

BICYCLE TIRES AND TUBES FROM THE REPUBLIC OF KOREA

**Determination of Injury in
Investigation No. AA1921-193
Under the Antidumping Act, 1921,
as Amended, Together With
the Information Obtained
in the Investigation**

USITC PUBLICATION 958

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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NEWS

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USITC FINDS U.S. INDUSTRY BEING INJURED BY IMPORTS OF BICYCLE TIRES AND TUBES FROM THE REPUBLIC OF KOREA SOLD AT LESS THAN FAIR VALUE

The United States International Trade Commission today reported to the Secretary of the Treasury its determination that an industry is being injured as a result of sales of bicycle tires and tubes from the Republic of Korea sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended.

Chairman Joseph O. Parker and Commissioners George M. Moore, Catherine Bedell, and Paula Stern determined that an industry is being or is likely to be injured; Vice Chairman Bill Alberger determined that an industry is being injured.

The Commission's investigation began on January 9, 1979, after receipt of a LTFV determination by the Treasury Department. A public hearing in connection with the investigation was held on February 8, 1979, in Washington, D.C. The petition which led to Treasury's determination of sales at LTFV was filed by Counsel representing Carlisle Tire & Rubber Co., the only remaining U.S. producer of bicycle tires and tubes. The plant in which bicycle tires and tubes are manufactured is located in Carlisle, Pa. The Department of the Treasury found LTFV margins on 43 percent of the sales compared during the period of its investigation, September 1, 1977, to February 28, 1978. The weighted

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USITC FINDS U.S. INDUSTRY BEING INJURED BY IMPORTS OF BICYCLE TIRES AND TUBES FROM THE
REPUBLIC OF KOREA SOLD AT LESS THAN FAIR VALUE

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average margin on LTFV sales was 11.56 percent.

Pneumatic tires (with replaceable tubes) account for all the bicycle tires produced domestically and for virtually all the imported tires. Two types of tubes--regular and heavy-duty--are marketed in the United States.

The domestic industry suffered declining production and capacity utilization, shipments, employment, and profit between 1974 and 1978, while inventories trended upward. During that period, imports of bicycle tires from Korea increased without interruption from 5.7 million units, or 27 percent of total imports, in 1974 to 8.1 million units, or 41 percent of total imports, in 1978; imports of tubes from Korea increased from 8.9 million units, 31 percent of total imports in 1974, to 12.7 million units, 44 percent of total imports, in 1978.

The Commission's public report, Bicycle Tires and Tubes From the Republic of Korea (USITC Publication 958), contains the views of the Commissioners in investigation No. AA1921-193. Copies may be obtained by calling (202) 523-5178 or from the Office of the Secretary, 701 E Street NW., Washington, D.C. 20436.

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Note.—Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[AA1921-193]

BICYCLE TIRES AND TUBES FROM THE REPUBLIC OF KOREA

Determination of Injury

On the basis of its investigation, the United States International Trade Commission unanimously determines that an industry in the United States is being or is likely to be injured 1/ by reason of the importation of bicycle tires and tubes from the Republic of Korea that are being, or are likely to be sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

On December 26, 1978, the United States International Trade Commission received advice from the Department of the Treasury that bicycle tires and tubes from the Republic of Korea, are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). Accordingly, on January 9, 1979, the Commission instituted investigation No. AA1921-193 under section 201(a) of said act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Notice of the institution of the investigation and of the public hearing held in connection therewith was published in the Federal Register of January 15, 1979 (44 F.R. 3101). On February 8, 1979, a hearing was held in Washington, D.C., at which all persons who requested the opportunity were permitted to appear in person or by counsel.

In arriving at its determination, the Commission gave due consideration to written submissions from interested parties and information adduced at the hearing as well as information provided by the Department of the Treasury and data obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

1/ Chairman Parker and Commissioners Moore, Bedell, and Stern determine that an industry is being or is likely to be injured; Vice Chairman Alberger determines that an industry is being injured.

Statement of Reasons of Chairman Joseph O. Parker and
Commissioners George M. Moore, Catherine Bedell,
and Paula Stern

On December 26, 1978, the United States International Trade Commission received advice from the Department of the Treasury that bicycle tires and tubes from the Republic of Korea (Korea) are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). Accordingly, on January 9, 1979, the Commission instituted investigation No. AA1921-193 under section 201(a) of the act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, 1/ by reason of the importation of such merchandise into the United States.

Determination

On the basis of information obtained in this investigation, we determine that an industry in the United States is being or is likely to be injured by reason of the importation of bicycle tires and tubes from Korea which the Secretary of Treasury has determined are being, or are likely to be, sold at LTFV.

The imported articles and the domestic industry

The imported articles of concern in this investigation are pneumatic bicycle tires and tubes. We consider the relevant domestic industry to consist of the facilities in the United States devoted to the production of such articles. The Carlisle Tire & Rubber Co., Carlisle, Pa., has been the only U.S. producer of bicycle tires and tubes since 1976, when Goodyear Tire & Rubber Co. discontinued production of these articles in the United States. As a result, much of the information concerning the domestic industry is confidential, thereby limiting our discussion in this opinion.

1/ Prevention of the establishment of an industry is not an issue in this investigation and will not be considered further.

LTFV sales

The Department of the Treasury found that all imports of bicycle tires and tubes from Korea during the period of its investigation--September 1, 1977, to February 28, 1978--were produced by three Korean firms, Dae Yung, Hung A, and Korea Inoue Kasei. Fair-value comparisons were made on 54 percent of the sales to the United States by these three companies, and LTFV margins ranging from 0.2 percent to 65.2 percent were found on 43 percent of the sales compared. The weighted average margin on all sales compared was 4.83 percent, and the weighted average margin on those sales found to be at LTFV was 11.56 percent.

Injury by reason of LTFV sales

The information obtained in the investigation clearly shows that the domestic producer of bicycle tires and tubes is being injured by reason of LTFV sales. A comparison of various indicators of the industry's economic health prior to 1977--the year established by Treasury as encompassing the onset of LTFV sales--with conditions in 1977 and 1978 shows a decrease in production and shipments, a declining rate of capacity utilization, an increase in inventories, a drop in employment, and a substantial decline in profitability.

U.S. production of bicycle tires and tubes fell by 12 percent between 1976 and 1977 and again in 1978 to 23 percent below the 1976 level and to slightly below the level during the recession year of 1975. U.S. producers' shipments declined without interruption from 1976 to 1978, when, in the latter year, they were approximately one third less than shipments in 1976.

Although there was a slight increase in the utilization of U.S. capacity to produce bicycle tires and tubes in 1977 compared with that in 1976, it was attributable to a sharp decline in production capacity owing to the exit of

Goodyear from the industry in 1976, rather than to an increase in production. Carlisle, the only remaining U.S. producer of bicycle tires and tubes, reported a significant decline in capacity utilization in 1977 and 1978.

U.S. producer's inventories trended upward during 1976-78. Expressed as a share of production, yearend inventories increased from 14 percent in 1976 to 15 percent in 1977 and 22 percent in 1978.

There were 43 percent fewer workers engaged in the production of bicycle tires and tubes in 1978 than in 1976. The total number of hours worked on such production declined by 42 percent.

Profit in the bicycle tire and tube industry has seriously eroded in recent years. The ratio of net earnings before taxes to net sales declined by 47 percent between 1976 and 1978. In 1977, Carlisle's profit ratio for its bicycle tire and tube operations was substantially below that for all manufacturing, and it declined even further in 1978.

There is a direct causal relationship between the injury to the domestic industry and LTFV imports from Korea. Although apparent U.S. consumption of both bicycle tires and tubes was relatively stable during 1976-78, U.S. producers' share of apparent consumption of these articles declined by about 35 percent from 1976 to 1978. In the same period the ratio of imports of bicycle tires and tubes from Korea to U.S. production almost doubled. Imports of these articles from Korea as a share of total imports increased from 35 percent in 1976 to 43 percent in 1978.

The Commission was able to verify actual cases of sales lost by the domestic industry to bicycle tires and tubes imported from Korea. Two bicycle manufacturing firms confirmed that they reduced purchases from Carlisle and increased purchases from Korea in 1977-78 principally because of the lower price of the imported articles.

Price data obtained by the Commission also indicated a causal link between LTFV imports from Korea and the injury suffered by the domestic industry. Extreme price sensitivity, particularly in the segment of the market represented by the bicycle manufacturers, characterizes the U.S. market for bicycle tires and tubes. Throughout a substantial portion of 1977 and 1978 when imports of tires, tubes, and sets to the United States from Korea were at LTFV, such imports generally undersold comparable domestically produced articles. The data show that the dumping margins, which ranged from 0.2 percent to 65.2 percent and which averaged 11.56 percent on LTFV sales, were large enough to enable imports to be priced below the domestically produced article in many instances. The underselling resulted in loss of sales to both the sole domestic producer of bicycle tires and tubes and to imports of these articles from other sources.

