15, 1984).

EFFECTIVE DATE: July 16, 1985.

FOR FURTHER INFORMATION CONTACT: Maria Papadakis (202-523-0439), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of photo albums and photo album filler pages from Hong Kong and the Republic of Korea are being sold in the United States at LTFV within the meaning of section 731 of the act (19 U.S.C. 1673). The investigations were requested in a petition filed on January 30, 1985, by Easelle Pendaflex, Inc., Garden City, NY; The Holson Co., Wilton, CT; Kleer-Vu Plastics Corp., Brownsville, TN; and SPM Manufacturing Corp., Holyoke, MA. In response to that petition the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of these investigations, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (50 FR 12092, March 27, 1985).

Participation in the Investigations

Persons wishing to participate in these investigations 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 twenty-one (21) 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 will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepared a service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with § 201.16(c) of the rules (19 CFR 201.16(c)), as amended by 49 FR 32569, Aug. 15, 1984), each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Staff Report

A public version of the prehearing staff report in these investigations will be placed in the public record on September 17, 1985, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing

The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m. on October 2, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on September 12, 1985. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on September 17, 1985, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is September 27, 1985.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.6(b)(2) of the

[Investigations Nos. 731-TA-240 and 241 (Final)]

Photo Albums and Photo Album Filler Pages From Hong Kong and the Republic of Korea

ACMCC: International Trade Commission.

ACTION: Institution of final antidumping investigations and scheduling of a hearing to be held in connection with the investigations.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigations Nos. 731-TA-240 and 241 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Hong Kong and the Republic of Korea of photo albums and photo album filler pages, as provided for in items 258.80 (albums) and 258.87, 258.90, and 774.55 (filler pages) of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in preliminary determinations, to be sold in the United States of less than fair value

Commission's rules (19 CFR 201.6(b)(2), as amended by 49 FR 32589, Aug. 15, 1984)).

Written Submissions

All legal arguments, economic analysis, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on October 8, 1985. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigation on or before October 8, 1985.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8, as amended by 49 FR 32589, Aug. 15, 1984). 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 to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of section 201.8 of the Commission's rules (19 CFR 201.6, as amended by 49 FR 32589, Aug. 15, 1984).

Authority

These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued July 24, 1985.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-18148 Filed 7-30-85; 8:45 am]

BILLING CODE 7020-02-02

APPENDIX B

WITNESSES APPEARING AT THE COMMISSION'S HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Photo Albums and Photo Album Filler
Pages from Hong Kong and the
Republic of Korea

Inv. Nos. : 731-TA-240 and 241 (Final)

Date and time : November 1, 1985 - 11:00 a.m.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES

Willkie, Farr and Gallagher--Counsel
Washington, D.C.

Wald, Harkrader & Ross--Counsel
Washington, D.C.
on behalf of

Esselte Pendaflex, Inc.
The Holson Co.

Kleer-Vu Plastics Corp.
SPM Manufacturing Corp.

David Brous, Senior Product Line Manager
for Photo Albums, Esselte Pendaflex, Inc.

Mel Holson, President, The Holson Co.

Peter Mascolo, President, Kleer-Vu Plastics Corp.

Frances Shaine, Chairman of the Board, SPM
Manufacturing Corp. (Springfield)

Willkie, Farr and Gallagher

William H. Barringer--OF COUNSEL

Wald, Harkrader & Ross

Mark Schattner--OF COUNSEL

IN OPPOSITION TO THE IMPOSITION OF
ANTIDUMPING DUTIES:

Mudge, Rose, Guthrie, Alexander & Ferdon--Counsel
Washington, D.C.
on behalf of

Climax Paper Converters, Ltd. (Hong Kong producer)

Carol Skerik, Consultant, International Business
and Economic Research Corp.

Donald B. Cameron, Jr.,)--OF COUNSEL
Jeffrey S. Neeley)

Finley, Kumble, Wagner, Heine, Underberg,
Manley & Casey--Counsel
Washington, D.C.
on behalf of

Korea Stationery Industry Cooperative

Korea manufacturers:

Keywon Incorporated
Dong Won Industrial Co.
Dong In Industrial Co., Ltd.
Chinsung Industrial Co., Ltd.
Donam Industrial Co., Ltd.
Eunjin Industrial Co., Ltd.
Sungshim Industrial Co., Ltd.

Michael Calhoun)
Alexander Haig)--OF COUNSEL

APPENDIX C
FEDERAL REGISTER NOTICES OF COMMERCE

and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 377-1776 or (202) 377-1777.

Final Determination

We have determined that photo albums and filler pages from Hong Kong are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673(a)) (the Act). The average margins are listed in the "Suspension of Liquidation" section of this notice. We also found that critical circumstances do not exist with respect to imports of photo albums and filler pages from Hong Kong.

Case History

On January 30, 1985, we received a petition filed in proper form from Esselte Pendaflex, Inc., the Holson Company, Kleer-Vu Plastics Corporation, and SPM Manufacturing Corporation, on behalf of the U.S. industry producing photo albums and filler pages. In compliance with the filing requirements of §353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from Hong Kong are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act (19 U.S.C. 1673), and that these imports materially injure, or threaten material injury to, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated the investigation on February 19, 1985 (50 FR 7625), and notified the ITC of our action.

On March 18, 1985, the ITC found that there is a reasonable indication that imports of photo albums and filler pages from Hong Kong materially injure, or threaten material injury to, a U.S. industry (U.S.I.T.C. Pub. No. 1680, March 1985).

We investigated one producer, Climax Paper Converters, Ltd. This company accounts for approximately 85 percent of all exports of photo albums and filler pages from Hong Kong to the United States. On March 5, 1985, we presented an antidumping duty questionnaire to Climax. The response was received on April 18, 1985. On May 14, 1985, we received the petitioner's allegation that sales to third countries are at prices below the cost of production. On May 16, 1985, we presented a cost of production questionnaire to Climax and the response was received on June 6, 1985.

On July 16, 1985, we published a preliminary determination of sales at less than fair value with respect to this merchandise (50 FR 28829). The notice stated that if the investigation proceeded normally, we would make our final determination by September 23, 1985.

On August 13, 1985, counsel for the respondent requested a postponement of the final determination. We granted this request and postponed the due date for the final determination until not later than October 23, 1985 (50 FR 36911). In accordance with section 774(a) of the Act, a public hearing was held on September 26, 1985.

