Ball Bearings From China

Investigation No. 731-TA-989 (Preliminary)

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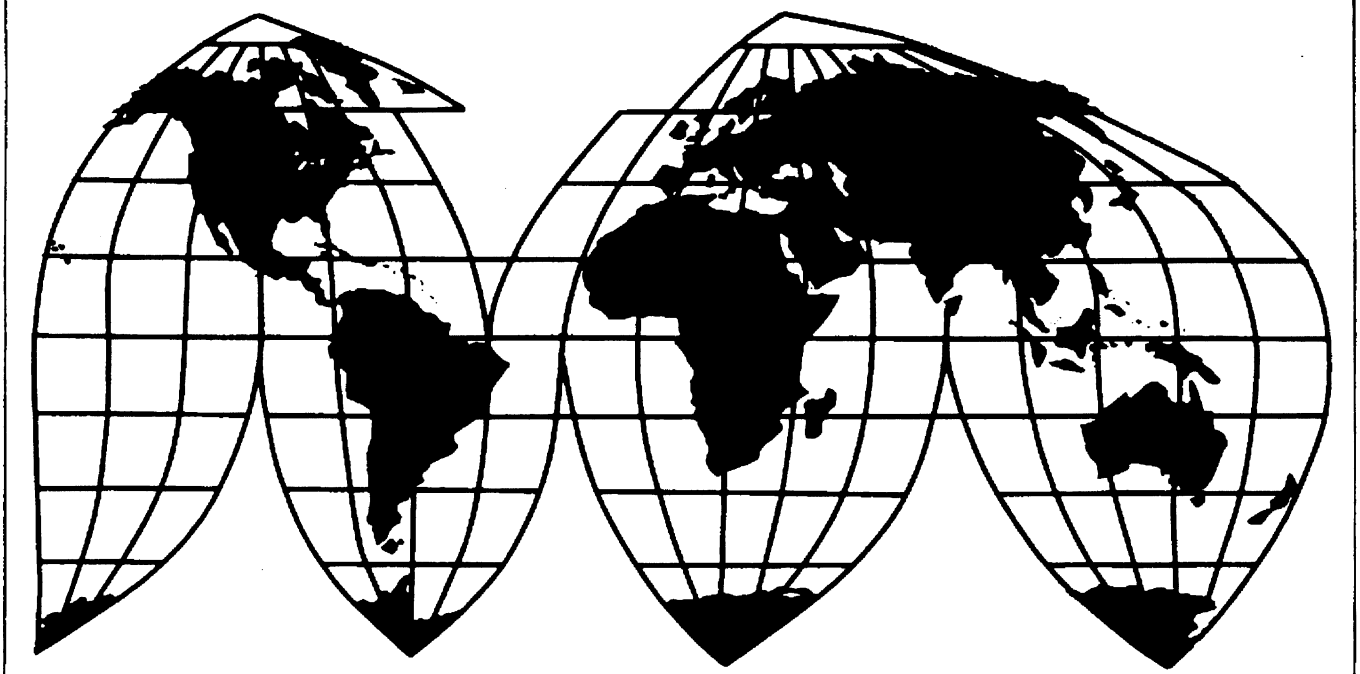
U.S. International Trade Commission



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U.S. International Trade Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-989 (Preliminary)

BALL BEARINGS FROM CHINA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from China of certain ball bearings and parts thereof, provided for in subheadings 3926.90.45, 4016.93.00, 4016.93.10, 4016.93.50, 6909.19.50, 8431.20.00, 8431.39.00, 8482.10.10, 8482.10.50, 8482.80.00, 8482.91.00, 8482.99.05, 8482.99.25, 8482.99.35, 8482.99.65, 8483.20.40, 8483.20.80, 8483.30.40, 8483.30.80, 8483.50.90, 8483.90.20, 8483.90.30, 8483.90.70, 8708.50.50, 8708.60.50, 8708.60.80, 8708.70.60, 8708.93.30, 8708.93.60, 8708.93.75, 8708.99.06, 8708.99.31, 8708.99.40, 8708.99.49, 8708.99.58, 8708.99.80, 8803.10.00, 8803.20.00, 8803.30.00, 8803.90.30, and 8803.90.90 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).[2]

COMMENCEMENT OF FINAL PHASE INVESTIGATION

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigation. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigation need not enter a separate appearance for the final phase of the investigation. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

BACKGROUND

On February 13, 2002, a petition was filed with the Commission and Commerce by the American Bearing Manufacturers Association, Washington, DC, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of certain ball bearings and parts thereof from China. Accordingly, effective February 13, 2002, the Commission instituted antidumping duty investigation No. 731-TA-989 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S.

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

[2] Vice Chairman Deanna Tanner Okun and Commissioner Marcia E. Miller dissenting.

International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of February 21, 2002 (67 FR 8039). The conference was held in Washington, DC, on March 6, 2002, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the record in this investigation, we find a reasonable indication that an industry in the United States is materially injured by reason of imports of ball bearings and parts thereof from China that are allegedly sold in the United States at less than fair value (LTFV).[1] [2]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[3] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[4]

II. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[5] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[6] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation ...."[7]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in

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[1] Commissioner Lynn M. Bragg finds a reasonable indication that a domestic industry is threatened with material injury. See Separate Views of Commissioner Lynn M. Bragg. Commissioner Bragg joins in sections I-IV.A of these Views.

[2] Vice Chairman Deanna Tanner Okun and Commissioner Marcia E. Miller dissenting. See Dissenting Views of Vice Chairman Deanna Tanner Okun and Commissioner Marcia E. Miller. Vice Chairman Okun and Commissioner Miller join in sections I-IV.A of these Views, except as noted.

[3] 19 U.S.C. §§ 1671b(a), 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996). We note that no party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[4] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[5] 19 U.S.C. § 1677(4)(A).

[6] Id.

[7] 19 U.S.C. § 1677(10).

characteristics and uses" on a case-by-case basis.[8] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[9] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[10] Although the Commission must accept the determination of the Department of Commerce ("Commerce") as to the scope of the imported merchandise allegedly subsidized or sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[11]

B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of this investigation as:

> all antifriction bearings, regardless of size, precision grade or use, that employ balls as the rolling element (whether ground or unground) and parts thereof (inner ring, outer ring, cage, balls, seals, shields, etc.) that are produced in China. Imports of these products are classified under the following categories: Antifriction balls, ball bearings with integral shafts and parts thereof, ball bearings (including thrust, angular contact, and radial ball bearings) and parts thereof, and housed or mounted ball bearing units and parts thereof. The scope includes ball bearing type pillow blocks and parts thereof; and wheel hub units incorporating balls as the rolling element. With regard to finished parts, all such parts are included in the scope of the petition. With regard to unfinished parts, such parts are included if (1) they have been heat-treated, or (2) heat treatment is not required to be performed on the part. Thus, the only unfinished parts that are not covered by the petition are those that will be subject to heat treatment after importation.
>
> Imports of these products are classified under the following Harmonized Tariff Schedules of the United States (HTSUS) subheadings: 3926.90.45, 4016.93.00, 4016.93.10, 4016.93.50, 6909.19.5010, 8431.20.00, 8431.39.0010, 8482.10.10, 8482.10.50, 8482.80.00, 8482.91.00, 8482.99.05, 8482.99.2580, 8482.99.35, 8482.99.6595, 8483.20.40, 8483.20.80, 8483.30.40, 8483.30.80, 8483.50.90, 8483.90.20, 8483.90.30, 8483.90.70, 8708.50.50, 8708.60.50,

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[8] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455, n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

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

[10] Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249, at 90-91 (1979) (Congress has indicated that the domestic like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[11] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission's determination of six domestic like products in investigations where Commerce found five classes or kinds).

8708.60.80, 8708.70.6060, 8708.93.30, 8708.93.6000, 8708.93.75, 8708.99.06, 8708.99.31, 8708.99.4000, 8708.99.4960, 8708.99.5800, 8708.99.8080, 8803.10.00, 8803.20.00, 8803.30.00, 8803.90.30, and 8803.90.90.