Likelihood of future injury by LTFV sales

As a result of declining production, capacity utilization, sales, employment, profit, and growing inventories, the domestic industry is in a weakened condition and is particularly vulnerable to LTFV sales of imports from Korea. Two of the three Korean manufacturers of bicycle tires and tubes operated their production facilities at reduced levels in 1978 compared with levels in 1977. These two firms also reduced their exports to the United States in 1978, the year in which Treasury began to withhold appraisement for these articles. Thus the Korean industry is in a position to increase its exports of bicycle tires and tubes to the United States at LTFV in the event of a

negative determination by this Commission. In view of these considerations, we find that an industry in the United States is being or is likely to be injured by reason of the importation of bicycle tires and tubes which the Secretary of the Treasury has determined are being, or are likely to be, sold at LTFV.

STATEMENT OF REASONS OF COMMISSIONER BILL ALBERGER

In order for the Commission to find in the affirmative in an investigation under the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)) it is necessary to find that an industry in the United States is being or is likely to be injured, or is prevented from being established, 1/ and the injury or likelihood thereof must be by reason of imports at less than fair value (LTFV). I find that in the case of bicycle tires and tubes from the Republic of Korea (Korea), the domestic industry is being injured by reason of such imports which the Secretary of the Treasury has determined are being, or are likely to be, sold at LTFV.

The imported articles and the domestic industry

The relevant imported articles in this investigation are pneumatic bicycle tires and tubes. The domestic industry consists of the facilities in the United States devoted to the production of such articles. At present, the domestic industry is the Carlisle Tire and Rubber Company of Carlisle, Pa., the only firm currently producing bicycle tires and tubes in the United States.

LTFV sales

From September 1, 1977 to February 28, 1978, the period of the Department of Treasury's examination, it was found that 100 percent of bicycle tire and tube imports entered from Korea were produced by three Korean firms -- Dae Yung,

1/ Prevention of the establishment of an industry is not an issue in this investigation and will not be discussed further.

Hung A, and Korean Inoue Kasei. Treasury made fair value comparisons on 54 percent of the sales to the United States by these three firms and found LTFV margins ranging from 0.2 percent to 65.2 percent on 43 percent of the sales compared. For all sales compared, the weighted average margin was 4.83 percent. However, on only those sales found at LTFV, the margin was 11.56 percent.

The question of injury or likelihood thereof by reason of LTFV sales

Imports and market share -- Imports of bicycle tires and tubes from all sources dropped slightly from 1974 through 1978. At the same time, however, imports from Korea jumped 40 percent and, as a share of all imports, grew by 14 percentage points. Between 1976 and 1978, when domestic shipments of bicycle tires and tubes dropped by about 35 percent, Korean imports of tires and tubes increased their share of U.S. consumption by approximately the same amount.

Consumption -- Consumption of bicycle tires and tubes closely tracks that of bicycles. Bicycle consumption was at its zenith in 1973 and 1974, but dropped precipitously in the recession of 1975. Although consumption in the U.S. has recovered somewhat since 1975, bicycle consumption figures for 1977 were well below peak levels. Similarly, bicycle tire and tube consumption hit a low in 1975 and then showed slight recovery in 1976 and 1977. However, in 1978, consumption once again dropped and was at a level near that of 1976.

Capacity utilization -- At the high point of bicycle consumption in the U.S. in 1973-74, capacity utilization for domestic producers of bicycle tires and tubes was slightly over the 50 percent mark. Capacity utilization dropped sharply during the recession of 1975 and into 1976. During this period of

falling demand, Carlisle expanded its capacity, thus aggravating the declining utilization rate. That rate dropped by more than half by 1976 and, after recovering somewhat in 1977, dropped again in 1978 to a level more than 40 percent off from 1974.

Production and shipments -- U.S. production in 1978 was at a level below the recession year of 1975. This, in effect, is more than 60 percent off from the level attained in 1974 and is nearly 25 percent below the 1976 level, when U.S. producers had made a limited recovery from the recession.

Shipments, likewise, evidenced a dramatic decline from 1974 to 1975 and, after a slight upturn in 1976, dropped to even lower levels in 1977 and 1978.

Employment -- The number of production and related workers in the domestic industry dropped by over 40 percent from 1974 through 1976, the year Goodyear Tire and Rubber Co. ceased its bicycle tire and tube operations. This drop in employment continued and by 1978, the number of workers was off more than 40 percent from the 1976 level.

Inventories -- After peaking in 1975, end of year inventories held by U.S. producers declined by 40 to 50 percent in 1976 and 1977. However, by the end of 1978, inventories had reversed this trend and were nearly 30 percent greater than the 1977 level.

Profits -- Although the domestic producer has shown a good level of profit in its overall operations, the drop in profits for the bicycle tire and tube portion of its operations has been rather sharp from 1974 through 1978. While both registered steep declines in recession-year 1975, the bicycle tire and tube portion has in no way shown the recovery since then that has been evident in Carlisle's overall operations. In fact, other than a slight upswing

In 1976, profits for its bicycle tire and tube operations have continued to drop and for both 1977 and 1978 were at levels below that recorded during the 1975 recession. Carlisle's net earnings before taxes on its bicycle tire and tube operations in 1978 were about one-seventh of its 1974 earnings.

Prices -- The pricing data obtained by the Commission confirmed that the imported Korean bicycle tires and tubes undersold comparable U.S. produced articles from 1976 through 1978. In particular, during a good part of 1977 and 1978 when Korean exports to the United States were found to be at LTFV, the dumping margins on many of those sales at LTFV were sufficiently large (as much as 65 percent) to enable Korean producers to take sales from the U.S. producers and other importing countries as well.

Lost sales -- The domestic producers cited various instances of sales lost to bicycle tire and tube imports from Korea. Although some of the U.S. businesses cited did shift to the Korean product because of price, other firms indicated they purchased imports from countries other than Korea or they purchased imports from Korea because of the reliability of delivery from that source.

Likelihood of injury -- Having found present injury in this case, it is unnecessary to address the issue of likelihood of injury.

Summary -- Having considered the aforementioned economic factors, I believe it is clear that the domestic industry producing bicycle tires and tubes is being injured by imports from Korea sold at LTFV. Korean imports have made significant increases in their share of the U.S. market at the expense of both the U.S. industry and imports from other sources. At the same time, the domestic industry has experienced declines in capacity utilization, production, shipments, and profits to levels, in some categories, below those experienced in the recession of 1975. In addition, inventories jumped by 30 percent in 1978.

In a previous investigation (TA-201-33; USITC Pub. 910, September 1, 1978) under Section 201 of the Trade Act of 1974, I found that increased imports of bicycle tires and tubes were not causing serious injury to the domestic industry. While obviously the modifier "serious" signifies that a greater degree of injury must be found in this type of investigation than is required in investigations under the Antidumping Act, there are other significant factors which lead me to the apparently contradictory result in this case. In the 201 case, the Commission had data through the first quarter of 1978 only. The first quarter of 1978 was much better for the domestic industry than the last three, and the trends that were apparent last year did not hold up. Carlisle has also revised its profit data to indicate a decline in 1977 and 1978 which was not apparent last year when I concluded that profits were consistent with levels of all U.S. manufacturers. It is my view that my decision in the earlier case was the correct one at the time, and that my decision in this case is also correct and consistent with my previous decision.

Summary

On December 26, 1978, the United States International Trade Commission received advice from the Department of the Treasury that bicycle tires and tubes from the Republic of Korea (hereafter Korea) are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended. Accordingly, on January 9, 1979, the Commission instituted investigation No. AA1921-193 under section 201(a) of said act. For the purpose of its determination concerning LTFV sales, Treasury defined bicycle tires and tubes as pneumatic bicycle tires and tubes therefor of rubber or plastics, whether such tires or tubes are sold as units or separately.

Imports of bicycle tires and tubes trended slightly downward between 1974 and 1978, but imports from Korea in 1978 were 42 percent above the 1974 level. In 1978, shipments of bicycle tires and tubes from foreign sources other than Korea were substantially below the 1974 level--down 26 percent and 19 percent, respectively. The percentage of total imports of bicycle tires supplied by Korea increased from 27 percent in 1974 to 41 percent in 1978; the share of tubes from Korea increased from 30 percent of total imports in 1974 to 44 percent in 1978. The ratio of tires imported from Korea to U.S. consumption increased from * * * percent in 1974 to * * * percent in 1978; the ratio of tubes imported from Korea to U.S. consumption was * * * percent in 1974 and * * * percent in 1978.