Scope of Investigation

The merchandise under investigation is photo albums and photo album filler pages. Photo albums are currently provided for in item 256.80 of the Tariff Schedules of the United States (TSUS). Photo album filler pages are currently provided for in item 256.87, 256.90 and 774.55 of the TSUS. We investigated all sales by Climax for the period July 1, 1984 through February 28, 1985.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for certain sales by Climax because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We used the exporter's sales price for other sales by Climax to represent the United States price because the merchandise was sold to unrelated purchasers after importation into the United States.

We calculated the purchase price based on the FOB, CIF, or CIF delivered packed price to unrelated customers in the United States. We made deductions, where appropriate, for foreign inland freight, loading, ocean freight, marine insurance, brokerage and U.S. inland freight. We calculated exporter's sales price based on the price to the unrelated purchaser in the United States. We made additional deductions for U.S. brokerage, U.S. inland freight, commission, credit expenses, and other selling expenses incurred in the United States.

[4-582-501]

Photo Albums and Filler Pages From Hong Kong; Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that photo albums and filler pages from Hong Kong are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We are directing the U.S. Customs Service to continue to suspend the liquidation of all entries of photo albums and filler pages from Hong Kong that are entered, or withdrawn from warehouse, for consumption, on or after July 16, 1985 and to require a cash deposit or bond for each entry in an amount equal to 3.69 percent *ad valorem*, as described in the "Suspension of Liquidation" section of this notice.

EFFECTIVE DATA: October 29, 1985.

FOR FURTHER INFORMATION CONTACT: Steven Lim or Ken Stanhagen, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street,

Foreign Market Value

In accordance with section 773(a) of the Act, we have determined that Climax had no sales of photo albums and filler pages in the home market during the period of investigation. Climax did have sales to third countries during the period of investigation. However, the petitioners alleged that sales to third countries were at prices below the cost of producing the merchandise. We examined production costs which included all appropriate costs for materials, fabrication and general expenses. We found sufficient sales in some third countries above the cost of production to allow us to use third country prices in accordance with section 773(a)(1)(B) of the Act to determine foreign market value. We used constructed value as our basis of comparison where there were insufficient sales of such or similar merchandise in third country markets, or where there were insufficient sales above the cost of production. In selecting third countries for comparison purposes, we used sales to France and the Republic of South Africa since merchandise sold to these countries was most similar to that sold in the United States or because quantities sold to these countries were most comparable to quantities sold in the United States.

We calculated the prices to third countries for each product on the basis of FOB or CIF prices to unrelated purchasers. From these prices, we deducted, where appropriate, foreign inland freight, foreign handling charges, ocean freight, and marine insurance. We made adjustments, where appropriate, for differences in the physical characteristics of the merchandise, pursuant to § 353.16 of our regulations, and for differences in circumstances of sale related to commissions and credit expenses pursuant to section 353.15 of our regulations. In addition, when comparing exporter's sales price to the third country price, we deducted indirect selling expenses from the third country price but limited the deductions to the amount of the U.S. indirect selling expenses. We made adjustments, where appropriate, for differences in packing costs.

We calculated the cost of production for third country sales by totaling the costs of materials, fabrication, general expenses, and packing. We calculated constructed value by totaling the costs of materials, fabrication used in producing the merchandise sold to the United States, general expenses, profit, and the cost of the packing. Because the amount for general expenses was more than the statutory minimum of ten

percent of the cost of materials and fabrication, we used the actual expenses. We calculated profit on the basis of the statutory minimum of 8 percent of the sum of materials, fabrication costs, and general expenses because the company had no home market sales of merchandise of the same class or kind and the overall profit that was related to sales to countries other than the U.S. was below the statutory minimum. We added the cost of U.S. packing. In addition, when comparing the exporter's sales price to the constructed value, we adjusted constructed value by an amount to offset the commissions paid on exporter's sales price sales. We also made adjustments for differences in credit expenses and other selling expenses.

In our calculations of costs of production and constructed value, we have used the information submitted by respondent as revised in the verification process. While problems in the response were found at verification, the nature, magnitude and number of these problems were not sufficient to invalidate or discredit the response itself. Most of the changes made to product cost calculations pursuant to the verification are issues of accounting treatment or valuation, such as the allocation of the annual bonus over a twelve month period, the reduction in depreciation rates related to the U.K.-Chinese Agreement on Hong Kong, and the proper treatment of accounts including exchange rate gains, bad debts expense, sales of scrap, and sales of miscellaneous products. The limited methodological and mathematical errors are not distinguishable from those normally uncovered during a verification.

In calculating foreign market value, we made currency conversions from Hong Kong dollars to United States dollars in accordance with § 353.56(a) of the regulations, using the certified daily exchange rates for comparisons involving purchase price. For comparisons involving exporter's sales price, we used the official exchange rate as certified by the Federal Reserve for the date of purchase since the use of that exchange rate is consistent with section 815 of the Tariff and Trade Act of 1984 (1984 Act). Therefore, for exporter's sales price sales we chose not to follow § 353.56(a) of the regulations which predates the 1984 Act.

Final Negative Determination of Critical Circumstances

The petitioners alleged that imports of photo albums and filler pages from Hong Kong present "critical circumstances."

Under section 735(a)(3) of the Act, critical circumstances exist if we determine (1) there is a history of dumping in the United States or elsewhere of the class or kind of the merchandise which is the subject of the investigation or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value, and (2) there have been massive imports of the class or kind of merchandise that is the subject of the investigation over a relatively short period.

In determining whether there is a history of dumping photo albums and filler pages from Hong Kong in the United States or elsewhere, we reviewed past antidumping findings of the Department of the Treasury as well as past Department of Commerce antidumping orders. We also reviewed the antidumping actions of other countries. On March 28, 1985, in the finding of the Antidumping Tribunal in Review No. R-3-84, Canada imposed antidumping duties on photo albums and filler pages from Hong Kong. This constitutes a history of dumping for this product. Since there is a history of dumping in the United States or elsewhere, we do not need to consider whether there is reason to believe or suspect that importers of this product knew or should have known that it was being sold at less than fair value.

We generally consider the following concerning massive imports: (1) Recent trends in import penetration levels; (2) whether imports have surged recently; (3) whether recent imports are significantly above the average calculated over the last three years; and (4) whether the pattern of imports over that three year period may be explained by seasonal swings.

In considering this question, we analyzed recent trade statistics on import levels, import penetration ratios for photo albums and filler pages from Hong Kong for equal periods immediately preceding and following the filing of the petition, and seasonal factors. Based on our analysis of recent trade data, we find that imports of photo albums and filler pages from Hong Kong during the period subsequent to receipt of the petition have not been massive when compared to recent import levels and import penetration ratios.⁶⁷ Therefore, we determine that critical circumstances do not exist with respect to imports of photo albums and filler pages from Hong Kong.