Specifically excluded from the scope are unfinished parts that are subject to heat treatment after importation. Also excluded from the scope are cylindrical roller bearings, mounted or unmounted, and parts thereof ("CRB") and spherical plain bearings, mounted and unmounted, and parts thereof ("SPB"). CRB products include all antifriction bearings that employ cylindrical rollers as the rolling element. SPB products include all spherical plain bearings that employ a spherically shaped sliding element and include spherical plain rod ends. Although the HTSUS subheadings are provided for convenience and U.S. Customs Service ("Customs") purposes, the written description of the merchandise under investigation is dispositive.[12]

Ball bearings (BBs) permit free motion between moving and fixed parts by holding, separating, or guiding the moving parts to minimize friction and wear. Completed BBs typically consist of an inner ring, an outer ring, the balls, a cage, and lubrication. Ball bearings vary significantly in size and are typically made from a variety of high-quality carbon steels.[13] Ball bearings are preferred over roller bearings when speed is more important than load-carrying capacity. Ball bearings are designed to carry radial or thrust loads or a combination of the two.[14]

The scope of this investigation includes unground bearings, which were not included in the scope of the Commission's recent review investigations.[15] The scope of this investigation excludes non-heat-treated parts which are intended to be heat-treated after importation ("green parts"); these green parts were not included in the scope of the Commission's most recent review investigations.[16] The scope includes unfinished parts for which heat treatment is not required.

C. Domestic Like Product

Parties' Arguments. Petitioner argues that the Commission should find one domestic like product consisting of all BBs, coterminous with the scope of the investigation. Petitioner argues that unground bearings do not constitute a separate like product.[17] Respondents argue that the domestic like product should be expanded to include all domestically produced green parts.[18]

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[12] 67 Fed. Reg. 15,787, 15,788 (Apr. 3, 2002).

[13] Staff Report, Confidential Version (CR) at I-4, Staff Report, Public Version (PR) at I-3; Petition, Vol. I at 9.

[14] CR at I-4, PR at I-3.

[15] Petition at 5 n.2.

[16] Certain Bearings from China, France, Germany, Hungary, Italy, Japan, Romania, Singapore, Sweden, and the United Kingdom, Inv. Nos. AA1921-143, 731-TA-341, 731-TA-343-345, 731-TA-391-397, and 731-TA-399 (Review), USITC Pub. 3309 (June 2000) at Vol. II, BB-I-22.

[17] Petitioner notes that unground bearings share common physical characteristics with ground bearings, and that domestic producers use many of the same production processes, equipment, and skills to produce both types of BBs. Unground BBs serve the same functions in the same applications as ground bearings, are sold in the same channels of distribution as ground bearings, and compete for the same customers and the same applications. Conference Transcript (Tr.) at 24-25 (Ms. May); Petitioner's Postconference Brief at 5-7.

[18] Respondents note that the excluded green parts are dedicated to the production of the downstream article and have no independent use or market. Respondents further claim that the physical characteristics of green parts are "almost identical" to those of heat-treated parts, the sole difference being the hardness of the part. Respondents

(continued...)

Analysis. We consider first whether unground BBs are properly included with ground BBs in a single domestic like product. The record contains evidence that unground and ground BBs share similar physical characteristics, are produced by the same domestic producers using the same production processes, equipment, and employees, and that both types of BBs compete in similar channels of distribution for similar applications with similar customers.[19] We are mindful that this investigation covers a continuum of products in various sizes and configurations, and that in such cases our typical practice is to treat the continuum itself as the domestic like product.[20] We do so here, and thus find that unground BBs are properly included with all other BBs in a single domestic like product, coterminous with the scope of the investigation.

We do not find an adequate basis in the record of this preliminary investigation to broaden the like product beyond the articles coterminous with the scope to include green parts that are intended for heat treatment. In particular, the limited record available in this preliminary phase contains little information regarding these parts. However, we intend to seek additional information regarding green parts in any final phase of this investigation and we may revisit our decision not to include them in the domestic like product. In this context, we may consider whether a traditional like product analysis or a semi-finished product analysis is most appropriate.

For the reasons stated above, we define the domestic like product as ball bearings and parts thereof (BBs), coextensive with the scope of investigation.

III. DOMESTIC INDUSTRY AND RELATED PARTIES

A. Domestic Industry

The domestic industry is defined as "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[21] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[22]

Based on our domestic like product finding, we determine that the domestic industry consists of all U.S. producers of ball bearings and parts thereof.

B. Related Parties

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves

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[18] (...continued)
claim that most of the value of the part has been added before heat treatment. Postconference Brief of Ningbo MOS Group, Ningbo Cixin Bearing, Ningbo Huanchi Group, Wangxiang China, Ningbo General Bearing Co., Ltd., and Jiangsu General Ball and Roller Co. Ltd. (hereinafter "Ningbo Postconference Brief") at 5-6.

[19] Tr. at 24-25 (Ms. May); Petitioner's Postconference Brief at 5-7.

[20] USITC Pub. 3309 at 13; Certain Steel Wire Rod from Canada, Germany, Trinidad & Tobago, and Venezuela, Inv. Nos. 701-TA-368-371 (Final), USITC Pub. 3075 (November 1997) at 7.

[21] 19 U.S.C. § 1677(4)(A).

[22] See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F. 3d 1352 (Fed. Cir. 1996).

importers.[23] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.[24]

*** domestic producers imported subject bearings from China during the period of investigation.[25] The value of imports for each producer was equivalent to *** of the value of its domestically produced shipments in 2001.[26] For *** producers, the value of imports was equivalent to *** of the value of domestically produced shipments in 2001.[27] In light of the relatively small levels of subject imports relative to domestic production, we find that the primary interest of each of these producers lies in domestic production rather than in importation, and that these producers do not appear to have gained any advantage from alleged unfair trade practices. Thus, we do not find that appropriate circumstances exist to exclude any producer from the domestic industry as a related party.

IV. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LESS THAN FAIR VALUE IMPORTS[28]

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[29] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in

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[23] 19 U.S.C. § 1677(4)(B).

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

[25] CR/PR at Table IV-5.

[26] Calculated from CR/PR at Table IV-5. In considering whether any domestic producers should be excluded from the domestic industry on related party grounds, we have relied on value to measure the volume of subject imports. We are mindful of the limitations presented by relying solely on a value, as opposed to a quantity, measure. See the discussion in note 38 and section IV.B infra. Nonetheless, for the purposes of this preliminary determination, we rely primarily on value measures, as we have done in previous BB investigations. See, e.g., Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, Inv. Nos. 303-TA-19 and 20 (Final) and 731-TA-391 through 399 (Final), USITC Pub. 2185 (May 1989) at 67; USITC Pub. 3309 at 26-27.

[27] Calculated from CR/PR at Table IV-5.

[28] Negligibility is not at issue in this investigation. During the 12-month period preceding the filing of the petition, subject imports from China were $124.9 million, while total imports were $865.4 million. Subject imports from China therefore accounted for 14.4 percent of total imports as measured by value. CR at IV-4, PR at IV-1.

[29] 19 U.S.C. §§ 1671b(a), 1673b(a).

the context of U.S. production operations.[30] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[31] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[32] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[33]

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing BBs is materially injured by reason of subject imports from China that are allegedly sold in the United States at LTFV. [34] [35]

A. Conditions of Competition

Ball bearings are used in a wide variety of applications, ranging from in-line skates and lawnmower wheels to automobiles, aerospace, and agriculture.[36] Demand for BBs in the U.S. thus depends on the demand for that variety of products, and, given the range of uses, demand for BBs tends to follow general economic conditions.[37] Apparent total domestic consumption of BBs rose from $2.863 billion in 1999 to $2.949 billion in 2000.[38] In 2001 apparent total domestic consumption of BBs was $2.682 billion, down 9.0 percent from 2000 and down 6.3 percent from 1999.[39]

Domestic producers accounted for approximately two-thirds of total apparent domestic consumption during the period of investigation (POI). In 1999, shipments of domestically produced bearings accounted for 68.4 percent of consumption as measured by value. In 2001, that share was 67.0 percent.[40] The value of U.S. producers' domestic shipments declined in each year of the POI, falling

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[30] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[31] 19 U.S.C. § 1677(7)(A).

[32] 19 U.S.C. § 1677(7)(C)(iii).

[33] 19 U.S.C. § 1677(7)(C)(iii).

[34] Commissioner Lynn M. Bragg finds a reasonable indication that a domestic industry is threatened with material injury. See Separate Views of Commissioner Lynn M. Bragg.

[35] Vice Chairman Deanna Tanner Okun and Commissioner Marcia E. Miller dissenting. See their dissenting Views. Vice Chairman Okun and Commissioner Miller join in sections I-IV.A. of these Views, except as noted.