As a result of information received by Treasury from Counsel acting on behalf of the Carlisle Co., indicating a possibility that bicycle tires and tubes from Korea were being, or were likely to be, sold in the United States at LTFV, Treasury conducted an investigation covering the 6-month period from September 1, 1977, through February 28, 1978. The investigation covered the three Korean manufacturers, Dae Yung Commercial Co., Ltd., (Dae Yung), Hung A Industrial Co., Ltd., (Hung A), and Korea Inoue Kasei Co., Ltd., (Korea Inoue Kasei), which together accounted for 100 percent of the bicycle tires and tubes imported from Korea. On December 21, 1978, Treasury announced the weighted average LTFV margins for the three manufacturers as follows:

Dae Yung-----	3.4 percent
Hung A-----	5.3 percent
Korea Inoue Kasei-----	7.2 percent

The weighted average LTFV margin on all sales compared was calculated by the U.S. Customs Service to be 4.83 percent. The weighted average margin on those sales at margin was 11.56 percent.

Apparent U.S. consumption of bicycle tires and tubes peaked at * * * million units in 1973, declined by about * * * million units in 1974, and by * * * million units in 1975. Consumption began an upward trend in 1976 and 1977 following the 1975 low; but declined in 1978 to * * * million units the approximate 1976 level of consumption.

The Carlisle Tire & Rubber Co. currently is the only manufacturer of bicycle tires and tubes in the United States. Other firms that produced bicycle tires and tubes in recent years included the Goodyear Tire & Rubber Co. which ceased production of these products in August 1976, and Uniroyal Company, which ceased production in January 1970. U.S. importers of bicycle tires and tubes from all countries numbered more than 25 firms in 1978; however, 5 firms accounted for 63 percent of the tires and 49 percent of the tubes imported from Korea in that year.

U.S. production of bicycle tires and tubes trended downward between 1974 and 1978. Production declined from * * * million units in 1974 to * * * million units (or by * * * percent) in 1975, but rose to * * * million units (or by * * * percent) in 1976. Production declined slightly in 1977 to * * * million units and continued downward in 1978, reaching a low of * * * million units.

Shipments of bicycle tires and tubes by domestic producers declined substantially between 1974 and 1978. Shipments in 1978 were down * * * percent by quantity and * * * percent by value from the 1974 level; 1978 producers' shipments were * * * percent below the quantity and * * * percent below the value of shipments during the recession year of 1975. U.S. exports of bicycle tires and tubes have been negligible, reportedly because there are very few standard sizes of tires and tubes which are used throughout the world, and also because the U.S.-produced articles are not priced competitively in foreign markets.

Employment and hours worked by production and related workers declined substantially between 1974 and 1978. The sharp decline is attributable in large part to the exit of Goodyear Tire & Rubber Co. from the industry. Productivity by production and related workers increased substantially during the 1974-77 period, except in 1975, when production was sharply curtailed owing to the recession.

Data obtained during the Commission's investigation show that the ratio for Carlisle Tire & Rubber Co. of net earnings before taxes to net sales increased irregularly on all operations from * * * percent in 1974 to * * * percent in 1978 but the ratio for their operations on bicycle tires and tubes declined from * * * percent in 1974 to * * * percent in 1978.

Inventories held by both domestic manufacturers and importers during the 1974-78 period were at their highest level on December 31, 1974. Inventories declined after 1974 although there was an increase of unsold goods held during 1978 from inventory levels in 1977.

Data were obtained by the Commission on the average value of sales of 10 different types and sizes of tires, 8 types and sizes of tubes, and 8 types or sizes of sets of bicycle tires and tubes. In 1976 all of the domestic tires had higher average values than those imported from Korea, four domestic types of tires had higher average values in 1977, and three had higher average values in 1978. For tubes, two domestic types were priced higher than Korean tubes in 1976, four types were priced higher in 1977, and in 1978 six domestic tubes of the eight types were priced higher than the Korean tubes. With

respect to sets, which accounted for * * * of Carlisles' value of sales between 1976 and 1978, only one type of Korean set--the 20-inch set with rib-type tread--was valued at more than the domestic product, and that was only in 1977. In all other instances the domestic sets were priced higher than those imported from Korea.

Carlisle reported sales lost to 8 firms because of imports. Two of those firms confirmed that they reduced their purchases from Carlisle in 1977-1978 and increased their purchases from Korea because of price.

Information Obtained in the Investigation

Introduction

On December 26, 1978, the United States International Trade Commission received advice from the Department of the Treasury that bicycle tires and tubes from the Republic of Korea (hereafter Korea) are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended. 1/ Accordingly, on January 9, 1979, the Commission instituted investigation No. AA1921-193 under section 201(a) of said act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. For the purpose of its determination concerning LTFV sales, the Treasury Department defined "bicycle tires and tubes" as pneumatic bicycle tires and tubes therefor of rubber or plastics, whether such tires and tubes are sold as units or separately. The public hearing in connection with this investigation was held in Washington, D.C. on February 8, 1979. By statute the Commission must make its determination within 3 months of its receipt of advice from Treasury or, in this case, by March 26, 1979.

Notice of the institution of the Commission's investigation and of the time and place of the hearing was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., at the Commission's New York Office, and by publishing the original notice in the Federal Register of January 15, 1979 (44 F.R. 3101). 2/

The complaint which led to Treasury's determination of sales at LTFV was filed by counsel for the Carlisle Tire & Rubber Co., Carlisle, Pa. Treasury's notice of investigation was published in the Federal Register of February 23, 1978 (43 F.R. 7496). A notice of tentative determination of sales at LTFV and withholding of appraisement was published in the Federal Register of September 18, 1978 (43 F.R. 41449). Treasury's final determination of sales at LTFV was published in the Federal Register of December 29, 1978 (43 F.R. 61067).

Description and uses

This investigation covers bicycle tires and tubes which, if imported, would enter the United States under items 772.48 and 772.57 of the Tariff Schedules of the United States (TSUS). Pneumatic clincher-type tires (with replaceable tubes) account for all of the bicycle tires produced domestically and virtually all of the imported tires. Tubular tires (pneumatic tires in which tubes are permanently enclosed) are used primarily on racing-type bicycles and are not considered by the industry to be competitive with

1/ A copy of Treasury's letter to the Commission concerning LTFV sales from the Republic of Korea is presented in app. A.

2/ A copy of the Commission's Notice of Investigation and Hearing is presented in app. B.

clincher-type bicycle tires. Clincher tires are designed for normal bicycle use although some may fit racing-type bicycles. 1/

Bicycle tires and tubes are available in about 20 sizes. Sizes are measured in terms of diameter and cross section of the tire, e.g., a 20 by 1.75 tire is 20 inches in diameter measured from tread to tread and 1.75 inches in cross section measured from sidewall to sidewall. Most shipments of bicycle tires, both domestic and imported, are in the 20-inch, 26-inch, and 27-inch-diameter categories.

Bicycle tires are characterized by two main features: (1) the color of the sidewalls which imparts a particular styling or cosmetic effect, and (2) the tread design. In addition to blackwalled tires there are gumwalled tires, which incorporate light or tan sidewalls or raised white lettering on the sidewalls. Tread designs include rib-type treads and stud-type or knobby treads which include the moto-cross design. Tires with rib-type treads account for the bulk of sales of both the domestic and imported products, but the stud-type or knobby tread tires, which are generally heavier in construction and more expensive, are sold in significant quantities in the United States.

Two types of tubes--regular and heavy duty--are marketed in the United States. Heavy-duty tubes, which are puncture or thorn proof, are marketed primarily in the Western States.

Techniques used in the manufacture of bicycle tires and tubes are basically the same throughout the world. In the manufacture of bicycle tires, layers of fabric (usually nylon) combined with layers of rubber tread are wrapped around two rubberized metal wires (beads) to form the tire carcass; vulcanization completes the process. Unlike motor-vehicle tires, which are manufactured for use with or without tubes, virtually all bicycle tires sold in the United States are designed for use with tubes.

In the manufacture of tubes, rubber is fed into extruders and formed into a hose, which is then cut to length, spliced, fitted with an air valve, and vulcanized. Most equipment used in the manufacture of bicycle tires and tubes cannot be converted for alternative uses.

Market participants

Carlisle Tire & Rubber Co. is the only manufacturer of bicycle tires and tubes in the United States. Firms which formerly produced bicycle tires and tubes in the United States in recent years included Goodyear Tire & Rubber Co. and the Uniroyal Co. Goodyear, which has production facilities for bicycle tires and tubes in India and Indonesia, ceased U.S. production of these products in August 1976. Uniroyal Co. ceased production of bicycle tires and tubes in January 1970 and sold its equipment and brandnames to Carlisle.

1/ The retail price for tubular tires ranges from \$20 each to \$50 each compared with \$5 each to \$10 each for clincher-type tires.

Importers of bicycle tires and tubes numbered more than 25 firms in 1978. Five firms accounted for 63 percent of the bicycle tires and 49 percent of the tubes which entered the United States from Korea in 1978.

Distribution of bicycle tires and tubes, whether imported or domestic, usually takes place through (1) direct sales to bicycle manufacturers (hereafter OEM's) and (2) sales to mass-merchandisers, distributors, and jobbers which supply the replacement market. A few importers, however, also act as distributors and ship directly to bicycle shops. The following table shows shipments of bicycle tires and tubes, by channels of distribution for the domestically produced articles and those imported from Korea in 1978.