Verification

As provided in section 776(a) of the Act, we verified the information provided by the respondent by using standard verification procedures, including examination of relevant sales and accounting records of the company.

Petitioners' Comments

Comment #1: Petitioners argue that the highest cost specification of a raw material capable of being utilized in a given album should be used as a basis for the cost of the material. Petitioners maintain that respondent's methodology used to develop raw material costs relies on a weighted-average cost for multiple specifications of a material with different widths or thicknesses, because the specific materials used in each model were not identifiable from factory records.

DOC Position: The use by respondent of a weighted-average cost of raw materials with multiple specifications constitutes a conservative methodology in accordance with Department policy. In the instances examined at the verification, designation by respondent of material used in each album was found to be reasonable.

Comment #2: Petitioners argue that use of weighted-average costs for materials with multiple specifications of different thicknesses or widths requires some accommodation or adjustment for differences in waste rates.

DOC Position: We verified that, in the preparation of the submission, the weighted-average material costs were calculated inclusive of waste using the actual waste rate for each specification of material.

Comment #3: All acquisition costs for raw material purchases should be included in the product cost calculations.

DOC Position: We agree, and have adjusted the figures for raw material costs in order to ensure that they accurately reflect all acquisition costs.

Comment #4: Petitioners argue that the minimal waste rates used in the response for certain stages of production are understated, based on their experience in the U.S. industry.

DOC Position: Although factory input/output records were not available to support the waste rates used by respondents for these stages of production, respondent's contention that these waste rates are minimal was found to be reasonable based on the inspection of these processes during the verification process. In addition, both total waste rates and the waste rates for several major operations were found to

comport with information supplied to the Department by petitioners.

Comment #5: Petitioners argue that outside processing charges paid by Climax for fabrication of specific components must be included in the cost of these materials and should not be classified as labor costs.

DOC Position: It is the normal business practice of Climax to classify outside processing charges as a direct labor expense. These expenses are not significant and this practice does not distort the product cost calculations of Climax. Thus, we have accepted this classification.

Comment #6: Petitioners argue that revenues from the sale of scrap should not be allowed as a credit to general, selling and administrative expenses or as an adjustment to cost of production because the specific amount of scrap generated by specific albums or the actual amount received for the scrap was apparently not verified.

DOC Response: The amount of such revenues was verified by inspection of the books and records of Climax. Climax does not maintain, and did not develop for this investigation, records of the specific amount of scrap generated by specific albums. Due to the small size of these revenues and the homogenous nature of the products manufactured by Climax in terms of general production processes and major raw material components, allocation of these revenues was judged by the Department to be acceptable. (See Petitioner's Comment #4 for discussion of waste rates.)

Comment #7: Petitioners argue that the use of shipment quantities as a surrogate for production quantities in the calculation of direct labor cost and factory overhead cost for specific albums is inappropriate because there may be substantial variations between shipments and production.

DOC Position: As stated in the verification report, the variation between shipments and production during the period for which costs were calculated resulted in a slight overstatement of direct labor and factory overhead costs per unit. No correction of this overstatement was made.

Comment #8: Petitioners claim that it is not clear whether transportation and meal costs are included in labor cost.

DOC Position: Canteen expenses, meal allowances and drivers' wages are included in labor cost.

Comment #9: Petitioners argue that calculation of general, selling and administrative expenses only for the months covered by the investigation fails to account for expenses incurred

outside the period of investigation which benefit sales and production during the period of investigation.

DOC Position: General, selling and administrative expenses were examined for such expenses. Where significant expenses such as annual insurance premiums existed outside the period of investigation, an adjustment was made to amortize these expenses over the full year.

Comment #10: Petitioners argue that exchange rate gains should be considered only if they are related to the production and sale of the merchandise and that they are properly reflected either as adjustments to sales price, if related to a sale, or to raw materials cost, if related to a purchase.

DOC Position: We agree that exchange rate gains unrelated to the production and sale of merchandise are not properly considered credits to the cost of production. Furthermore, an exchange rate gain related to a specific sale is not viewed by the Department as an appropriate adjustment to sales price. Rather, these exchange rate gains and losses are considered to be related to the general operations of the company.

Comment #11: The petitioners contend that the selling expenses of Climax, N.Y. should be rejected as unverified.

DOC Position: All the indirect selling expenses incurred in the U.S. were satisfactorily verified as reported except depreciation, salaries, and employees' benefits. Consequently, the Department used as best information available the most adverse data contained in the response in making deductions for these categories.

Comment #12: The petitioners argued that all U.S. selling expenses should be applied to the exporter's sales price sales in the U.S. In the absence of the application of all U.S. selling expenses to these sales, petitioners claim that all sales by Climax should be treated as exporter's sale price sales since the definition of exporter's sales price encompasses sales made before or after importation.

DOC Position: We disagree. Where a U.S. selling arm of an exporter performs selling functions relative to different merchandise or on sales of the merchandise under investigation which is subject to different bases for determining United States price, we allocate the expenses over all sales. For expenses which could only be incurred on particular sales, those expenses are allocated fully to those sales. For expenses incurred relative to all sales, those expenses are allocated across all

sales in the relevant period and the appropriate expenses are deducted in the calculation of exporter's sales price.

Where merchandise is sold prior to its importation, we determine United States price under the provisions for purchase price since the provisions specifically covers such sales. We apply exporter's sales price when the sales to the unrelated U.S. purchaser are made after importation. We interpret the phrase "before or after importation" as providing one statutory basis for calculating United States price in instances where an individual sale is filled in part by merchandise which had not been imported at the time of sale.

Based on the foregoing, we have determined which sales fall within each basis for calculating United States price and have treated selling expenses within the adjustments established for each as described in the United States price section of this notice.

Comment #13: The petitioners comment that critical circumstances do exist, and that our preliminary determination was based on flawed data.

DOC Position: We adhere to our preliminary determination that critical circumstances do not exist. We used reliable trade statistics for the periods before and after the filing of the petition in arriving at our final negative determination.

Comment #14: The petitioners contend that third country sales of certain products are insignificant or below cost of production and consequently, constructed value should be used in determining the foreign market value.

DOC Position: We agree. Where we found that sales of certain models to third countries were insignificant or where sold below cost, we disregarded those sales and used constructed value as the basis of foreign market value. Where we used sales to France and the Republic of South Africa, we found that these sales were sufficient and were sold above the cost of production.

Comment #15: Counsel for the petitioners assert that the Department should reject the respondent's submissions as inadequate and, therefore, should use the best information available based on data furnished by petitioners.