[36] CR at II-1, II-5, PR at II-1, II-3-II-4.

[37] CR at II-5, PR at II-4.

[38] CR/PR at Table C-1. As noted in our related-party discussion, we have opted to rely on value-based indicators to measure volume. The Commission has typically relied on value-based measures in its investigations of the BB market. See, e.g., USITC Pub. 2185 at 67; USITC Pub. 3309 at 26-27. In this investigation, we similarly rely on value-based indicators as the best measure for a continuum product that includes a vast grouping of items differing in size, complexity, and application. We are aware of the limitations of value-based indicators, such as the difficulty in determining whether changes in value totals are caused by differences in product mix. In any final phase of this investigation, we will attempt to collect precise quantity-based data and will again consider the use of value and quantity indicators as necessary.

[39] CR/PR at Table C-1.

[40] CR/PR at Table C-1.

from $1.959 billion in 1999 to $1.942 billion in 2000 to $1.797 billion in 2001. The value of U.S. producers' domestic shipments thus fell by 8.3 percent between 1999 and 2001.[41]

Imports accounted for the remaining one-third of the U.S. market. Subject imports from China accounted for 4.3 percent of total apparent consumption as measured by value in 1999. That share was 4.8 percent in 2001. Subject imports rose by 4.5 percent over the POI, rising from $122.4 million in 1999 to $128.0 million in 2001. Nonsubject imports as measured by value rose from 27.3 percent of total apparent domestic consumption in 1999 to 28.2 percent in 2001. The volume of nonsubject imports, measured by value, fell by 3.2 percent over the POI, falling from $781.6 million in 1999 to $756.8 million in 2001.[42]

The domestic industry producing BBs consists of a large number of firms, with no single firm accounting for a dominant share of the market. In 2001, *** was the leading producer as measured by value of shipments, and *** share of the market was *** percent.[43]

Domestic shipments account for the large majority of domestic production. Exports account for nearly 10 percent of all shipments of domestically produced BBs as measured by value, and that share remained relatively steady during the POI.[44] Captive consumption also accounts for a notable share of domestic production. Internal consumption accounted for *** percent of domestic shipments by value in 1999, *** percent in 2000, and *** percent in 2001.[45] Transfers to related firms accounted for *** percent of domestic shipments by value in 1999, *** percent in 2000, and *** percent in 2001.[46]

BB production is capital-intensive.[47] Over the POI domestic production capacity rose by 1.1 percent, increasing from 6.651 billion units in 1999 to 6.723 billion units in 2001.[48] Capacity utilization rates rose from 57.4 percent in 1999 to 64.6 percent in 2000 before dropping sharply to 42.0 percent in 2001.[49] The drop in production was so sharp that capacity utilization rates would have fallen even in the absence of any capacity increases.

As previously noted, BBs comprise a vast array of items and are used in a wide variety of applications, and BBs produced to different specifications tend not to be interchangeable, even at the design stage. BBs produced to the same specifications by different producers tend to be interchangeable, although a number of domestic producers indicated that subject imports from China are not typically of the same quality as domestically produced BBs.[50]

Ground BBs are assigned ABEC ratings, with a higher ABEC rating indicating higher performance standards.[51] Some applications call for BBs meeting electric motor quality (EMQ) standards. These EMQ standards are not comparable to ABEC ratings and vary from producer to

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[41] CR/PR at Table C-1.

[42] CR/PR at Table C-1.

[43] CR/PR at Table III-1.

[44] Calculated from CR/PR at Table C-1.

[45] CR at II-2, PR at II-2. No party addressed the applicability of the captive production provision and we did not obtain information addressing all of the statutory criteria. In any final phase of this investigation we intend to seek further information on internal consumption and related-party transfers and will consider whether the captive production provision is applicable.

[46] Calculated from CR/PR at Table III-3.

[47] Tr. at 29 (Mr. Wechsler).

[48] CR/PR at Table C-1.

[49] CR/PR at Table C-1.

[50] CR at II-6, PR at II-4.

[51] ABEC stands for Annular Bearing Engineering Committee. CR at I-5 n.11, PR at I-4 n.11. Unground bearings do not have ABEC ratings. Tr. at 67 (Ms. May).

producer.[52] Most original equipment manufacturer (OEM) purchasers have qualification processes for each application, completion of which can take six months or more.[53]

The existence of ABEC and EMQ standards is not contested. The ability of subject imports from China to meet such qualifications is contested. Both petitioner and respondents agree that a large majority of subject imports from China consist of BBs with relatively low ABEC ratings.[54] Petitioner claims that subject imports from China are nonetheless of a sufficiently high quality to compete with domestically produced bearings "in many areas along the market continuum."[55] Petitioner also has submitted data indicating that applications requiring low-rated BBs account for a significant share of the domestic market.[56] Respondents argue that both size and quality differences between subject imports and domestically produced BBs mean that the products serve different markets.[57] Respondents also argue that competition between subject imports and the domestic like product is limited by the reluctance of many OEM producers to purchase imports and governmental purchasing regulations that favor domestically produced goods.[58]

More than half of responding domestic producers report that significant differences in product characteristics or sales conditions exist between subject imports and domestically produced BBs, as do 28 of 34 responding importers.[59] Both producers and importers cite better quality, better technical support, and wider product range as favoring the domestic like product.[60]

Domestically produced BBs are significantly more likely to be sold directly to end users than are subject imports from China. In 2001, 95.8 percent of domestically produced BBs were sold directly to end users, while 40.6 percent of subject imports were sold directly to end users.[61] The record also indicates that some purchasing segments, especially defense-related ones, may be dominated by the domestic industry because of "Buy American" and other legal requirements.[62]

All of the foregoing suggest that some segmentation of the market exists, as well as some overlap, but we do not find that the record available to us in the preliminary phase of this investigation permits us to effectively determine what degree of segmentation exists and the implications of any segmentation for the conditions of competition confronting this industry. Most notably, the record contains no purchaser questionnaire data. We intend to seek additional data in any final phase of this investigation to determine what degree of segmentation exists in the domestic market.

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[52] Tr. at 97-98 (Mr. Dutton).

[53] Tr. at 89 (Mr. Greenwald); Petitioner's Postconference Brief at App. 2, p.6.

[54] Tr. at 60 (Mr. Gridley); Tr. at 82 (Mr. Dutton).

[55] Petitioner's Postconference Brief at 14.

[56] Petitioner's Postconference Brief at App. 2, p.12.

[57] Ningbo Postconference Brief at 7; Tr. at 82 (Mr. Dutton).

[58] Ningbo Postconference Brief at 11-13.

[59] CR at II-6, PR at II-4.

[60] CR at II-6, PR at II-4.

[61] CR at II-1, PR at II-1. The share of both domestically produced and subject import BBs sold directly to end users declined over the POI, although the share of subject imports sold directly to end users fell far more dramatically. Id.

[62] Tr. at 85 (Mr. Dutton); Petitioner's Postconference Brief at App. 2, pp.8-9; Ningbo Postconference Brief at 12-13.

B. Volume of the Subject Imports[63] [64]

Section 771(C)(I) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[65]

As noted above, the value of subject imports increased by 4.5 percent over the POI, rising from $122.4 million in 1999 to $128.0 million in 2001.[66] This increase occurred while overall apparent total domestic consumption declined between 1999 and 2001. The share of apparent total domestic consumption measured by value accounted for by subject imports from China increased somewhat, rising from 4.3 percent in 1999 to 4.8 percent in 2001.[67]

The value-based figures indicate that subject imports from China constituted a small portion of the U.S. market and increased modestly over the POI. However, measuring import volume by quantity produces a different picture. Subject imports from China, as measured in bearings or bearing equivalents, increased by 19.4 percent between 1999 and 2001, while nonsubject imports decreased by 12.8 percent.[68] During that same time period, U.S. shipments of domestically produced BBs dropped by 26.1 percent when measured by quantity.[69]

We have tended to rely on value-based measures in our previous BB investigations.[70] In general we find value-based measures to be preferable when the product includes such a continuum of items of varying size, quality, and application. But in this investigation we are confronted with a situation in which the value-based and quantity-based measures could lead to conflicting conclusions regarding the volume of subject imports during the POI. The value-based measure indicates a very modest increase, while the quantity-based measure indicates that subject imports from China increased notably at a time when both domestic shipments and nonsubject imports declined sharply.