Bicycle tires and tubes: Shipments of domestically produced articles and those imported from Korea, by channels of distribution, 1978

* * * * *

U.S. tariff treatment

Imported bicycle tires enter the United States under item 772.48 and tubes for bicycle tires enter under item 772.57 of the Tariff Schedules of the United States (TSUS). Bicycle tires and tubes enter separately and as sets (each set includes one bicycle tire, one tube, one valve cap, and one rimstrip). Each major component of each imported set is classified under the appropriate TSUS item. Rimstrips are classified under TSUS item 732.26 and are dutiable at the Col. 1 rate of 15 percent ad valorem, but valve caps are attached to inner tubes and enter the United States as integral components of the tubes with which they are imported. Tires and tubes entered on imported bicycles are not classified separately and are not included in the import statistics for bicycle tires and tubes. The following table shows the current most-favored-nation rates of duty for bicycle tires and tubes which are applicable to imports from Korea, and the statutory rates of duty. Bicycle tires and tubes are not eligible for duty-free treatment under the Generalized System of Preferences (GSP).

Bicycle tires and tubes: U.S. rates of duty as of Jan. 1, 1979

(Percent ad valorem)

	Description	Most-favored- nation rate 1/	Statutory rate
772.48	Bicycle tires-----	5	10
772.57	Bicycle tubes-----	15	30

1/ These rates of duty have been in effect since Jan. 1, 1972.

Background Information

Bicycle tires and tubes have been the subject of many investigations by the U.S. government. The Department of Treasury recently published two countervailing duty determinations with respect to bicycle tires and tubes. On January 8, 1979, Treasury published a final determination advising the public that a countervailing duty investigation disclosed that the Government of Taiwan has not given benefits which are considered to be bounties or grants on the manufacture, production, or exportation of bicycle tires and tubes.

On January 12, 1979, Treasury published a final determination advising the public that a countervailing duty investigation disclosed that the Government of Korea has given benefits with respect to one manufacturer, Korea Inoue Kasei (Inoue), which constitute bounties or grants under the countervailing duty law. Accordingly, bicycle tires and tubes produced by that firm which are imported directly or indirectly from Korea, if entered or withdrawn from warehouse for consumption on or after January 12, 1979, will be subject to the payment of countervailing duties equal to the net amount of the bounty or grant determined to have been bestowed. Until further notice the net amount of such bounties or grants has been determined to be 0.5 percent of the export price.

The U.S. International Trade Commission and the U.S. Department of Labor have each conducted two previous investigations with respect to bicycle tires and tubes. The most recent of these was conducted by the U.S. International Trade Commission under section 201 of the Trade Act of 1974 (U.S.I.T.C. Publication 910). As a result of that investigation, the Commission, by a vote of 4 to 1 determined that pneumatic bicycle tires provided for in item 772.48 of the TSUS, other than tubular tires consisting of tires with tubes permanently enclosed therein; and tubes for bicycle tires, provided for in TSUS item 772.57, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. 1/ The Commission report in

1/ Chairman Parker and Commissioners Moore and Bedell determined in the affirmative for pneumatic bicycle tires, other than tubular tires, and in the affirmative for tubes for bicycle tires. Commissioner Ablondi determined in the affirmative for bicycle tires and tubes for bicycle tires; Vice Chairman Alberger determined in the negative for bicycle tires and tubes for bicycle tires. Commissioner Minchew did not participate.

this case was delivered to the President on September 1, 1978. On October 30, 1978, the President announced that the import relief recommended by the Commission for the domestic producers of bicycle tires and tubes would not be in the national interest. 1/

On April 19, 1976, the United Rubber Workers of America, on behalf of workers and former workers producing bicycle tires and tubes at the Goodyear Tire & Rubber Co., filed a workers petition with the U.S. Department of Labor. This petition resulted in a determination of eligibility for adjustment assistance for the workers. Workers at the Carlisle Tire & Rubber Co. had been certified by the U.S. Department of Labor as of September 30, 1975, as eligible for adjustment assistance because increases in imports which were like and directly competitive with the bicycle tires and tubes produced by Carlisle contributed importantly to the total or partial separation of the workers of that plant.

The International United Rubber, Cork, Linoleum, and Plastics Workers of America (AFL-CIO, CLC), filed a workers petition under section 301(c)(2) of the Trade Expansion Act of 1962, with the U.S. International Trade Commission (then known as the U.S. Tariff Commission) on behalf of certain production and maintenance workers formerly employed by the Uniroyal Tire Co. The Commission unanimously found that bicycle tires and tubes were not being imported into the United States in such increased quantities as to cause or threaten to cause the unemployment or underemployment of a significant number or proportion of the workers of that company. However, the Commission found that imports of bicycle tires and tubes increased and that a significant number of workers became unemployed. The Commission found that Uniroyal had discontinued its production of bicycle tires and tubes because it had become so unprofitable that the company decided to rationalize its production and release cash for more profitable activities (TC publication 325, p. 5).

Nature and Extent of Sales at Less Than Fair Value

On January 13, 1978, Treasury received information from Counsel acting on behalf of Carlisle Tire & Rubber Co., Carlisle, Pa., indicating a possibility that bicycle tires and tubes from Korea were being, or were likely to be, sold at less than fair value within the meaning of the Antidumping Act. Treasury announced, on September 11, 1977, that on the basis of that information and subsequent preliminary information developed by the U.S. Customs Service, it had determined that there were reasonable grounds to believe or suspect that the purchase of bicycle tires and tubes from Korea were at less than fair value.

The 6-month period covered by Treasury's investigation extended from September 1, 1977, through February 28, 1978. The investigation covered three Korean concerns, Dae Yung Commercial Co., Ltd. (Dae Yung), Hung A Industrial Co., Ltd. (Hung A), and Korea Inoue Kasei Co., Ltd. (Korea Inoue Kasei), which

1/ A copy of the President's memorandum to the Special Representative for Trade Negotiations is presented in app. C.

together accounted for 100 percent of the bicycle tires and tubes imported from Korea. ^{1/} Treasury compared 40 percent, 92 percent, and 82 percent of the sales made by Dae Yung, Hung A, and Korea Inoue Kasei, respectively, which represented 54 percent of total Korean sales to the United States during the period covered by Treasury's investigation. On December 31, 1978, Treasury announced the weighted average LTFV margins for the three manufacturers as follows:

Dae Yung-----	3.4 percent
Hung A-----	5.3 percent
Korea Inoue Kasei-----	7.2 percent

The weighted average LTFV margin on all sales compared was calculated by the U.S. Customs Service to be 4.83 percent. The average weighted margin on those sales at margin was 11.56 percent.

For Hung A and Dae Yung, the basis used for comparison by Treasury to arrive at the LTFV sales margins was between the purchase price and the home market price, since the two manufacturers sold sufficient quantities of such or similar merchandise in their home markets to provide an adequate basis for comparison. No sales of such or similar merchandise were made in the home market by Korea Inoue Kasei, so the comparison was made between purchase price and sales for exportation to a third country (Canada). The following table shows the total sales, sales compared, and sales at margin by the three Korean manufacturers.

Bicycle tires and tubes: Total sales, sales compared, and sales at margin, by Korean manufacturers, Sept. 1, 1977, through Feb. 28, 1978

Company	Total sales	Sales compared by Treasury	Sales at margin	Range of margins	Average weighted dumping margin
Dae Yung-----	***	***	***	.02-36.6	3.4
Hung A-----	***	***	***	1.20-65.2	5.3
Korea Inoue Kasei-----	***	***	***	.30-15.9	7.2
Total or average--	***	***	***	.02-65.2	4.83

Source: U.S. Customs Service, Department of Treasury.

Production, Total Exports, and Exports to the United States by Korean Manufacturers

Production and export data were supplied by Counsel representing two of the Korean firms--Dae Yung and Hung A. Production, total exports, and exports

^{1/} A fourth firm, Sin Hung Co. Ltd. was established in 1976. This is a small firm which does not export to the United States.

to the United States as reported by these firms declined significantly in 1978 compared with 1977 levels. Production of tires in 1978 was down * * * percent compared with the 1977 level while tube production declined by * * * percent. Exports of tires by these firms to all foreign markets declined * * * percent in 1978 from 1977 and tubes, by * * * percent. In 1978, exports of tires to the United States by these firms were * * * percent below the 1977 level, while exports of tubes to the U.S. market declined by * * * percent. The following table shows production and export data for Dae Yung and Hung A, 1977-78.

Bicycle tires and tubes: Production, total exports, and exports
to the United States by Dae Yung and Hung A, 1977-78

* * * * *

U.S. Imports

Tires and tubes which enter the United States on imported bicycles are not classified separately for customs purposes and are not shown in the import statistics. The following table reflects information concerning bicycles. Apparent consumption of bicycles peaked during the boom year of 1973 and declined to its lowest point during the recession year of 1975. The bicycle tire and tube market follows a pattern similar to that of the bicycle market.