DOC Position: We disagree. Based on our verification of the submitted response by Climax, we are satisfied that the information provided is adequate for purposes of making fair value comparisons. (See "Foreign Market Section" of this notice)

Comment #16: The petitioners contend that the Department should

obtain information on Climax's profit experiences of the past 8 years for calculating profit instead of using the statutory minimum profit in the constructed value.

DOC Position: The Department compared the profit level of Climax in fiscal 1985 to the statutory minimum of 8 percent. Since the actual level was lower than 8 percent, the statutory minimum profit of 8 percent was used in calculating constructed value. Petitioners' request that the Department obtain financial statements for earlier years was received too late in the investigation to allow the gathering of additional information. The Department will consider this issue in a 751 review, if one is conducted.

Respondent's Comment: Respondent contends that there should be separate margin rates for 20 page, special bound photo albums and for all other photo albums.

DOC Position: All of the albums sold during the period constitute a single class or kind of merchandise. No compelling information has been presented on which to base such a product specific rate. Therefore, we have applied the weighted-averaged margin found relative to the class or kind to all sales by Climax.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to continue to suspend liquidation of all entries of photo albums and filler pages from Hong Kong that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The United States Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amounts by which the foreign market value of the merchandise subject to this investigation exceeds the United States prices as shown in the table below. This suspension of liquidation will remain in effect until further notice.

Manufacturer/producer/exporter	Weighted-average margin (percentage)
Climax.....	3.69
All others.....	3.69

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this

investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or the threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an antidumping duty order, directing Customs officers to assess antidumping duties on the subject products entered, or withdrawn from warehouse, for consumption on or after the date of suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the U.S. prices.

This notice is published pursuant to section 735(d) of the Act.

William T. Archey,

Acting Assistant Secretary for Trade Administration.

October 23, 1985.

[FR Doc. 85-25763 Filed 10-28-85; 8:45 am]

BILLING CODE 3510-0S-M

[A-580-501]

Photo Albums and Filler Pages From Korea; Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that photo albums and filler pages from Korea are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We are directing the U.S. Customs Service to continue to suspend the liquidation of all entries of photo albums and filler pages from Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date ninety days before July 16, 1985 and to require a cash deposit or bond for each entry in an amount equal to 64.81 percent *ad valorem*, as described in the "Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: October 29, 1985.

FOR FURTHER INFORMATION CONTACT:
Steven Lim or Ken Stanhagen, 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) 377-1776 or (202) 377-1777.

Final Determination

We have determined that photo albums and filler pages from Korea are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The average margin is 64.81 percent *ad valorem*. We have also found that critical circumstances exist with respect to imports of photo albums and filler pages from Korea.

Case History

On January 30, 1985, we received a petition filed in proper form from Esselte Pendaflex, Inc., the Holson Company, Kleer-Vu Plastics Corporation, and SPM Manufacturing Corporation, on behalf of the U.S. industry producing photo albums and filler pages. In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Korea are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act (19 U.S.C. 1673), and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated the investigation on February 19, 1985 (50 FR 7625), and notified the ITC of our action.

On March 13, 1985, we presented antidumping duty questionnaires to counsel for: Chinsung Industry Co., Ltd. (Chinsung), Donam Industrial Co., Ltd. (Donam), Dong In Industrial Co. Ltd. (Dong In), Dong Won Industrial Co. (Dong Won), Eunjin Industrial Co., Ltd. (Eunjin) and Keywon, Inc. (Keywon). These six companies account for 64 percent of all exports of photo albums and filler pages from Korea to the United States.

On March 18, 1985, the ITC found that there is a reasonable indication that imports of photo albums and filler pages from Korea materially injure, or threaten material injury to, a U.S. industry. (U.S.I.T.C. Pub. No. 1660, March 1985).

On May 22, 1985, we received the petitioners' allegation that sales to third countries are at prices below the cost of production, and on May 30, 1985, we presented cost of production questionnaires to the respondents. Responses to these questionnaires were received on June 25, 1985.

On July 16, 1985, we published a preliminary determination of sales at less than fair value (50 FR 28829). The notice stated that if the investigation proceeded normally, we would make our final determination by September 23, 1985.

On July 26, 1985, we received a request from the respondents that we postpone our final determination for 60 days. We granted a postponement until not later than October 23, 1985 (50 FR 37018).

Scope of Investigation

The merchandise under investigation is photo albums and photo album filler pages. Photo albums are currently provided for in item 258.60 of the Tariff Schedules of the United States (TSUS). Photo album filler pages are currently provided for in items 258.87, 258.90 and 774.55 of the TSUS.

Fair Value Comparisons

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price based on the best information available, with the foreign market value, also based on the best information available.

We used the best information available as required by section 776(b) of the Act, because adequate responses were not submitted in an acceptable form.

United States Price

Because of the numerous discrepancies found in the amounts presented in the reports on sales to the United States and the failure of the respondents to provide sales information in an acceptable form as regards Chinsung, Dong In and Dong Won, we calculated the purchase price of photo albums and filler pages from these companies, as provided in section 776(b) of the Act, on the basis of prices of offers of this merchandise provided by petitioners with deductions, where appropriate, for ocean freight, United States duty, customs clearance and inland freight. Although less significant discrepancies were found in the reports of sales to the United States as regards Donam, Eunjin and Keywon, we also calculated the purchase price of photo albums and filler pages from these companies as described above, because

major portions of the responses for these companies relative to foreign market value were unverifiable (see the "Foreign Market Value" section of this notice). Under these circumstances, the Department cannot use those portions of a response that are verifiable as it would allow respondents to selectively submit data that would be to their benefit in the analysis of their selling practices.

Foreign Market Value

In accordance with section 773(a) of the Act, we have determined that none of the producers being investigated had sales of photo albums and filler pages in Korea during the period of investigation. The Korean producers did have sales to third countries during the period of investigation, however, the petitioners alleged that sales to third countries were at prices below the cost of producing the merchandise. We were unable to examine the production costs and third country market sales prices because the responses were not in acceptable form.

Based upon our attempted verification of the cost of production responses of the Korean companies, it was determined that these responses were not sufficiently supported by corporate cost accounting records and did not properly represent the costs to these companies of manufacturing the subject products. Use of estimates or standards without sufficient reliance on cost accounting records, failure to account for significant expenses and the existence of numerous mathematical errors all contributed to the understatement of those costs.