In the absence of more information concerning the nature of competition between the subject imports and the domestic like product, we cannot determine whether the increase in the volume of subject imports occurred at the expense of the domestic industry. By either measure, domestic shipments declined in 2001, but we cannot determine whether that decline was driven by weakness in sectors dominated by the domestic industry, such as automobiles, or whether the domestic industry was in fact being displaced by subject imports.

The record in this preliminary phase of the investigation indicates that the volume of subject imports, at least as measured by quantity, increased over the POI, although the record does not contain

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[63] Commissioner Bragg does not join in the remainder of these Views. See Separate Views of Commissioner Lynn M. Bragg.

[64] Vice Chairman Okun and Commissioner Miller do not join in the remainder of these Views. See Dissenting Views of Commissioners Marcia E. Miller and Deanna T. Okun.

[65] 19 U.S.C. § 1677(7)(C)(I).

[66] CR/PR at Table C-1.

[67] CR/PR at Table C-1.

[68] Calculated from CR/PR at Table IV-3. The quantity figures included in Table IV-3 do not include all HTS numbers covered by the scope and may include non-subject products (i.e., green parts subject to heat treatment after importation). Id.

[69] CR/PR at Table C-1. Differences in domestic production, reported in quantities, and domestic shipments, presented in value terms, indicate that domestic production numbers, as expressed in quantity terms, may not be consistently reported across the industry. Compare production and shipment shares as presented in CR/PR Table III-1.

[70] USITC Pub. 2185 at 67; USITC Pub. 3309 at 26-27.

sufficient information to permit us to evaluate the significance of that increase. In any final phase of this investigation we intend to seek additional data, including further information on market segmentation and other potential quantity-based measures of volume.

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[71]

Pricing data by product indicate that subject imports consistently undersold the domestic like product. Subject imports undersold the domestic like product in 71 of 72 quarterly comparisons. The margins were typically large and typically increased over the POI.[72]

However, the significance of this underselling is unclear, including whether the order of magnitude of these underselling margins reflects sales in different market segments. In addition, while the six products surveyed account for 10.0 percent of subject imports, they account for only 1.2 percent of shipments of domestically produced BBs.

Furthermore, the product-specific pricing data show domestic prices flat or rising as underselling margins widened.[73] Average unit values (AUVs) for all U.S. shipments of domestically produced BBs remained flat from 1999 to 2000, then rose by 24.6 percent between 2000 and 2001, even as overall demand was declining and available unused domestic productive capacity increased.[74]

Nevertheless, the record does not permit us to conclude that prices of subject imports had no significant effect on prices or sales of the domestic like product. For three of the six products on which the Commission collected pricing data, sales of domestically produced BBs as measured by quantity fell and subject import sales quantities rose.[75] Commission staff was able to confirm instances of lost sales and lost revenue, indicating some degree of direct price-based competition between domestically produced BBs and subject imports.[76]

Because domestic prices were flat or rose even as shipments fell, the pricing data do not indicate that prices for the domestic like product were being depressed by subject imports. The absence of purchaser data and information regarding the segmentation of the market make it difficult to determine whether the pervasive underselling simply reflects product differences or whether underselling was a means by which subject imports displaced domestically produced BBs. We intend to examine closely these issues in any final phase of this investigation, as well as whether subject imports suppressed prices of the domestic like product to any significant degree. We will also seek product-specific pricing data on a greater range of BB items.

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[71] 19 U.S.C. § 1677(7)(C)(ii).

[72] CR at V-15 and Tables V-1-V-6; PR at V-10 and Tables V-1-V-6.

[73] CR/PR at Tables V-1-V-6.

[74] CR/PR at Table C-1. We are mindful of the pitfalls of comparing AUVs in a product such as BBs, in which changes in AUVs may simply reflect changes in product mix.

[75] CR/PR at Tables V-1, V-2, and V-4.

[76] CR/PR at Tables V-7 and V-8. *** lost sales and lost revenue allegations could neither be confirmed nor denied in the time available in the preliminary phase of this investigation. CR at V-16, PR at V-10-V-11.

D. Impact of the Subject Imports

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.[77] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[78] [79]

The value of U.S. shipments by domestic producers declined by 8.3 percent between 1999 and 2001.[80] As shipments dropped, inventories ballooned. Inventories doubled between 1999 and 2001, although all of the increase occurred between 1999 and 2000. In 2001 inventories were equivalent to 15.0 percent of total shipments, up from 5.4 percent in 1999.[81] Production capacity increased modestly between 1999 and 2001, but the decline in production led to a sharp reduction in capacity utilization. In 2001 the domestic industry used 42.0 percent of its production capacity, down from 64.6 percent in 2000.[82] As production and capacity utilization declined, productivity also dropped sharply, falling 28.7 percent between 2000 and 2001 alone and slipping 13.3 percent for the POI.[83] The number of production workers, hours worked, and wages paid all declined between 1999 and 2001, although hourly wages increased modestly.[84]

The domestic industry remained profitable throughout the POI.[85] Operating income declined, and operating income as a percentage of net sales was lower in 2001 than in 1999, falling from 7.1 percent in 1999 to 3.2 percent in 2001.[86] The number of firms reporting operating losses doubled between 2000 and 2001, but more than two-thirds had positive operating income.[87] Capital expenditures were lower in 2001 than in 2000, but 2001 expenditures remained well above 1999 levels.[88] Research and development expenditures in 2001 were 10.2 percent lower than in 1999.[89]

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[77] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885).

[78] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 and 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25, n.148.

[79] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce reported that petitioner has alleged estimated dumping margins ranging from 17 to 249 percent for BBs from China. 67 Fed. Reg. at 15,790 (Apr. 3, 2002).

[80] CR/PR at Table C-1.

[81] CR/PR at Table C-1.

[82] CR/PR at Table C-1.

[83] CR/PR at Table C-1.

[84] CR/PR at Table C-1.

[85] CR/PR at Table VI-1.

[86] CR/PR at Table VI-1.

[87] CR/PR at Table VI-1.

[88] CR/PR at Table VI-3.

[89] CR/PR at Table VI-3.

By many measures, therefore, the performance of the domestic industry declined over the POI, although the industry on the whole remained profitable and lost very little market share in value terms. As noted above, the record indicates that prices for the domestic like product generally were flat or rising during the POI, that some differences exist between subject imports and the domestic like product, and that the market for BBs may be somewhat segmented. Moreover, the declining fortunes of the domestic industry may be explained in large part by reduced consumption: total apparent domestic consumption fell 6.3 percent between 1999 and 2001.[90] However, the record also contains evidence that the volume of subject imports increased while the domestic industry's performance weakened, and that sales volumes for some subject imports increased while underselling margins widened and sales of comparable domestic like products declined. Consequently, although much of the record in the preliminary phase of this investigation indicates that subject imports may not have caused material injury to the domestic industry, we cannot conclude that the record as a whole meets the applicable legal standard for issuing a negative determination in a preliminary investigation.[91] On balance, then, we issue an affirmative determination in this preliminary investigation.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that the domestic industry producing ball bearings and parts thereof is materially injured by reason of imports from China that are allegedly sold in the United States at less than fair value.[92] [93]

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[90] CR/PR at Table C-1.

[91] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986)

[92] Commissioner Lynn M. Bragg finds a reasonable indication that a domestic industry is threatened with material injury. See Separate Views of Commissioner Lynn M. Bragg.

[93] Vice Chairman Okun and Commissioner Miller dissenting.

SEPARATE VIEWS OF COMMISSIONER LYNN M. BRAGG

As noted, I join sections I through IV.A of the Views of the Commission, which address the legal standard for preliminary determinations, the definitions of the domestic like product and domestic industry, and the conditions of competition for this industry. However, because I have made an affirmative determination of threat of material injury in this preliminary phase investigation, I provide my separate views below.

I. Present Material Injury

I note from the outset that the record developed in this preliminary investigation indicates a progressive deterioration in the financial performance of the domestic ball bearings industry, with average operating margins declining from 7.1 percent in 1999 to 3.2 percent in 2001.[1] Although I do not find that the record establishes a sufficient causal nexus between subject imports and the current weakened condition of the domestic industry (for purposes of analyzing present material injury), the weakened state of this industry is an important context within which I have evaluated the threat of material injury posed by subject imports (*see* section II below).