Bicycles: U.S. producers' shipments, imports for consumption, exports of domestic merchandise and apparent consumption, 1973-77

Year	:Producers' :shipments	:Imports	:Exports	: Apparent :consumption	: Ratio of imports to-- Producers' : shipments : Consumption
	: <u>1,000</u> : <u>units</u>	: <u>1,000</u> : <u>units</u>	: <u>1,000</u> : <u>units</u>	: <u>1,000</u> : <u>units</u>	: : <u>Percent</u> : <u>Percent</u>
1973-----	10,072	5,155	17	15,210	51 : 34
1974-----	10,161	3,979	34	14,106	39 : 28
1975-----	5,606	1,722	36	7,292	31 : 24
1976-----	6,466	1,668	41	8,093	26 : 21
1977-----	7,484	1,968	39	9,413	26 : 21

Source: Producers' shipments were compiled from information supplied by the Bicycle Manufacturers Association; imports and exports were compiled from official statistics of the U.S. Department of Commerce.

Imports of bicycle tires and tubes trended slightly downward between 1974 and 1978, but shipments of these products to the United States from Korea in 1978 were 42 percent above the 1974 level. In 1978, shipments of bicycle tires and tubes from foreign sources other than Korea were substantially below the 1974 level--down 26 percent and 19 percent, respectively. The following table shows in index form (1974 = 100), the quantity of U.S. imports of bicycle tires and tubes in total, from Korea, and from all other sources, 1974-78.

Bicycle tires and tubes: Index of U.S. imports from Korea, other foreign sources, and total imports, 1974-78

Quantity (1974 = 100)					
Item	: 1974	: 1975	: 1976	: 1977	: 1978
Tires from--	:	:	:	:	:
Korea-----	100	46	91	143	141
All others-----	100	47	81	77	74
Total-----	100	47	84	95	91
Tubes from--	:	:	:	:	:
Korea-----	100	64	112	149	142
All others-----	100	38	79	77	80
Total-----	100	46	89	99	99
Total, tires and tubes from--	:	:	:	:	:
Korea-----	100	57	104	147	142
All others-----	100	42	80	77	77
Total-----	100	47	87	97	96

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

On the basis of quantity, the share of imports of bicycle tires supplied by Korea increased irregularly from 27 percent of total imports in 1974 to 41 percent in 1978; the share of total imported tubes for bicycle tires from Korea increased from 30 percent in 1974 to 44 percent in 1978. In 1977, when much of the dumping occurred, the share of total imported tires supplied by Korea increased by 39 percent from the previous year, while imports of tubes from that source increased by 20 percent. The following table shows the percentage of total U.S. imports supplied by Korea for 1974-78.

Bicycle tires and tubes: Total U.S. imports supplied by Korea, 1974-78

(In percent)				
Year	:	Tires	:	Tubes
1974-----	:	27.0	:	30.5
1975-----	:	26.2	:	42.2
1976-----	:	29.2	:	38.3
1977-----	:	40.6	:	45.8
1978-----	:	41.4	:	43.6

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

Bicycle tires.--U.S. imports of bicycle tires trended downward, declining irregularly from 21.3 million units in 1974 to 19.6 million units in 1978, or by 7 percent. Reduced shipments of these products from Japan, Sweden, and the Netherlands contributed importantly to this decline. During 1974-78, imports from both Taiwan and Korea increased substantially. The quantity of tires imported from Taiwan was 65 percent greater in 1978 than in 1974, while those imported from Korea in 1978 increased by 42 percent. In 1977 the year when the dumping occurred, total imports increased by 2.5 million units, imports from Korea increased by 3.0 million units, and imports from Taiwan declined by 400,000 units. The following table shows U.S. imports of bicycle tires from Korea, Taiwan, all other sources, and total imports for 1974-78. Table 1 in appendix D shows U.S. imports of bicycle tires by principal sources, 1974-78, tables 2 and 3 show U.S. imports of tires, tubes, and sets from Korea and from other sources as reported to the Commission by questionnaire; and, table 4 shows shipments by U.S. importers of tires imported from Korea.

Bicycle tires: U.S. imports for consumption from Korea, Taiwan, all other sources, and total imports, 1974-78

(In thousands)

Year	Korea	Taiwan	All others	Total
1974-----	5,734	5,178	10,346	21,258
1975-----	2,640	3,924	3,522	10,086
1976-----	5,221	9,458	3,180	17,859
1977-----	8,256	9,058	3,001	20,315
1978-----	8,135	8,562	2,943	19,640

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

Tubes for bicycle tires.--U.S. imports of tubes for bicycle tires fluctuated irregularly between 1974 and 1978. Imports declined from 29.3 million units in 1974 to 13.7 million units during recessionary 1975, but increased annually thereafter, and by 1978 had nearly returned to the 1974 level. Between 1974 and 1978 imports from Taiwan and Korea trended upward, while imports from Japan, the third principal supplier, declined substantially. Although imports from India increased significantly during the 1974-78 period, these tubes, according to industry sources, are not of a quality comparable to other imports or the tubes produced domestically. During 1977, total imports increased by 3.0 million units, imports from Korea increased by 3.3 million units, and imports from Taiwan declined by 45,000 units. The following table shows U.S. imports of bicycle tubes from Korea, Taiwan, all other sources, and total imports, 1974-78. Table 5 shows U.S. imports of bicycle tubes, by principal sources, 1974-78, and table 6 shows U.S. shipments by importers of tubes from Korea.

Bicycle tubes: U.S. imports for consumption from Korea, Taiwan, all other sources and total imports, 1974-78

(In thousands)

Year	Korea	Taiwan	All others	Total
1974-----	8,911	9,279	11,073	29,263
1975-----	5,774	5,078	2,825	13,677
1976-----	10,015	13,328	2,802	26,145
1977-----	13,348	13,283	2,512	29,143
1978-----	12,717	14,178	2,298	29,193

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

Ratios of imports to consumption.--Imported bicycle tires and tubes increased their share of U.S. consumption annually between 1974 and 1978 except for the 1975 recession year. The ratio of imports to consumption increased from * * * percent in 1974 to * * * percent in 1978, or by * * * percent. The share of U.S. consumption supplied by Korea increased without interruption between 1974 and 1978. The ratio of the imports from Korea to U.S. consumption was * * * percent greater in 1978 than in 1974. Between 1976 and 1977 the ratio of imports from Korea to U.S. consumption of tires increased by * * * percent, and tubes, by * * * percent. The following table shows the ratio of total U.S. imports to consumption and the ratios of imports from Korea to U.S. consumption, by products, 1974-78.

Bicycle tires and tubes: Ratios, by products, of total imports and imports from Korea, to U.S. consumption, 1974-78

* * * * *

Consideration of Injury

U.S. consumption

The apparent U.S. consumption of bicycle tires and tubes peaked at * * * million units in 1973, declined by about * * * million units in 1974, and by * * * million units in the recession year of 1975. As shown in the table below, consumption of bicycle tires and tubes in the United States began an upward trend in 1976 and 1977 following the 1975 low, but declined in 1978 to * * * million units--* * *.

Bicycle tires and tubes: Apparent U.S. consumption, 1967-78

* * * * *

U.S. production

U.S. production of bicycle tires and tubes trended downward between 1974 and 1978. Production declined from * * * million units in 1974 to * * * million units (or by * * * percent) during the recession year of 1975, but rose to * * * million units (* * * percent) in 1976, the year the Goodyear Co. left the industry. Production in the United States declined slightly in 1977, to * * * million units, and continued downward in 1978, reaching a low of * * * million units--slightly less than the low level of production during, 1975 as shown in the following table.

Bicycle tires and tubes: U.S. production, 1974-78

* * * * *

U.S. producers' shipments

Shipments of bicycle tires and tubes by U.S. producers declined substantially between 1974 and 1978. Shipments by producers in 1978 were down * * * percent by quantity and * * * percent by value from the 1974 level; 1978 producers' shipments were * * * percent below the quantity and * * * percent below the value of shipments during 1975, the recession year low. In 1977, shipments of tires and tubes were down * * * percent by quantity and * * * percent by value from the 1976 level. The table below shows U.S. producers shipments of bicycle tires and tubes, 1974-78.

Bicycle tires and tubes: U.S. producers' shipments, 1974-78

* * * * *

Table 7 shows U.S. producers' shipments, imports, exports, and apparent consumption of bicycle tires and tubes; table 8 shows separately U.S. producers' shipments of bicycle tires, tubes, and sets. As shown in table 8, the average unit values of producers' shipments fluctuated between 1974 and 1978 but showed no discernible trend. In 1978, average unit values of producers' shipments were at about the same level as they were in 1975.