The scope of the required recalculations and revisions found in the verification process in this investigation goes far beyond the issues of accounting treatment and valuation and limited methodological problems and mathematical errors commonly uncovered at a verification. Faced with responses containing numerous fundamental flaws in both the methodology and mathematical calculations used in developing the production costs, the Department cannot properly base its determination on the information submitted by respondents. Nor is it acceptable in such situations that the Department bear the responsibility of attempting to identify and perform the numerous and substantial recalculations necessary for the development of representative and accurate production costs. Such a role would place too great a burden on the resources of the Department under the time constraints and procedural framework of this investigation. It is the

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obligation of respondents to provide an accurate and complete response prior to verification so that the Department may have the opportunity to fully analyze the information and other parties are able to review and comment on it. The purpose of verification is to establish the accuracy of a response rather than to reconstruct the information to fit the requirements of the Department.

Thus, we were unable to compare third country prices of all six producers with their costs of production to determine whether third country market sales were made at prices below cost. Therefore, we used constructed value, as defined in section 773(e) of the Act, to determine the foreign market value of all photo albums and filler pages. In accordance with the best available information requirements of section 776(b) of the Act, we calculated constructed value on the basis of the cost data submitted by the petitioners which included general expenses of at least the statutory minimum of 10 percent of material and fabrication cost. We calculated profit on the basis of the statutory minimum of 8 percent of the cost of materials, fabrication and general expenses.

Final Affirmative Determination of Critical Circumstances

The petitioners alleged that imports of photo albums and filler pages from Korea present "critical circumstances." Under section 733(e)(1) of the Act, critical circumstances are determined to exist when Department finds that (1) there is a history of dumping in the United States or elsewhere of the merchandise under investigation, or (2) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value, and (3) there have been massive imports of the class or kind of merchandise that is the subject of the investigation over a relatively short period.

In determining whether there is a history of dumping photo albums and filler pages from Korea in the United States elsewhere, we reviewed past antidumping findings of the Department of Treasury as well as past Department of Commerce antidumping orders. We also reviewed the antidumping actions of other countries. On March 26, 1985, in the finding of the Antidumping Tribunal in Review No. R-3-84, Canada imposed antidumping duties on photo albums and filler pages from Korea. Thus, we find a history of dumping for this merchandise.

Since there is a history of dumping in the United States or elsewhere, we do

not need to consider whether there is reason to believe or suspect that importers of this product knew or should have known that it was being sold at less than fair value.

We generally consider the following concerning massive imports: (1) Recent trends in import penetration levels; (2) whether imports have surged recently; (3) whether recent imports are significantly above the average calculated over the last three years; and (4) whether the pattern of imports over that three year period may be explained by seasonal swings.

In considering this question, we analyzed recent trade statistics on import levels and import penetration ratios for photo albums and filler pages from Korea for equal periods immediately preceding and following the filing of the petition, and seasonal factors. Based on our analysis of recent trade data, we find that imports of photo albums and filler pages from Korea during the period subsequent to receipt of the petition have been massive when compared to recent import levels and import penetration ratios. Therefore, we determine that critical circumstances exist with respect to imports of photo albums and filler pages from Korea.

Verification

As provided in section 776(a) of the Act, we attempted to verify the information provided by the respondents by using standard verification procedures, including examination of relevant sales and cost records. We were unable to do so as described in "United States Price" and "Foreign Market Value" sections of this notice.

Petitioners' Comment: Petitioners contend that foreign market value and United States price should be based on the best information available, which in this case is information provided by petitioners, not the respondents' questionnaire responses.

DOC Position: We agree as stated in the "United States Price" and "Foreign Market Value" sections of this notice.

Petitioners' Other Comments: Other comments by petitioners relate to possible comparisons based on the responses. Since we did not use the responses these comments are moot.

Respondents' Comment 1: The respondents have requested in various submissions to the Department, including the hearing transcript, and pre-hearing and post-hearing briefs, that the Department use the information provided by the Korean producers, rather than petitioners' submitted data, as the best information available in

determining United States price and foreign market value.

DOC Position: See the "United States Price" and "Foreign Market Value" sections of this notice.

Respondents' Comment 2:

Respondents commented that the Department should rescind its preliminary determination that critical circumstances exist.

DOC Position: The Department has made a final determination that critical circumstances do exist. See the "Final Affirmative Determination of Critical Circumstances" section of this notice.

Suspension of Liquidation

In accordance with section 735(d) of the Act, we are directing the United States Customs Service to continue to suspend liquidation of all entries of photo albums and filler pages from Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the *Federal Register*. The United States Customs Service shall require a cash deposit or the posting of a bond in an amount equal to the estimated amounts by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown in the table below. This suspension of liquidation will remain in effect until further notice. The margin for all products investigated is 64.81 percent.

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or the threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an antidumping order, directing Customs officers to assess antidumping duties on the

subject products entered, or withdrawn from warehouse, for consumption on or after the date of suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the U.S. prices.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

William T. Archey,

Acting Assistant Secretary for Trade Administration.

[FR Doc. 85-25764 Filed 10-28-85; 8:45 am]

BILLING CODE 3510-08-M

DEPARTMENT OF COMMERCE**International Trade Administration**

(IA-580-501)

Postponement of Final Antidumping Duty Determination: Photo Albums and Filler Pages From Korea**AGENCY:** International Trade Administration, Import Administration, Commerce.**ACTION:** Notice.

SUMMARY: This notice informs the public that we have received a request from the respondents in this investigation that the final determination be postponed until not later than 135 days after the date of publication of the preliminary determination, as provided for in section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)(2)(A)). However, we have determined to postpone our final determination as to whether sales of photo albums and filler pages from Korea have occurred at less than fair value until not later than October 23, 1985.

EFFECTIVE DATE: September 11, 1985.

FOR FURTHER INFORMATION CONTACT: Steven Lim or Ken Stanhagen, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue NW, Washington, D.C. 20230; telephone (202) 377-1777.

SUPPLEMENTARY INFORMATION: On February 19, 1985, we published a notice in the *Federal Register* (50 FR 7624) that we were initiating, under section 732(b) of the Act (19 U.S.C. 1673a(b)), an antidumping duty investigation to determine whether imports of photo albums and filler pages from Korea were being, or were likely to be, sold at less than fair value. On March 18, 1985, the International Trade Commission determined that there is a reasonable indication that imports of photo albums and filler pages from Korea are materially injuring a U.S. industry. On July 16, 1985, we published a preliminary determination of sales at less than fair value with respect to this merchandise (50 FR 28829). The notice stated that if the investigation proceeded normally, we would make our final determination by September 23, 1985.

On July 26, 1985, counsel for Korea Stationary Industry Cooperative Association, the respondents in this case, requested that we extend the period for the final determination until not later than 135 days after the date of publication of the preliminary

determination, in accordance with section 735(a)(2)(A) of the Act. Section 735(a)(2)(A) of the Act provides that the Department may postpone its final determination concerning sales at less than fair value until not later than 135 days after the date on which it published a notice of its preliminary determination, if exporters who account for a significant portion of the merchandise which is the subject of the investigation request a postponement after an affirmative preliminary determination.