Volume. As measured by value, the volume of subject imports increased by 3.1 percent between 1999 and 2000, roughly matching the 3.0 percent increase in apparent U.S. consumption; in contrast, nonsubject imports, which already held 27.3 percent of the U.S. market in 1999, increased by 12.6 percent during this period.[2] In this context, the 12.4 percent increase in production by the domestic industry between 1999 and 2000 resulted in a doubling of end of period inventories. Between 2000 and 2001, the value of subject imports increased by 1.4 percent, even as apparent U.S. consumption declined by 9.0 percent and nonsubject imports declined by 14.0 percent; as a result, the share of the U.S. market captured by subject imports increased to 4.8 percent in 2001.[3] In this context, U.S. production by the domestic industry declined by 34.2 percent, and end of period inventories remained at roughly the same level. Finally, I note that exports by the domestic industry, which were equivalent to 10.6 percent of the domestic industry's U.S. shipments in 1999, declined by 2.9 percent in 2000 and again by 5.1 percent in 2001.[4] Notwithstanding the increase in subject imports between 1999 and 2001, I do not find the volume of subject imports to be significant in this preliminary investigation in light of the foregoing changes in demand and the pattern and timing of subject and nonsubject import volumes; however, I note that these factors contributed to a weakening of the domestic industry that bears strongly on an evaluation of the threat posed by subject imports.

Price. The Commission collected quarterly pricing data for six ball bearings products; these data account for 1.2 percent of the value of domestic producers' U.S. shipments and 10.0 percent of the value of subject imports during the period of investigation.[5] Price comparisons indicate underselling by subject imports in 71 out of 72 quarters, for a 98.6 percent incidence of underselling. In light of the price trends evidenced on the record, I do not find such underselling to be significant for purposes of assessing present material injury. If annual weighted-average price levels are compared, the record indicates that with regard to 5 out of the 6 products, prices for U.S. producers increased from 1999 to 2001, while

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[1] Confidential Report ("CR") and Public Report ("PR") at Table C-1.

[2] CR/PR at Table C-1.

[3] CR/PR at Table C-1.

[4] *See* CR/PR at Table C-1.

[5] CR at V-4, PR at V-3.

prices for subject imports declined;[6] with respect to the remaining product, annual weighted-average prices for U.S. producers declined roughly *** percent between 1999 and 2001, while prices for subject imports declined 21 percent.[7] On balance, I do not find that the record indicates significant price suppression or depression by reason of subject imports; however, as I discuss in section II below, the pricing behavior of subject imports during the period of investigation provides an important indication of the threat posed by such imports given the current condition of the domestic industry.[8]

Impact. A number of financial and performance indicia reflect the weakening condition of the domestic industry, particularly over the latter portion of the period of investigation.[9] In particular, I note that between 2000 and 2001, the record indicates the following: the domestic industry's U.S. shipments declined by 25.7 percent, even as apparent U.S. consumption declined by only 9.0 percent; domestic production capacity increased by only 1.2 percent, while production quantity declined by 34.2 percent and capacity utilization declined from 64.6 percent to 42.0 percent; the domestic industry's gross profit declined by 12.6 percent and operating margins declined from 5.5 percent to 3.2 percent; employment declined by 6.2 percent, and capital expenditures declined by 18.3 percent; in addition, I note that between 1999 and 2000, domestic producers' end of period inventories more than doubled, increasing by 103 percent, and that between 2000 and 2001, end of period inventories remained roughly level, declining by a mere 1.8 percent.[10] Due largely to the sharp decline in production from 2000 to 2001, the domestic industry's per unit cost of goods sold increased by 22.0 percent in 2001. Finally, I note that the number of U.S. producers reporting operating losses increased from 3 out of 21 in 1999 and 2000, to 6 out of 21 in 2001.[11] The foregoing data indicate that the domestic ball bearings industry is in a significantly weakened state. As noted, however, I do not find significant volume or price effects by reason of subject imports during the period of investigation; accordingly, I do not find that subject imports had a significant adverse impact on the domestic industry. Nonetheless, it is in this context of a significantly weakened domestic industry that I turn to an evaluation of the threat of material injury posed by subject imports.

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[6] Calculated from CR/PR at Tables V-1, V-2, V-3, V-4, and V-6.

[7] Calculated from CR/PR at Table V-5.

[8] The uniformly declining price trends evidenced for subject imports indicate that a value based measure of import volumes is likely to understate the presence of subject imports in the U.S. market during the period of investigation; nevertheless, I rely primarily upon value based measures of volume in this preliminary phase investigation because the quantity based data on the record appear far less reliable given the range of products, including both complete bearings and parts thereof, encompassed by the data. I join my colleagues in seeking to collect more precise quantity based volume data in any final phase investigation. *See* Views of the Commission at nn. 26 & 38.

[9] I note that the statute instructs the Commission to consider "the magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce reported that the petitioner has alleged estimated dumping margins ranging from 17 percent to 249 percent for ball bearings from China. 67 Fed. Reg. 15,787, 15,790 (Apr. 3, 2002). I further note that I do not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on domestic producers. *See* Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996).

[10] CR/PR at Table C-1.

[11] CR/PR at Table VI-1.

II. Threat of Material Injury

In evaluating the threat of material injury posed by subject imports, the Commission analyzes whether further dumped or subsidized imports are imminent and whether material injury by reason of such imports would occur unless an order is issued.[12] In addition to the enumerated statutory threat criteria,[13] the Commission considers all relevant factors that bear on the probability that a threat of material injury exists.[14] I find that deteriorating financial and performance indicia for the domestic ball bearings industry over the period of investigation demonstrate that the domestic industry is in a significantly weakened condition and it is in this context that I assess the likely impact of further volumes of low priced subject imports.

Between 2000 and 2001, the 9.0 percent decline in apparent U.S. consumption was met with a 14.0 percent decline in nonsubject imports and a 7.5 percent decline in the domestic industry's U.S. shipments; in contrast, the volume of subject imports increased by 1.4 percent and the U.S. market share captured by subject imports increased from 4.3 percent in 2000 to 4.8 percent in 2001.[15] Several factors indicate that this trend will continue and that both the volume of subject imports, and the likely increase in volume, will be significant in the imminent future. End of period inventories for Chinese producers increased by 14.3 percent between 2000 and 2001, to a level equivalent to 18.7 percent of Chinese production in 2001;[16] at the same time, capacity utilization for subject producers in China declined from 87.2 percent in 2000 to 82.9 percent in 2001.[17] Thus, unused production capacity in China in 2001 was equivalent to 93.3 percent of reported exports from China to the United States that year; in other words, according to the data submitted by subject producers, unused production capacity in China could almost double the volume of exports;[18] as noted, subject imports already accounted for 4.8 percent of the U.S. market in 2001.

Even as capacity utilization declined and inventories were building, home market shipments by subject producers in China declined by 16.8 percent from 2000 to 2001. According to the data submitted by subject producers, the ball bearings industry in China responded to the foregoing home market conditions by increasing exports to the United States from 2000 to 2001, notwithstanding declining demand in the U.S. market during this period.[19] At the same time, exports from China to all other markets declined, thus indicating that Chinese producers targeted the U.S. market during this period of

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[12] 19 U.S.C. § 1677(7)(F)(ii).

[13] 19 U.S.C. § 1677(7)(F)(i). Statutory factors (I) and (VII) do not apply because this investigation does not involve allegations of a countervailable subsidy or imports of both a raw agricultural product and any product processed from such raw agricultural product. *See id.* With regard to factor (VI), most Chinese producers reported that they do not produce other products on the same machinery and equipment used to produce ball bearings, and thus the potential for product shifting appears limited. CR at II-5, PR at II-3. I note that U.S. producers similarly report that they cannot easily switch between production of ball bearings and other products. CR at II-3, PR at II-2.

[14] Suramerica de Aleaciones Laminadas, C.A. v. United States, 44 F.3d 978, 984 (Fed. Cir. 1994); *see also* NEC Corp. v. United States, 83 F. Supp.2d 1339, 1342-43 (Ct. Int'l Trade 1999).

[15] CR/PR at Table C-1.

[16] Calculated from CR/PR at Table VII-2. As noted, I rely primarily upon value based measures of quantity in this preliminary phase investigation. *See supra* n.8. Here, however, I must rely upon the data as supplied to the Commission by the subject producers, which is primarily quantity based.

[17] CR/PR at Table VII-1 (utilizing the quantity based data reported by subject producers in China).

[18] Calculated from CR/PR at Table VII-1 (utilizing the quantity based data reported by subject producers in China).