Ratios of producers' shipments to U.S. consumption

The ratios of shipments by domestic producers to U.S. consumption, as shown in the table below, declined annually after 1975. The ratio of shipments of tires and tubes declined by * * * percent between 1975 and 1976--a year when U.S. consumption increased by * * * percent. Between 1976 and 1977, U.S. consumption increased by * * * percent while the share supplied by U.S. producers declined by * * * percent. The share of U.S. consumption supplied by Korea in 1977 was up * * * percent from 1976. In 1978, the share of U.S. consumption supplied by Korea remained unchanged from 1977, while the U.S. producers share declined an additional * * * percent.

Bicycle tires and tubes: Ratio of producers' shipments
to U.S. consumption, 1974-78

* * * * *

U.S. exports

As shown in table 7, exports of bicycle tires and tubes have been negligible. Exports are small because there are very few standard sizes of tires and tubes which are used throughout the world, and domestically produced bicycle tires and tubes reportedly are not priced competitively in foreign markets.

Utilization of productive facilities

There has been significant idling of productive facilities in the industry which produces bicycle tires and tubes. As shown in the following table, in 1975-76, more than * * * of the productive facilities utilized in

1974 stood idle. Capacity utilization increased somewhat in 1977 but declined in 1978 to nearly * * * percentage points below capacity utilization in 1974. 1/

Bicycle tires and tubes: Ratios of production to plant capacity, 1/ 1974-78

* * * * *

Employment

The following table shows the number of workers engaged in the production of bicycle tires and tubes and the number of hours worked annually on those products. The number of workers and hours worked declined substantially between 1974 and 1978. The sharp decline in employment and hours are attributable in large part to the exit of Goodyear Tire & Rubber Co. from the industry in 1976. The number of workers engaged in the production of tires in 1978 increased slightly from 1977, while those producing tubes declined slightly; hours worked by production workers producing both tires and tubes declined in 1978 from 1977.

Production and related workers and hours worked in the production of bicycle tires and tubes, 1974-78

* * * * *

1/ According to data published by the Federal Reserve Board, the average operating rate of capacity for manufacturing industries was 82.5 percent in 1977 and 84.2 percent in 1978.

The average number of hours per person worked annually on bicycle tires by production and related workers declined from * * * hours in 1974 to * * * hours in 1976, increased to * * * hours in 1977, but in 1978 declined by * * * percent to * * * hours. Annual hours worked by production and related workers on tubes for bicycle tires fluctuated between a high of * * * hours in 1974 and a low of * * * hours in 1976, as shown in the following table. Productivity by production and related workers engaged in the manufacture of bicycle tires and tubes increased substantially between 1974 and 1978 except for a sharp decline in 1975 which resulted from sharply reduced production. The completion of a new bicycle tire and tube facility by Carlisle in 1975 and the closing of the Goodyear Tire & Rubber Co. production facility in 1976 were responsible in large part for the increased productivity.

Bicycle tires and tubes: Average annual hours worked per production worker and average output per hour, 1974-78

* * * * *

Profit-and-loss experience

Selected financial data are presented in the following three tables on Carlisle Corp's overall operations for establishments in which bicycle tires and tubes are produced and their operations on bicycle tires and tubes only. Net sales for all operations declined from * * * million in 1974 to * * * million in 1975, increased in 1976 and 1977 to * * * million and * * * million, respectively, but declined in 1978 to * * * million. The ratio of net earnings, before taxes, to net sales trended upward from * * * percent in 1974 to * * * percent in 1978.

Net sales for operations on bicycle tires and tubes declined from * * * million in 1974 to * * * million in 1975, increased to * * * million in 1976 but declined thereafter and in 1978 amounted to * * * million. Except in 1976, the ratio of net earnings before taxes to net sales of bicycle tires and tubes declined without interruption from * * * percent in 1974 to * * * percent in 1978, * * *.

Selected financial data on Carlisle Corp's overall operations of establishments in which bicycle tires and tubes are produced and operations on bicycle tires and tubes, 1974-78

* * * * *

Carlisle Tire & Rubber Co.: Selected financial cost data for all operations of establishments in which bicycle tires and tubes were produced and operations on bicycle tires and tubes, 1976-78

* * * * *

Carlisle Tire & Rubber Co.: Net profit before taxes, book value, original cost of net assets employed in the production of all articles produced in the establishments that produced bicycle tires and tubes, and for bicycle tires and tubes independently, 1976-78

* * * * *

Inventories

Three of the five reporting firms that responded to the Commission's importers questionnaire were able to supply usable inventory data. Such data are shown below solely for the purpose of establishing a trend for inventories of imported bicycle tires and tubes. As shown in the following table, inventories held by both domestic manufacturers and importers trended downward between 1975 and 1977 but increased in 1978. Inventories held by domestic manufacturers increased by * * * percent between 1977 and 1978, while those held by responding importers increased by * * * percent.

Bicycle tires and tubes: Inventories held by U.S. producers
and importers as of Dec. 31, of 1975-78

* * * * *

Price trends

Bicycle tires, inner tubes, and sets of tires and tubes, as stated earlier, are sold in more than 20 different types and sizes. The Commission was unable to accurately trace the actual individual selling prices of these products but data were obtained for the average value of sales for a number of popular domestic items and comparable items imported from Korea during 1976-78. The unit values of sales for both the domestic and imported products are f.o.b., point of shipment in the United States.

Bicycle tires.--Data were obtained by the Commission on the average value of sales of 10 popular types or sizes of bicycle tires, most of which supply the replacement market. Of the types examined, all of the domestic tires had higher average values in 1977, and three domestic tires had higher average values in 1978 than comparable products imported from Korea. The following table shows the average value of sales of domestically produced and Korean bicycle tires, by sizes and types, 1976-78.

**Bicycle tires: Average value of sales of certain domestic and
Korean products, by type and size, 1976-78**

Item	1976		1977		1978	
	Domestic	Korean	Domestic	Korean	Domestic	Korean
	Each	Each	Each	Each	Each	Each
20 inches in diameter:						
Moto-cross-----	* * *	\$2.33	* * *	\$2.33	* * *	\$2.23
Blackwalled:						
Stud- or knobby type-----	* * *	1.27	* * *	1.83	* * *	1.80
Rib-type-----	* * *	1.01	* * *	1.55	* * *	1.62
Other-----	* * *	.98	* * *	2.21	* * *	2.45
Gumwalled:						
Stud- or knobby type-----	* * *	2.55	* * *	2.31	* * *	2.83
24 inches in diameter:						
Blackwalled:						
Rib-type-----	* * *	.98	* * *	1.62	* * *	1.65
16 inches in diameter:						
Rib-type:						
Blackwalled-----	* * *	1.57	* * *	1.74	* * *	1.71
Gumwalled-----	* * *	2.27	* * *	1.45	* * *	1.78
27 inches in diameter:						
Rib-type:						
Blackwalled-----	* * *	1.25	* * *	1.52	* * *	2.67
Gumwalled-----	* * *	1.32	* * *	2.32	* * *	2.12

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

Tubes for bicycle tires.--Data were obtained for eight different types and sizes of tubes for bicycle tires. Of those for which data were reported, two types of the domestic tubes were valued higher than the Korean counterpart in 1976. Half of the domestically produced tubes were valued at more per unit than the Korean products in 1977, and six domestic tubes of the eight types had a higher unit value of sales than the comparable Korean product in 1978. The following table shows the average value of sales of domestically produced tubes and those imported from Korea, by sizes and types, 1976-78.

**Tubes for bicycle tires: Average value of sales of certain domestic
and Korean products, by type and size, 1976-78**

Item	1976		1977		1978	
	Domestic	Korean	Domestic	Korean	Domestic	Korean
	Each	Each	Each	Each	Each	Each
20 inches in diameter:						
Regular-----	* * *	\$0.86	* * *	\$0.75	* * *	\$0.82
Heavy duty-----	* * *	1.76	* * *	1.52	* * *	1.25
24 inches in diameter:						
Regular-----	* * *	.89	* * *	.80	* * *	.77
Heavy duty-----	* * *	1.71	* * *	1.49	* * *	.82
26 inches in diameter:						
Regular-----	* * *	.82	* * *	.72	* * *	.79
Heavy duty-----	* * *	1.74	* * *	1.48	* * *	1.55
27 inches in diameter:						
Regular-----	* * *	.83	* * *	.85	* * *	.79
Heavy duty-----	* * *	1.71	* * *	1.43	* * *	1.46

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

Bicycle tire and tube sets.—Data were obtained for eight different sets of bicycle tires and tubes. Shipments of sets, which are purchased principally by bicycle manufacturers (OEM's), accounted for between * * * and * * * percent of Carlisles' tire and tube sales volume during 1976-78; some importers sell sets exclusively to OEM's, ignoring completely the replacement market. In 1977, one size set from Korea (20 inches in diameter, rib-type tread) had a higher average value of sales than sets produced by Carlisle; domestically produced sets were priced higher in each other instance between 1976 and 1978, as shown in the following table.