Korea Stationary Industry Cooperative Association is qualified to make such a request since it accounts for virtually all exports of the merchandise under investigation. If a qualified exporter properly requests an extension after an affirmative preliminary determination, the Department is required, absent compelling reasons to the contrary, to grant the request.

In the companion Hong Kong investigation, respondents requested an extension of only 30 days. Counsel for petitioners has stated that an extension of 80 days in the case could jeopardize the chances of the ITC cumulating imports. We agree with counsel that the possibility constitutes a compelling reason for limiting the extension in this case to 30 days. Accordingly, the Department will issue a final determination in this case not later than October 23, 1985.

The public hearing is also being postponed until 1:00 p.m. on September 26, 1985, at the U.S. Department of Commerce, Room 1412, 14th Street and Constitution Avenue NW, Washington, D.C. 20230. Accordingly, prehearing briefs must be submitted to the Deputy Assistant Secretary by September 23, 1985.

This notice is published pursuant to section 735(d) of the Act.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

September 3, 1985.

[FR Doc. 85-21710 Filed 9-10-85: 8:45 am]

BILLING CODE 3610-08-8

photo albums and filler pages from Hong Kong have occurred at less than fair value until not later than October 23, 1985.

EFFECTIVE DATE: September 10, 1985.

FOR FURTHER INFORMATION CONTACT: Steven Lim or Ken Stanhagen, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 377-1777.

SUPPLEMENTARY INFORMATION: On February 19, 1985, we published a notice in the *Federal Register* (50 FR 7624) that we were initiating, under section 732(b) of the Act (19 U.S.C. 1873a(b)), an antidumping duty investigation to determine whether imports of photo albums and filler pages from Hong Kong were being, or were likely to be, sold at less than fair value. On March 18, 1985, the International Trade Commission determined that there is a reasonable indication that imports of photo albums and filler pages from Hong Kong are materially injuring a U.S. industry. On July 26, 1985, we published a preliminary determination of sales at less than fair value with respect to this merchandise (50 FR 28829). The notice stated that if the investigation proceeded normally, we would make our final determination by September 23, 1985.

On August 13, 1985, counsel for Climax Paper Converters, the respondent in this case, requested that we extend the period for the final determination until not later than 99 days after the date of publication of the preliminary determination, in accordance with section 735(a)(2)(A) of the Act. Section 735(a)(2)(A) of the Act provides that the Department may postpone its final determination concerning sales at less than fair value until not later than 135 days after the date on which it published a notice of its preliminary determination, if exporters who account for a significant portion of the merchandise which is the subject of the investigation request a postponement after an affirmative preliminary determination.

Climax Paper Converters is qualified to make such a request since it accounts for virtually all exports of the merchandise under investigation. If a qualified exporter properly requests an extension after an affirmative preliminary determination, the Department is required, absent compelling reasons to the contrary, to grant the request. Accordingly, the Department will issue a final

[A-582-501]

Postponement of Final Antidumping Duty Determination; Photo Albums and Filler Pages From Hong Kong

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: This notice informs the public that we have received a request from the respondent in this investigation that the final determination be postponed until not later than 99 days after the date of publication of the preliminary determination, as provided for in section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)(2)(A)); and that we have determined to postpone our final determination as to whether sales of

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determination in this case not later than October 23, 1985.

The public hearing is also being postponed until 9:30 a.m. on September 26, 1985, at the U.S. Department of Commerce, Room 1412, 14th Street and Constitution Avenue NW., Washington, DC 20230. Accordingly, prehearing briefs must be submitted to the Deputy Assistant Secretary by September 23, 1985.

This notice is published pursuant to section 735(d) of the Act.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration

September 3, 1985.

[FR Doc. 85-21580 Filed 9-9-85; 8:45 am]

BILLING CODE 3510-06-M

Notices

Federal Register

Vol. 50, No. 136

Tuesday, July 16, 1985

[A-580-501]

Photo Albums and Filler Pages From Korea; Preliminary Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have preliminarily determined that photo albums and filler pages from Korea are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to suspend the liquidation of all entries of photo albums and filler pages from Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date ninety days before the date of publication of this notice, and to require a cash deposit or bond for each entry in any amount equal to the estimated dumping margin as described in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination by September 23, 1985.

EFFECTIVE DATE: July 16, 1985.

FOR FURTHER INFORMATION CONTACT: Steven Lim or Ken Stanhope, 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)

SUPPLEMENTARY INFORMATION:**Preliminary Determination**

We have preliminarily determined that photo albums and filler pages from Korea are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (19 U.S.C. 1673b) (the Act). The weighted-average margins are listed in the "Suspension of Liquidation" section of this notice.

Case History

On January 30, 1985, we received a petition filed in proper form from Esselte Pandaflex, Inc., the Holson Company, Klee-Vu Plastics Corporation, and SPM Manufacturing Corporation, on behalf of the U.S. industry producing photo albums and filler pages. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from Korea are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act (19 U.S.C. 1673), and that these imports are materially injuring, or threatening material injury to, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We initiated the investigation on February 19, 1985 (50 FR 7625), and notified the ITC of our action.

On March 18, 1985, the ITC found that there is a reasonable indication that imports of photo albums and filler pages from Korea are materially injuring, or threatening material injury to, a U.S. industry (U.S.I.T.C. Pub. No. 1660, March 1985).

We investigated six Korean producers, Dong In Industrial Co. Ltd. (Dong In), Dong Won Industrial Co. (Dong Won), Donam Industrial Co., Ltd. (Donam), Chinsung Industry Co., Ltd. (Chinsung), Keywon, Inc. (Keywon), and Eunjin Industrial Co., Ltd. (Eunjin). These companies account for 64 percent of all exports of photo albums and filler pages from Korea to the United States.

Scope of Investigation

The merchandise under investigation is photo albums and photo album filler pages. Photo albums are currently provided for in item 256.60 of the Tariff Schedules of the United States (TSUS). Photo album filler pages are currently provided for in items 256.87, 256.90 and 774.55 of the TSUS.

Fair Value Comparisons

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for sales by Dong Won, Dong In, Donam, Chinsung, and Keywon and for certain sales for Eunjin because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We used the exporter's sales price for other sales by Eunjin to represent the United States Price because the merchandise was sold to unrelated purchasers after importation into the United States.