[19] The data submitted by subject producers indicate that exports of the subject merchandise from China to the United States increased by 11.1 percent between 2000 and 2001. Calculated from CR/PR at Table VII-1.

declining home market demand.[20] The record does not suggest any changes in the foregoing conditions, and thus I find that the trend will continue and an increase in subject import volume is imminent.

I further find an imminent threat of material injury to the domestic industry by reason of the continuing presence of low-priced subject imports, based upon the following. First, there already exists a substantial overhang of inventories of low-priced subject imports in the United States, with U.S. importers reporting a 17.1 percent increase in subject import inventories between 2000 and 2001, to a level equivalent to over 40 percent of U.S. producers' production in 2001.[21] At the same time, end of period inventories in 2001 for the domestic industry remained roughly twice their level in 1999, and were equivalent to almost 20 percent of U.S. shipments by the domestic industry in 2001.[22] In addition, capacity utilization for the domestic industry declined sharply, from 64.6 percent in 2000 to 42.0 percent in 2001.[23] A capital intensive industry such as the ball bearings industry requires a high rate of capacity utilization in order to remain profitable; thus, the combination of already low capacity utilization plus high inventory levels, in the context of declining demand, renders the domestic industry particularly vulnerable to a further deterioration in profitability if the present level of subject imports is sustained or increases, as appears imminent.

The statute also directs the Commission to examine whether subject imports are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports.[24] Based upon the pricing behavior evident on the record, I find that subject imports are likely to continue to substantially undersell the domestic like product; indeed, annual weighted-average margins of underselling for the six pricing products ranged from *** percent to *** percent during the period of investigation.[25] The Petitioner argues that the domestic industry has benefited from low raw material costs in the form of low steel costs during the period of investigation, and that this phenomenon is unlikely to continue.[26] Steel costs appear to be rising for the domestic industry,[27] and the record indicates an increase in the ratio of COGS/sales from 83.5 percent in 2000 to 84.3 percent in 2001.[28] Faced with a trend of increasing costs,[29] it is likely that domestic producers will prove unable to recover such costs with additional increases in price given the substantial margins of underselling that are likely to prevail. As a result, I find that at a minimum, subject imports are likely to enter the U.S. market at prices that are likely to have a significant suppressing effect on

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[20] The data submitted by subject producers indicate that exports of ball bearings from China to all markets other than the United States declined by 6.3 percent between 2000 and 2001. Calculated from CR/PR at Table VII-1.

[21] Calculated from CR/PR at Table VII-2 and Table C-1 (utilizing quantity-based volume data). The record also indicates that U.S. importers' end of period inventories in 2001 were almost 12 times the volume of exports of the subject merchandise from China to the United States that year. *Cf.* CR/PR Table VII-1 *with* Table VII-2. The magnitude of the difference between these two quantity based measures provides some indication of the lack of precision in the quantity based data submitted to the Commission in this preliminary phase investigation. In any event, based upon the entirety of the record, I am satisfied that there is a significant overhang of subject import inventories in the U.S. market.

[22] CR/PR at Table C-1.

[23] CR/PR at Table C-1.

[24] 19 U.S.C. § 1677(7)(F)(i)(IV).

[25] Calculated from CR/PR at Tables V-1, V-2, V-3, V-4, V-5, and V-6.

[26] Petitioner's Postconference Brief at 36.

[27] Conf. Tr. at 38-39 (Testimony of Mr. Wechsler).

[28] CR/PR at Table C-1.

[29] *See* 19 U.S.C. § 1677(7)(F)(i)(IX).

domestic prices in the imminent future; this, in turn, will likely place the domestic industry in a cost-price squeeze.[30]

Finally, I note that the statute directs the Commission to examine the actual and potential negative effects of subject imports on the existing development and production efforts of the domestic industry.[31] Over the period of investigation, aggregate depreciation/amortization expenses for the domestic industry exceeded total capital expenditures by roughly 15 percent.[32] The fact that a capital intensive industry such as the domestic ball bearings industry has failed to maintain its capital stock to this extent is further evidence of the weakened condition of this industry.[33] As I have described, subject imports are likely to enter the U.S. market in volumes and at prices that are likely to have a significant adverse impact on the profitability of the domestic industry in the imminent future. I find that as a result, the continuing presence of subject imports in the U.S. market is likely to exacerbate the inability of the domestic industry to maintain its capital stock, and thus would have a significant negative effect on the production efforts of the domestic industry.

III. Conclusion

Based upon all the foregoing, I find that there is a reasonable indication that subject imports from China pose an imminent threat of material injury to the domestic ball bearings industry.

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[30] As noted, the domestic industry's per unit cost of goods sold already increased by 22.0 percent between 2000 and 2001, due largely to the 34.2 percent decline in production. CR/PR at Table C-1. Subject imports threaten to capture additional market share from the domestic industry, the impact of which would be magnified since there is already a substantial inventory overhang for the domestic industry; coupled with rising costs for U.S. producers and the likely price suppressive effect of subject imports, the ability of the domestic industry to remain profitable in the near term appears unlikely.

[31] 19 U.S.C. § 1677(7)(F)(i)(VIII).

[32] Calculated from CR/PR at Tables VI-1 and VI-3.

[33] I note that capital expenditures by the domestic industry declined by 18.3 percent from 2000 to 2001. CR/PR at Table C-1.

DISSENTING VIEWS OF VICE CHAIRMAN DEANNA TANNER OKUN AND COMMISSIONER MARCIA E. MILLER

Based on the record developed in this preliminary investigation, we find that there is no reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of imports of ball bearings and parts thereof from China that are allegedly sold in the United States at less than fair value ("LTFV"). We join the majority's views on domestic like product, domestic industry, and conditions of competition, except as noted. Our dissenting views on material injury and threat of material injury follow.

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[1] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2]

The standard calls for "a reasonable indication of injury, not a reasonable indication of need for further inquiry,"[3] and requires more than a finding that there is a "possibility" of material injury.[4] In considering the likelihood that contrary evidence will arise in a final investigation, "[t]he Commission must analyze the 'best information available' contained in the record at the time of its determination and judge the likelihood that evidence contrary to that already gathered will arise in a final determination that would support an affirmative determination."[5] Moreover, the Court of International Trade recently has reaffirmed that in applying the reasonable indication "standard for making a preliminary determination regarding material injury or threat of material injury, the Commission may weigh all evidence before it and resolve conflicts in the evidence."[6]

As we discuss below, we find that the record of this preliminary investigation contains clear and convincing evidence that the domestic industry producing ball bearings and parts thereof is neither materially injured nor threatened with material injury by reason of the subject imports. Although we recognize that we might obtain additional evidence in a final investigation relating to the domestic industry's condition, the nature of competition between the subject merchandise and domestically produced product, and purchasers' perceptions about the nature of that competition, we see no likelihood, based on this preliminary record, that evidence will arise in a final investigation that would be contrary to

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[1] 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-1004 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354 (1996).

[2] American Lamb, 785 F.2d at 1001; see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[3] Texas Crushed Stone, 35 F.3d at 1543.

[4] American Lamb, 785 F.2d at 1004.

[5] Calabrian Corp. v. United States, 794 F. Supp. 377, 386 (Ct. Int'l Trade 1992).

[6] Ranchers-Cattleman Action Legal Foundation v. United States, 74 F. Supp.2d 1353, 1368 (Ct. Int'l Trade 1999).

our finding that the domestic industry producing ball bearings and parts thereof has been impacted in a minimal manner, at most, by the subject imports during the period.

II. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS FROM CHINA

In the preliminary phase of an antidumping duty investigation, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[7] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[8] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[9] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[10] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[11]

A. Volume of the Subject Imports

Section 771(7)(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[12]

The volume of subject imports is not significant and there has been no significant increase in the volume during the period of investigation. We measure volume by value of subject imports and value of U.S. shipments.[13] In Bearings investigations, the Commission has found that value is an inherently more reliable measure of volume than quantity because of the multitude of bearings and bearings parts included within the scope.[14] Measured by value, the volume of subject imports increased by 4.5 percent

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[7] 19 U.S.C. § 1673b(a).

[8] 19 U.S.C. § 1677(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor ...[a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 R.3d 1478 (Fed. Cir. 1998).

[9] 19 U.S.C. § 1677(7)(A).

[10] 19 U.S.C. § 1677(7)(C)(iii).

[11] 19 U.S.C. § 1677(7)(C)(iii).

[12] 19 U.S.C. § 1677(7)(C)(i).