Bicycle tire and tube sets: Average value of sales of certain domestic and Korean products, by type and size, 1976-78

Item	1976		1977		1978	
	Domestic	Korean	Domestic	Korean	Domestic	Korean
	Each	Each	Each	Each	Each	Each
20 inches in diameter:						
Moto-cross-----	* * *	\$2.38	* * *	\$2.32	* * *	\$2.38
Blackwalled:						
Stud- or knobby-type-----	* * *	2.17	* * *	1.79	* * *	1.88
Rib-type-----	* * *	1.61	* * *	1.61	* * *	1.66
24 inches in diameter:						
Blackwalled:						
Rib-type-----	* * *	1.69	* * *	1.69	* * *	1.74
Other-----	* * *	2.00	* * *	1.96	* * *	2.00
Gumwalled:						
Rib-type-----	* * *	1.90	* * *	1.92	* * *	1.96
27 inches in diameter:						
Gumwalled:						
Rib-type-----	* * *	1.89	* * *	1.92	* * *	1.95

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

Lost sales

Carlisle Tire and Rubber Co. identified three major bicycle manufacturers and five major distributors that purchased tires and tubes from Carlisle and also tires and tubes imported from Korea. Data are available on purchases by the 3 OEM's for 1975-77 and are shown in the following table. Two of these firms confirmed that they reduced their purchases from Carlisle in 1977-78 and increased their purchases from Korea because of price. Three of the five firms that purchase replacement parts were contacted. A representative of one firm reported reduced purchases from Carlisle and increased purchases from Korea * * *. The second firm contacted had never purchased in volume from Carlisle and had not increased its purchases from Korea. It did, however, increase purchases from Taiwan. The third replacement parts distributor reportedly had purchased no domestic tires or tubes for years.

Purchases of tires, tubes and sets by certain original equipment
manufacturers from Korea and from domestic sources, 1975-77

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APPENDIX A

**TREASURY'S LETTER TO THE COMMISSION CONCERNING
LTFV SALES FROM THE REPUBLIC OF KOREA**



A-26
THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

75 DEC 26 PM 3:26

DEC 21 1978

Dear Mr. Chairman:

In accordance with section 201(a) of the Antidumping Act, 1921, as amended, you are hereby advised that bicycle tires and tubes from the Republic of Korea are being, or are likely to be, sold at less than fair value within the meaning of the Act.

For purposes of Treasury's determination, the term "bicycle tires and tubes" means pneumatic bicycle tires, and tubes therefor, of rubber or plastics, whether such tires and tubes are sold together as units or separately.

The United States Customs Service will make available to the Commission as promptly as possible the file relative to this determination. This file is for the Commission's use in connection with its investigation as to whether an industry in the United States is being, or is likely to be, injured, or is prevented from being established, by reason of the importation of this merchandise into the United States.

Since some of the data in this file is regarded by the Treasury Department to be of a confidential nature, it is requested that the Commission consider all information therein contained for the official use of the Commission only, and not to be disclosed to others without prior clearance with the Treasury.

Sincerely yours,

Robert H. Mundheim

The Honorable
Joseph O. Parker, Chairman
U.S. International Trade
Commission
Washington, D.C. 20436

DOCKET NUMBER
7551
Office of the Secretary Int'l Trade Commission

APPENDIX B

COMMISSION'S NOTICE OF INVESTIGATION AND HEARING

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[AA1921-193]

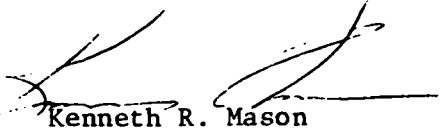
BICYCLE TIRES AND TUBES FROM THE REPUBLIC OF KOREA

Notice of Investigation and Hearing

Having received advice from the Department of the Treasury on December 26, 1978, that bicycle tires and tubes from the Republic of Korea, are being, or are likely to be sold at less than fair value, the United States International Trade Commission, on January 9, 1979, instituted investigation No. AA1921-193 under section 201(a) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)), to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. For the purposes of its determination concerning sales at less than fair value, the Treasury Department defined "bicycle tires and tubes" as pneumatic bicycle tires and tubes therefor of rubber or plastics, whether such tires and tubes are sold as units or separately, as provided for in TSUS items 772.48 and 772.57.

Hearing. A public hearing in connection with the investigation will be held in Washington, D.C., beginning at 10 a.m., e.s.t., on Thursday, February 8, 1979, in the Hearing Room, U.S. International Trade Commission Building, 701 E Street, NW. All persons shall have the right to appear by counsel or in person, to present evidence, and to be heard. Requests to appear at the public hearing, or to intervene under the provisions of section 201(d) of the Antidumping Act, 1921, shall be filed with the Secretary of the Commission, in writing, not later than noon, Thursday, February 1, 1979.

By order of the Commission.


Kenneth R. Mason
Secretary

APPENDIX C

**PRESIDENT'S MEMORANDUM TO THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS**

A-30

presidential documents

[3195-01-M]

Title 3—The President

Memorandum of October 30, 1978

Determination Under Section 202(b) of the Trade Act; Bicycle Tires and Tubes

Memorandum for the Special Representative for Trade Negotiations

THE WHITE HOUSE,
Washington, October 30, 1978.

Pursuant to section 202(b)(1) of the Trade Act of 1974 (P. L. 93-618, 88 Stat. 1978), I have determined the action I will take with respect to the report of the United States International Trade Commission (USITC), transmitted to me on September 1, 1978, concerning the results of its investigation of a petition for import relief. This petition was filed by the Carlisle Tire and Rubber Company, the sole domestic producer of pneumatic bicycle tires provided for in item 772.48 of the Tariff Schedules of the United States (TSUS), and tubes for bicycle tires, provided for in TSUS item 772.57.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have determined that import relief is not in the national economic interest for the following reasons:

(1) The imposition of import relief in the form of a tariff increase would not be an effective means to promote the permanent adjustment in the domestic industry. The sole remaining domestic producer has the most modern plant available, and very little can be done to improve current operating efficiency. In addition, corporate profits are high, and the profit margin on bicycle tires and tubes remains respectable in spite of low capacity utilization levels.

(2) At current profit levels, it is unlikely that the remaining domestic manufacturer will cease producing bicycle tires and tubes. Should the corporation eventually decide to terminate production, much of the plant's equipment could be modified to produce other kinds of recreational tires made by the company.

(3) The relative stability in the domestic producer's market share indicates that domestic demand is less price sensitive than is import demand. Consequently, its market for domestically-produced tires and tubes is expected to remain intact.

(4) It is estimated that any loss in employment resulting from a denial of import relief would be small, and that those separated would be eligible for adjustment assistance. The Department of Labor estimates that the reemployment prospects are probably fair for potentially separated workers.

(5) Import relief would be inflationary. It is estimated that the consumer cost of the relief recommendation made by the USITC would be between \$4.4 and \$7.5 million for the first full year of relief.

(6) The foreign policy consequences of granting relief measures are adverse. The world trading community would view this as a sign of growing protectionist sentiment. Moreover, because other petitions of the industry are now being investigated under the antidumping and countervailing duty statutes, it would also be seen as an attempt to harass foreign exporters through duplication of remedies.

(7) A duty increase such as recommended by the USITC will not place effective restraints on import competition but may merely accelerate the movement of production facilities out of Korea and Taiwan and into such countries as India, Indonesia, and Thailand.

(8) Provision of import relief would subject U.S. jobs in other industries to possible foreign retaliation against U.S. exports or compensation by the United States in the form of reduced import restrictions on other products.

This determination is to be published in the FEDERAL REGISTER.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the main text block.

[FR Doc. 78-31165 Filed 10-31-78; 4:11 pm]

APPENDIX D
STATISTICAL TABLES

Table 1.—Bicycle tires (TSUS item 772.48): U.S. imports for consumption, by principal sources, 1974-78

Source	1974	1975	1976	1977	1978
Quantity (1,000 tires)					
Taiwan-----	5,178	3,924	9,458	9,058	8,562
Korea-----	5,734	2,640	5,221	8,256	8,135
Japan-----	4,488	1,563	1,691	1,797	1,237
Italy-----	249	155	100	216	98
India-----	179	0	387	656	1,040
France-----	343	199	130	112	81
Sweden-----	3,926	1,011	610	29	329
Belgium-----	237	20	13	7	7
Netherlands-----	346	167	55	11	4
All other-----	578	407	194	173	147
Total-----	21,258	10,086	17,859	20,315	19,640
Value (1,000 dollars)					
Taiwan-----	4,339	3,576	8,259	8,242	7,406
Korea-----	4,569	2,502	5,024	7,393	7,427
Japan-----	6,206	2,109	2,426	2,877	2,518
Italy-----	1,230	895	724	1,173	705
India-----	119	-	262	532	794
France-----	737	562	347	378	332
Sweden-----	2,683	815	570	38	433
Belgium-----	358	38	24	12	14
Netherlands-----	331	195	86	11	2
All other-----	773	632	267	306	320
Total-----	21,345	11,324	17,989	20,962	19,951
Average unit value (each)					
Taiwan-----	\$0.84	\$0.91	\$0.87	\$0.91	\$0.86
Korea-----	.80	.95	.96	.90	.91
Japan-----	1.38	1.35	1.43	1.60	2.04
Italy-----	4.94	5.77	7.24	5.43	7.19
India-----	.66	-	.68	.81	.76
France-----	2.51	2.82	2.67	3.38	4.10
Sweden-----	.68	.81	.93	1.31	1.32
Belgium-----	1.51	1.90	1.85	1.71	2.00
Netherlands-----	.96	1.17	1.56	1.00	1/ .65
All other-----	1.34	1.55	1.38	1.77	2.18
Average-----	1.00	1.12	1.01	1.03	1.02

1/ Calculated on the unrounded figures.