We calculated the purchase price based on the FOB or CIF packed price to unrelated customers in the United States. We made deductions, where appropriate, the foreign inland freight, brokerage, drayage, loading, inspection charges, wharfage, banking charges, export recommendation fees, ocean freight, and marine insurance. We calculated exporter's sales price by making additional deductions for U.S. brokerage, U.S. inland freight, and U.S. duty and other selling expenses incurred in the United States. We increased the United States price by the amount of import duties imposed by Korea which have been rebated by reason of the exportation of the merchandise, pursuant to section 772(d)(1)(B) of the Act (19 U.S.C. 1677a(b)(1)(B)).

Foreign Market Value

In accordance with section 773(a) of the Act, we have preliminarily determined that none of the producers being investigated had sales of photo albums and filler pages in Korea during the period of investigation. The petitioners alleged that sales to third countries were at prices below the cost of producing the merchandise. We examined production costs which included all appropriate costs for materials, fabrication and general expenses. We found sufficient sales in some third countries above the cost of production to allow us to use third country prices in accordance with section 773(a)(1)(B) of the Act to determine foreign market value. We used constructed value as our basis of comparison where there were insufficient sales of such or similar merchandise in third country markets, or where there were insufficient sales above the cost of production. In

selecting third countries for comparison purposes, we used sales to the United Kingdom, the Federal Republic of Germany, and Australia, since merchandise sold to these countries were most similar to that sold in the United States or because quantities sold to these countries were most comparable to quantities sold in the United States.

We calculated the third country prices for each product on the basis of FOB or CIF prices to unrelated purchasers. From these prices, we deducted, where appropriate, foreign inland freight, ocean freight, marine insurance, foreign brokerage, loading, wharfage, banking charges, export recommendation fees and drayage. We made adjustments, where appropriate, for differences in the physical characteristics of the merchandise, pursuant to § 353.16 of our regulations, and for differences in circumstances of sale related to commissions and credit expenses pursuant to § 353.15 of our regulations. We also adjusted for differences in packing costs. We also made additions, where appropriate, for import duties which were rebated by reason of the exportation of the merchandise. Where we used exporter's sales price for sales by Eunjin, we deducted third country indirect selling expenses to offset U.S. selling expenses. We used third country prices for all sales by Dong In and some sales by Keywon, Dong Won, Donam and Eunjin. We used constructed value for other sales by Keywon, Dong Won, Donam and Eunjin and for all sales by Chinsung.

We calculated the cost of production for third country sales by totaling the costs of materials, fabrication, general expenses, and packing. We calculated constructed value by totaling the costs of materials, fabrication used in producing such or similar merchandise, general expenses, profit, and the cost of the packing on the U.S. shipments. Where the amount for general expenses was less than ten percent of the cost of materials and fabrication, we used the statutory minimum of ten percent. The amount added for profit in all instances was the statutory minimum of eight percent of the sum of materials, fabrication costs, and general expenses because the companies had no home market sales of merchandise of the same class or kind and we are unable to determine how much of the company's overall profit was related to sales to countries other than the U.S.

The investigation of whether sales were made at prices below the cost of production was initiated on May 30, 1985. Thus, additional information from

respondents and comments by petitioners regarding cost of production and constructed value information were received too late for consideration in this preliminary determination. These submissions will be considered in our final determination.

Critical Circumstances

The petitioners alleged that imports of photo albums and filler pages from Korea present "critical circumstances." Under section 733(e)(1) of the Act, critical circumstances exist if we determine (1) there is a history of dumping in the United States or elsewhere of the class of kind or the merchandise which is the subject of the investigation or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value, and (2) there have been massive imports of the class or kind of merchandise that is the subject of the investigation over a relatively short period.

In determining whether there is a history of dumping of photo albums and filler pages from Korea in the United States or elsewhere, we reviewed past antidumping findings of the Department of the Treasury as well as past Department of Commerce antidumping orders. We also reviewed the antidumping actions of other countries. On March 26, 1985, in the finding of the Antidumping Tribunal in Review No. R-3-84, Canada imposed antidumping duties on photo albums and filler pages from Korea. Thus, we preliminarily find a history of dumping for this merchandise.

Since there is a history of dumping in the United States or elsewhere, we do not need to consider whether there is reason to believe or suspect that importers of this product knew or should have known that it was being sold at less than fair value.

We generally consider the following concerning massive imports: (1) Recent trends in import penetration levels; (2) whether imports have surged recently; (3) whether recent imports are significantly above the average calculated over the last three years; and (4) whether the pattern of imports over that three year period may be explained by seasonal swings.

In considering this question, we analyzed recent trade statistics on import levels, import penetration ratios for photo albums and filler pages from Korea for equal periods immediately preceding and following the filing of the petition, and seasonal factors. Based on our analysis of recent trade data, we

find that imports of photo albums and filler pages from Korea during the period subsequent to receipt of the petition have been massive when compared to recent import levels and import penetration ratios. Therefore, we determine that critical circumstances exist with respect to imports of photo albums and filler pages from Korea.

Verification

As provided in section 776(a) of the Act, we will verify all information used in reaching our final determination.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of photo albums and filler pages from Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date ninety days before the date of publication of this notice in the Federal Register. The United States Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted average amounts by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown in the table below. This suspension of liquidation will remain in effect until further notice.

Manufacturer/producer/exporter	Weighted average margin (Percent)
Dong In	2.12
Dong Won	12.71
Dorem	1.29
Chunsaeng	2.11
Keywon	0.99
Euson	10.71
All others	4.04

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry before the later of 120 days after we make our preliminary affirmative determination or 45 days

after we make our final affirmative determination.

Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 10:00 a.m. on August 8, 1985, at the United States Department of Commerce, Room B-841, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room B-093, at the above address within 10 days of the publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed.

In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by August 1, 1985. Oral presentations will be limited to issues raised in the briefs.

All written views should be filed in accordance with 19 CFR 353.46, within 30 days of this notice's publication, at the above address and in at least 10 copies.

Gilbert E. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

July 9, 1985.

[FR Doc. 85-16578 Filed 7-15-85; 8:45 am]

BILLING CODE 3510-08-0

[A-582-601]

Photo Albums and Filler Pages From Hong Kong; Preliminary Determination of Sales at Less Than Fair Value

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

ACTION: Notice.

SUMMARY: We have preliminarily determined that photo albums and filler pages from Hong Kong are being or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to suspend the liquidation of all entries of photo albums and filler pages from Hong Kong that are entered, on or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated

dumping margin as described in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination by September 23, 1985.

EFFECTIVE DATE: July 16, 1985.

FOR FURTHER INFORMATION CONTACT: Steven Lim or Ken Stanhagen, 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) 377-1777.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We have preliminarily determined that photo albums and filler pages from Hong Kong are being, or are like to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (19 U.S.C. 1673b) (the Act). The weighted-average margin is listed in the "Suspension of Liquidation" section of this notice.