[13] Staff Report, Confidential Version (CR) at I-2, n.6, Staff Report, Public Version (PR) at I-2, n.6; CR at VI-1, n.3, PR at VI-1, n.3.

[14] For example, in the recent Bearings sunset review, which included ball bearings, the Commission based its analyses of likely volume effects on value, rather than quantity. See, e.g., Certain Bearings From China, France, Germany, Hungary, Italy, Japan, Romania, Singapore, Sweden, and the United Kingdom, Inv. Nos. AA-1921-143, 731-TA-341, 731-TA-343-345, 731-TA-391-397, and 731-TA-399 (Review), USITC Pub. 3309, Vol. I at 37, 93 (June 2000). The Commission's report in that review noted that:

(continued...)

over the period, from $122.4 million in 1999 to $128.0 million in 2001.[15] Subject imports as a share of total imports declined from 1999 to 2000 and increased from 2000 to 2001. The overall increase over the period was one percentage point, from 13.5 percent to 14.5 percent.[16] The subject imports' U.S. market share, measured by value, increased by less than one percentage point, from 4.3 percent in 1999 to 4.8 percent in 2001.[17]

We acknowledge that the market share of subject imports based on value may be lower than a market share based on quantity, given the low prices of the subject imports relative to U.S. prices shown in the pricing data collected.[18] It is, however, the best indicator of market share available to us. Furthermore, the volume of subject imports, whether stated in value or quantity terms, is likely to be overstated because of the way the scope is defined. The scope of subject merchandise includes unfinished parts that have been heat-treated, or for which heat treatment is not required, but does not include "green" parts that will be subject to heat treatment once imported.[19] The subject import data, based on official Department of Commerce ("Commerce") import statistics, include the excluded products.

Domestic producers' U.S. market share, measured by value, decreased overall from 1999 to 2001, from 68.4 percent to 67.0 percent, but it had increased from 65.9 percent in 2000 to 67 percent in 2001.[20] The volume of nonsubject imports, measured by value, increased from $781.6 million in 1999 to $880.4 million in 2000, and then decreased to $756.8 million in 2001. Their U.S. market shares followed similar trends, increasing overall from 27.3 percent to 28.2 percent, but peaking in 2000 at 29.9 percent.[21]

We find that during the period of investigation subject import volume was not significant and did not increase significantly. Moreover, the record does not show that subject imports captured significant market share from the domestic industry. At most, the domestic industry's market share decreased 1.4 percentage points from 1999 to 2001, while subject import market share increased by 0.5 percentage point and nonsubject import market share increased by 0.9 percentage point.

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[14] (...continued)
Value data are emphasized over quantity data in these tables and throughout this report because of the serious inherent risks in using quantity data. Literally thousands of types of bearings are subsumed in the four categories of bearings covered by these reviews. Unit values vary from a few cents to thousands of dollars, reflecting differences in size (which can vary from less than one-quarter inch to several feet in diameter), manufacturing tolerances, and other variables. Further there is no meaningful way to uniformly quantify the various parts of bearings that are also subject to these reviews.

USITC Pub. 3309, Vol. II at Overview-7.

[15] CR/PR at Table C-1.

[16] CR/PR at Table IV-2.

[17] CR/PR at Table C-1.

[18] CR/PR at Tables V-1 - V-6.

[19] CR at I-1, n.1, PR at I-1, n.1.

[20] CR/PR at Table C-1. The volume of domestic producers' U.S. shipments, measured by value, decreased over the period from $1.959 billion in 1999 to $1.942 billion in 2000, and then to $1.797 billion in 2001.

[21] Id.

B. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States; and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[22]

The subject imports undersold the domestic like product in 71 of 72 quarters for which pricing comparisons were available, at margins ranging from 8.0 percent to 85.7 percent.[23] Despite the frequency and magnitude of the underselling, however, the record does not show any significant adverse price effects from the subject imports. U.S. prices in all product categories for which data were collected generally rose during the period as Chinese prices generally decreased.[24] Although we recognize the product mix issues presented by the use of unit values with respect to bearings, unit values of domestic producers' U.S. shipments and net sales also rose over the period, consistent with the trends in domestic producers' prices.[25] Thus, there is no evidence of U.S. price suppression or depression by reason of the subject imports. Moreover, the record does not indicate that domestic producers lost significant market share despite the frequency of underselling at high margins.

What the pricing data do indicate is a lack of competition between the subject imports and the domestic product in the U.S. market, given the lack of any downward pressure on U.S. prices, the failure of imports to capture significant market share from the domestic producers despite the underselling, the consistently higher U.S. prices, and the divergent trends in U.S. and Chinese prices. The product categories for which pricing data were collected were all for products with ABEC 1-3 tolerances, which are the lowest tolerance classes for ground ball bearings. These categories were suggested by the petitioner.[26] Higher tolerance classes are ABEC 5, 7, and 9. The lower tolerance classes are for non-precision bearings used in such applications as in-line skates, skateboards, lawnmower wheels, wheelchairs, and pulleys. The higher tolerance classes are for precision and superprecision uses, including critical parts in motor vehicles, aerospace applications, and earth moving equipment.[27] While petitioner acknowledges that it is unaware of competition from subject imports in the U.S. aerospace ball bearing market,[28] petitioner claims that Chinese producers are capable of, are currently producing, and are "attempting to export" ball bearings with higher ABEC ratings and ball bearings that meet Electric Motor Quality specifications.[29] Respondents argue that U.S. and Chinese manufacturers supply different

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[22] 19 U.S.C. § 1677(7)(C)(ii).

[23] CR/PR at Tables V-1 - V-6.

[24] From the first quarter of 1999 to the fourth quarter of 2001, prices for U.S. product 1 increased from $*** to $***; for U.S. product 2, from $*** to $***; for U.S. product 3, from $*** to $***; for U.S. product 4, from $*** to $***; for U.S. product 5, from $*** to $***; and for U.S. product 6, from $*** to $***. Id.

[25] CR/PR at Table C-1.

[26] Petition at 36, n.92, Ex. I-7.

[27] CR at I-5, n.11, PR at I-4, n.11; CR at II-1, PR at II-1.

[28] Petitioner's Postconference Brief at App. 2, p. 8.

[29] Id. at App. 2, pp. 4-5.

segments of the U.S. market, citing to an American Bearing Manufacturers Association/Department of Commerce Statistical Handbook.[30]

Resolving the question of whether there is market segmentation between the U.S. and Chinese product is not critical to our determination. Regardless of whether imports from China are competing in the same market segments as the U.S. product, the record of this investigation indicates no adverse price effects.[31] The record does contain evidence of confirmed sales and revenues lost to subject imports from 1999 to 2001 in the amount of approximately ***.[32] These lost sales and revenues, however, represent less than one percent of domestic producers' U.S. shipments or net sales in each of the three years, and we do not find them to be significant.

Based on the foregoing, we find that the subject imports have had no significant adverse price effects on the domestic industry.

C. Impact of the Subject Imports

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[33] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the industry."[34]

Although several financial and performance indicators of the U.S. industry declined over the period, the industry remained profitable. Moreover, its declines are consistent with the general economic downturn and a drop in demand toward the end of the period, and are not primarily attributable to the subject imports, given our finding of no significant volume or price effects. The demand for ball bearings, which depends on the demand for end-use products, tends to follow general economic conditions. Most domestic producers and importers reported that U.S. demand for ball bearings was flat during 1999 and 2000, then fell during 2001 and the first quarter of 2002.[35] Apparent U.S. consumption declined by 6.3 percent from 1999 to 2001. Indeed, it fell by 9.0 percent from 2000 to 2001.[36] The U.S. industry's production quantity, U.S. shipments, and net sales declined during the period, as did the

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[30] ABMA/DOC Statistical Handbook at Section B, p. 29 ("Countries with advanced economies are not competitive in small bearings, except for special varieties. . . Exports from China are mostly lower quality bearings sold in large volumes.")

[31] We acknowledge petitioner's claim that ***. CR at V-5, n. 3, PR at V-3, n.3. Even if this were true, it does not rise to the level of material injury based on the small increase in subject volume. Moreover, the record indicates that differences in quality exist between subject imports and the domestic like product. Both producers and importers cite better quality, better technical support and wider product range as favoring the domestic like product. CR at II-6, PR at II-4. These differences help explain the consistently higher U.S. prices.

[32] CR/PR at Tables V-7 - V-8.