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

Table 2.--U.S. imports of bicycle tires, tubes, and sets from Korea, as reported to the U.S. International Trade Commission by respondents to the questionnaire, 1974-78

Item	1974	1975	1976	1977	1978
	Quantity (1,000 units)				
Tires-----	211	650	478	913	647
Tubes-----	659	2,731	4,037	2,899	1,807
Sets-----	1,810	981	3,203	5,248	4,553
	Export value (1,000 dollars) <u>1/</u>				
Tires-----	156	562	474	867	570
Tubes-----	204	1,504	1,952	1,394	852
Sets-----	2,094	1,402	4,415	6,755	6,343
	Delivered cost (1,000 dollars) <u>2/</u>				
Tires-----	205	742	608	1,123	749
Tubes-----	260	1,961	2,487	1,780	1,169
Sets-----	2,689	1,780	5,610	8,619	8,052
	Unit export values (each)				
Tires-----	\$0.74	\$0.86	\$0.99	\$0.95	\$0.88
Tubes-----	.31	.55	.48	.48	.47
Sets-----	1.16	1.43	1.38	1.29	1.39
	Unit delivered cost value (each)				
Tires-----	\$0.97	\$1.14	\$1.28	\$1.23	\$1.16
Tubes-----	.39	.72	.62	.61	.65
Sets-----	1.49	1.81	1.75	1.64	1.77

1/ F.o.b. port of export value.

2/ Delivered cost to the importing firm.

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

Table 3.—U.S. imports of bicycle tires, tubes, and sets from sources other than Korea, as reported to the U.S. International Trade Commission by respondents to the questionnaires, 1974-78

Item	1974	1975	1976	1977	1978
	Quantity (1,000 units)				
Tires-----	1,589	2,400	3,279	3,049	684
Tubes-----	4,183	4,444	6,613	7,610	1,467
Sets-----	6,782	2,273	4,440	4,024	3,675
	Export value (1,000 dollars) <u>1/</u>				
Tires-----	2,145	3,239	3,925	3,891	572
Tubes-----	1,970	2,027	3,202	3,865	696
Sets-----	11,796	3,489	6,332	5,242	4,582
	Delivered cost (1,000 dollars) <u>2/</u>				
Tires-----	2,678	4,221	5,090	5,011	760
Tubes-----	2,414	2,538	4,166	4,936	986
Sets-----	14,170	4,301	7,875	6,776	5,950
	Unit export values (each)				
Tires-----	\$1.35	\$1.35	\$1.20	\$1.28	\$0.84
Tubes-----	.47	.46	.48	.51	.47
Sets-----	1.74	1.54	1.43	1.30	1.25
	Unit delivered cost value (each)				
Tires-----	\$1.69	\$1.76	\$1.55	\$1.64	\$1.11
Tubes-----	.58	.57	.63	.65	.67
Sets-----	2.09	1.89	1.77	1.68	1.62

1/ F.o.b. port of export value.

2/ Delivered cost to the importing firm.

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

Table 4.—Bicycle tires: U.S. shipments by importers of
bicycle tires from Korea, 1977-78

Size and type	1977			1978		
	Quantity	Value	Average: unit : value	Quantity	Value	Average: unit : value
		<u>Dollars</u>			<u>Dollars</u>	
20 inches in diameter:						
Moto-cross-----	426,580	995,400	\$2.33	303,300	677,300	\$2.23
Blackwalled:						
Stud- or knobby-						
type-----	396,700	725,100	1.83	315,500	567,700	1.80
Rib-type-----	893,400	1,382,700	1.55	816,400	1,323,900	1.62
Other-----	3,400	7,500	2.21	2,200	5,400	2.45
Gumwalled:						
Stud- or knobby-						
type-----	3,200	7,400	2.31	600	1,700	2.83
24 inches in diameter:						
Blackwalled:						
Rib-type-----	118,900	192,800	1.62	187,600	310,200	1.65
26 inches in diameter:						
Blackwalled:						
Rib-type-----	759,500	1,323,700	1.74	947,900	1,619,100	1.71
Other-----	45,000	88,000	1.96	158,000	316,000	2.00
Gumwalled:						
Rib-type-----	219,000	318,600	1.45	279,100	496,000	1.78
27 inches in diameter:						
Rib-type:						
Blackwalled-----	81,200	123,200	1.52	279,200	465,700	1.67
Gumwalled-----	248,500	577,700	2.32	204,900	434,600	2.12

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

Table 5.—Bicycle tubes (TSUS item 772.57): U.S. imports for consumption,
by principal sources, 1974-78

Source	1974	1975	1976	1977	1978
Quantity (1,000 tubes)					
Taiwan-----	9,279	5,078	13,328	13,283	14,178
Korea-----	8,911	5,774	10,015	13,348	12,717
Japan-----	6,297	1,443	1,437	1,667	770
India-----	191	20	387	654	1,048
Netherlands-----	404	155	40	53	0
Sweden-----	2,945	704	740	2	272
All other-----	1,263	503	198	136	208
Total-----	29,263	13,677	26,145	29,143	29,193
Value (1,000 dollars)					
Taiwan-----	4,327	2,169	5,905	6,089	6,630
Korea-----	3,734	2,584	4,486	5,996	5,896
Japan-----	3,655	856	856	1,066	594
India-----	57	27	119	236	362
Netherlands-----	180	78	16	17	-
Sweden-----	1,419	447	316	1	89
All other-----	771	390	166	166	178
Total-----	14,143	6,551	11,864	13,571	13,749
Average unit value (each)					
Taiwan-----	\$0.47	\$0.43	\$0.44	\$0.46	\$0.47
Korea-----	.42	.45	.45	.45	.46
Japan-----	.58	.59	.60	.64	.77
India-----	.30	1.35	.31	.36	.35
Netherlands-----	.45	.50	.40	.32	-
Sweden-----	.48	.63	.43	.50	.33
All other-----	.62	.78	.84	1.22	.86
Average-----	.48	.48	.45	.47	.47

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

Table 6.—Bicycle tubes: U.S. shipments by importers of tubes from Korea,
by sizes and types, 1976-78

Size and type	1976	1977	1978
	Quantity		
20 inches in diameter:			
Regular-----	766,600	723,200	619,600
Heavy-duty-----	173,700	129,800	121,000
24 inches in diameter:			
Regular-----	126,700	98,100	117,000
Heavy-duty-----	15,400	12,300	13,200
26 inches in diameter:			
Regular-----	573,200	548,800	553,100
Heavy-duty-----	75,500	69,600	61,400
27 inches in diameter:			
Regular-----	400,200	369,500	343,000
Heavy-duty-----	88,300	72,700	50,800
	Value (dollars)		
20 inches in diameter:			
Regular-----	658,100	545,300	510,800
Heavy-duty-----	306,600	197,800	151,600
24 inches in diameter:			
Regular-----	112,600	78,000	89,600
Heavy-duty-----	26,300	18,300	10,800
26 inches in diameter:			
Regular-----	471,800	397,100	436,300
Heavy-duty-----	131,200	103,300	95,400
27 inches in diameter:			
Regular-----	330,800	313,800	269,500
Heavy-duty-----	151,300	103,800	74,400
	Average unit value of sales		
20 inches in diameter:			
Regular-----	\$0.86	\$0.75	\$0.82
Heavy-duty-----	1.76	1.52	1.25
24 inches in diameter:			
Regular-----	.89	.80	.97
Heavy-duty-----	1.71	1.49	.82
26 inches in diameter:			
Regular-----	.82	.72	.79
Heavy-duty-----	1.74	1.48	1.55
27 inches in diameter:			
Regular-----	.83	.85	.79
Heavy-duty-----	1.71	1.43	1.47

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

Table 7.—Bicycle tires and tubes: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1974-78

* * * * *

Table 8.—Bicycle tires and tubes: U.S. producers' shipments, 1974-78

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Library Cataloging Data

U.S. International Trade Commission.

Bicycle tires and tubes from the Republic of Korea. Determination of injury in investigation no.AA1921-193 under the Antidumping act, 1921, as amended, together with the information obtained in the investigation. Washington, 1979.

11, A 41 p. 28 cm. (USITC Publication 958)

1. Tires, rubber--Korea. 2. Tires, rubber--U.S. 3. Tires, rubber--Tariff.
- I. Title.

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