Case History

On January 30, 1985, we received a petition filed in proper form from Esselte Pendaflex, Inc., the Holson Company, Kleer-Vu Plastics Corporation, and SPM Manufacturing Corporation, on behalf of the U.S. industry producing photo albums and filler pages. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from Hong Kong are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act (19 U.S.C. 1673), and that these imports are materially injuring, or are threatening material injury to, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We initiated the investigation on February 19, 1985 (50 FR 7824), and notified the ITC of our action.

On March 18, 1985, the ITC found that there is a reasonable indication that imports of photo albums and filler pages from Hong Kong are materially injuring, or threatening material injury to, a U.S. industry (U.S.I.T.C. Pub. No. 1660, March 1985).

We investigated one producer, Climax Paper Converters, Ltd. This company accounts for approximately 85 percent of all exports of photo albums and filler pages from Hong Kong to the United States.

Scope of Investigation

The merchandise under investigation is photo albums and photo album filler pages. Photo albums are currently provided for in item 256.60 of the Tariff Schedules of the United States (TSUS). Photo album filler pages are currently provided for in items 256.87, 256.90 and 774.55 of the TSUS.

Fair Value Comparisons

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for some sales by Climax because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We used the exporter's sales price for other sales by Climax to represent the United States price because the merchandise was sold to unrelated purchasers after importation into the United States.

We calculated the purchase price based on the FOB or CIF packed price to unrelated customers in the United States. We made deductions, where appropriate, for foreign inland freight, loading, ocean freight, marine insurance, U.S. brokerage and U.S. inland freight. We calculated exporter's sales price by making additional deductions for U.S. brokerage, U.S. inland freight, U.S. duty and other selling expenses incurred in the United States.

Foreign Market Value

In accordance with section 773(a) of the Act, we have preliminary determined that Climax had no sales of photo albums and filler pages in Hong Kong during the period of investigation. The petitioners alleged that sales to third countries were at prices below the cost of producing the merchandise. We examined production costs which included all appropriate costs for materials, fabrication and general expenses. We found sufficient sales in some third countries above the cost of production to allow us to use third country prices in accordance with

section 773(a)(1)(B) of the Act to determine foreign market value. We used constructed value as our basis of comparison where there were insufficient sales of such or similar merchandise in third country markets, or where there were insufficient sales above the cost of production. In selecting third countries for comparison purposes, we used sales to the United

Kingdom, the Republic of South Africa, France, and Australia since merchandise sold to these countries were most similar to that sold in the United States or because quantities sold to these countries were most comparable to quantities sold in the United States.

We calculated the third country prices for each product on the basis of FOB or CIF prices to unrelated purchasers. From these prices, we deducted, where appropriate, foreign inland freight, foreign handling, ocean freight, and marine insurance. We made adjustments, where appropriate, for differences in the physical characteristics of the merchandise, pursuant to § 353.18 of our regulations, and for differences in circumstances of sale related to commissions and credit expenses pursuant to § 353.15 of our regulations. We also adjusted for differences in packing costs.

We calculated the cost of production for third country sales by totaling the costs of materials, fabrication, general expenses, and packing. We calculated constructed value by totaling the cost of materials, fabrication used in producing such or similar merchandise, general expenses, profit, and the cost of the packing on the U.S. shipments. Because the amount for general expenses was less than ten percent of the cost of materials and fabrication, we used the statutory minimum of ten percent. The amount added for profit was the statutory minimum of 8 percent of the sum of materials, fabrication costs, and general expenses because the company had no home market sales of merchandise of the same class or kind and we are unable to determine how much of the company's overall profit was related to sales to countries other than the U.S. We expect to receive additional information from respondent regarding the calculation of fabrication costs for use in the final determination. Comments were received from petitioners too late for consideration in the preliminary determination. These comments will be considered in our final determination.

Preliminary Negative Determination of Critical Circumstances

The petitioners alleged that imports of photo albums and filler pages from Hong Kong present "critical circumstances." Under section 733(e)(1) of the Act, critical circumstances exist if we determine (1) there is a history of dumping in the United States or elsewhere of the class or kind of the merchandise which is the subject of the investigation or the person by whom, or

for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value, and (2) there have been massive imports of the class or kind of merchandise that is the subject of the investigation over a relatively short period.

In determining whether there is a history of dumping of photo albums and filler pages from Hong Kong in the United States or elsewhere, we reviewed past antidumping findings of the Department of the Treasury as well as past Department of Commerce antidumping orders. We also reviewed the antidumping actions of other countries. On March 26, 1985, in the finding of the Antidumping Tribunal in Review No. R-3-84, Canada imposed antidumping duties on photo albums and filler pages from Hong Kong. This constitutes a history of dumping for this product. Since there is a history of dumping in the United States or elsewhere, we do not need to consider whether there is reason to believe or suspect that importers of this product knew or should have known that this product was being sold at less than fair value.

We generally consider the following concerning massive imports: (1) recent trends in import penetration levels; (2) whether imports have surged recently; (3) whether recent imports are significantly above the average calculated over the last three years; and (4) whether the pattern of imports over that three year period may be explained by seasonal swings.

In considering this question, we analyzed recent trade statistics on import levels, import penetration ratios for photo albums and filler pages from Hong Kong for equal periods immediately preceding and following the filing of the petition, and seasonal factors. Based on our analysis of recent trade data, we find that imports of photo albums and filler pages from Hong Kong during the period subsequent to receipt of the petition have not been massive when compared to recent import levels and import penetration ratios. Therefore, we determine that critical circumstances do not exist with respect to imports of photo albums and filler pages from Hong Kong.

Verification

As provided in section 776(a) of the Act, we will verify all information used in reaching our final determination.

Suspension of Liquidation

In accordance with section 733(d) of

the Act, we are directing the United States Customs Service to suspend liquidation of all entries of photo albums and filler pages from Hong Kong that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The United States Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amounts by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown in the table below. This suspension of liquidation will remain in effect until further notice.

Manufacturing/product/exporter	Weighted-average margin (percentage)
Others	6.12
All others	6.12

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry before the later of 120 days after we make our preliminary affirmative determination or 45 days after we make our final affirmative determination.

Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 2:00 p.m. on August 8, 1985, at the United States Department of Commerce, Room B-841, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room B-088, at the above address within 10 days of the publication of this

notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed.

In addition, pre-hearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by August 1, 1985. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.48, within 30 days of this notice's publication, at the above address and in at least 10 copies.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

July 9, 1985.

[FR Doc. 85-16880 Filed 7-15-85: 8:45 am]
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