[33] 19 U.S.C. § 1677(7)(C)(iii).

[34] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce estimated dumping margins ranging from 17 to 249 percent for ball bearings from China. 67 Fed. Reg. 15,790 (Apr. 3, 2002).

[35] CR at II-5, PR at II-4.

[36] CR/PR at Table C-1.

number of production and related workers.[37] Its capacity utilization dropped from 57.4 percent in 1999 to 42.0 percent in 2001. The industry's profitability declined, as its operating margin decreased from 7.1 percent in 1999 to 3.2 percent in 2001, but the industry reported operating income and net income for all periods.[38] The industry's ratio of costs of goods sold to net sales value increased slightly from 1999 through 2001.[39] Domestic producers' capital expenditures increased substantially from 1999 to 2000 and decreased from 2000 to 2001. Six producers, ***, incurred substantial amounts of capital expenditures during each year of the period examined. Research and development expenses decreased slightly over the period.[40]

We do not attribute the industry's declines and losses in any significant part to the subject imports.[41] The record shows that, from 2000 to 2001, as apparent U.S. consumption declined, domestic producers' U.S. market share increased more than that of the subject imports, and the U.S. market share of the nonsubject imports decreased.[42] Moreover, the increase in the volume of subject imports from 1999 to 2001[43] represents only 3.4 percent of the decrease in the value of domestic producers' U.S. shipments during the same period.[44] We, therefore, cannot attribute to subject imports the domestic industry's declines in financial and performance indicators.

Given our findings that the volume and the increase in volume of subject imports over the period were not significant, that the domestic producers did not lose significant market share, that U.S. prices did not decline, despite underselling by the subject imports, and that there was no other evidence of adverse price effects by reason of the subject imports, we find no reasonable indication that subject imports have had a significant adverse impact on the domestic industry.

III. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS FROM CHINA

Section 771(7)(F) of the Act directs the Commission to determine whether an industry in the United States is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports

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[37] Domestic producers' production quantity declined from 3.8 billion units in 1999 to 2.8 billion units in 2001. Domestic producers' U.S. shipments, by quantity, declined from 2.9 billion units in 1999 to 2.2 billion units in 2001; by value, from $2.0 billion in 1999 to $1.8 billion in 2001. Domestic producers' net sales, by quantity, declined from 1.1 billion units in 1999 to 775.9 million units in 2001; by value, from $2.2 billion in 1999 to $2.0 billion in 2001. The number of production and related workers decreased from 11,035 in 1999 to 9,919 in 2001. Id.

[38] Operating income was $156.3 million in 1999, $121.9 million in 2000, and $65.6 million in 2001; net income was $122.7 million in 1999, $82.1 million in 2000, and $26.3 million in 2001. CR/PR at Table VI-1.

[39] CR/PR at Table C-1.

[40] CR at VI-6, PR at VI-3.

[41] We note that ***. See CR/PR at Tables VI-1, VI-2; CR at D-3, PR at D-3.

[42] From 2000 to 2001, domestic producers' U.S. market share, by value, increased by 1.1 percentage points; subject imports' U.S. market share, by value, increased by 0.5 percentage point; and nonsubject imports' U.S. market share decreased by 1.7 percentage points. CR/PR at Table C-1.

[43] From $122,400,000 to $127,957,000, or $5,557,000. Id.

[44] From $1,959,189,000 in 1999 to $1,797,227,000 in 2001, or $161,962,000. Id.

would occur unless an order is issued or a suspension agreement is accepted."[45] The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole."[46] In making our determination, we have considered all factors that are relevant to this investigation.[47]

As an initial matter, we find that the domestic industry is not vulnerable to a threat of material injury by reason of the subject imports from China. As noted above, the industry remains profitable. In addition, the domestic industry's production, shipment and sales levels all remained essentially stable during the period from 1999 to 2000, despite an increase in subject import volume.[48] Although the industry's production, shipment and sales levels declined in 2001, these declines were directly related to declines in demand that occurred in 2001.

There is no evidence on the record of an imminent, substantial increase in production or capacity by Chinese ball bearings producers, nor evidence of a likelihood of a substantial increase in the volume of subject imports. As noted earlier, we did not find that the volume or increase in the volume of subject imports over the period examined was significant, and the data collected on the Chinese industry[49] do not indicate that the trend is likely to be different in the imminent future.

The capacity and production levels of the Chinese industry have remained fairly steady over the period and are not projected to increase substantially. The Chinese producers' capacity increased from 657.4 million units in 1999 to 750.5 million units in 2000, but then decreased to 706.9 million units in 2001, and is projected to decline further to 667.5 million units for 2002 and 667.0 million units for 2003. Production followed a similar trend, increasing from 533.0 million units in 1999 to 674.0 million units in 2000, and decreasing to 616.9 million units in 2001. Chinese production is projected at 588.0 million units in 2002 and 607.1 million units in 2003. Capacity utilization has been relatively high over the period, particularly in the more recent period, ranging from 79.2 percent in 1999 to 87.2 percent in 2000, and is projected at 86.5 percent in 2003. As the Chinese capacity and production has remained fairly constant over the period, we see no likelihood of a substantial increase in the volume of subject imports.[50]

Further, while the ratios of Chinese producers' home inventories to production and shipments did increase somewhat during the period, they are projected to decline in the future.[51] U.S. importers' inventories of imports from China did not increase significantly over the period, and, as a ratio to

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[45] 19 U.S.C. §§ 1677d(b) and 1677(7)(F)(ii).

[46] 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int'l Trade 1984); see also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992), citing H.R. Rep. No. 98-1156 at 174 (1984).

[47] 19 U.S.C. § 1677(7)(F)(i). Factor I regarding countervailable subsidies is inapplicable to this antidumping investigation, as is Factor VII regarding raw and processed agricultural products.

[48] CR/PR at Table C-1.

[49] The Chinese producers responding to the Commission's questionnaires accounted for approximately 40 percent of U.S. imports from China in 2001. CR at VII-1, PR at VII-1.

[50] Moreover, subject producers' share of production destined for exports and for the home market also has remained fairly steady over the period, at approximately 50 percent each. CR/PR at Table VII-1.

[51] Id. (from 14.9 percent in 1999 to 18.7 percent in 2001 and from 14.1 percent in 1999 to 17.7 percent in 2001, respectively. However, they are projected to decline to 12.0 percent and 11.9 percent in 2003, respectively).

imports, decreased from 18.6 percent in 1999 to 7.8 percent in 2001.[52] Accordingly, we find that inventory levels do not indicate a likelihood of increased imports in the imminent future.

We did not find any adverse price effects from the subject imports during the period of investigation, and, as a significant increase in subject imports does not appear to be imminent, subject imports are not likely to have significant depressing or suppressing effects on domestic prices in the near future.

We also find that subject imports are not likely to have an actual or potential negative effect on the domestic industry's existing development and production efforts. Domestic producers' capital expenditures increased substantially from 1999 to 2000 and decreased from 2000 to 2001, but over the period increased by 20.1 percent. Six producers, ***, incurred substantial amounts of capital expenditures during each year of the period examined. Research and development expenses decreased slightly over the period.[53]

The record indicates that Chinese producers, like domestic producers, are not able to shift easily between production of ball bearings and other products, and thereby are constrained in their ability to increase supply.[54] Furthermore, there is no evidence on the record that ball bearings from China are subject to import relief investigations in any other countries.[55]

Based on the evidence gathered in this investigation, we find no reasonable indication that the domestic industry is threatened with material injury by reason of the subject imports.

IV. CONCLUSION

For the foregoing reasons, we determine that there is no reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of imports of ball bearings and parts thereof from China that are allegedly sold in the United States at less than fair value.

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[52] CR/PR at Table VII-2.

[53] CR at VI-6, PR at VI-3.

[54] CR at II-4, PR at II-2 - II-3.

[55] CR at VII-4, PR at VII-4.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by the American Bearing Manufacturers Association, Washington, DC, on February 13, 2002, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of certain ball bearings[1] from China. Information relating to the background of the investigation is provided below.[2]

Date	*Action*
February 13, 2002 ..	Petition filed with Commerce and the Commission;[3] institution of Commission investigation (67 FR 8039, February 21, 2002)
March 6	Commission's conference[4]
April 3	Commerce's notice of initiation (67 FR 15787)[5]
April 29	Commission's vote
April 29	Commission determination transmitted to Commerce
May 6	Commission opinions transmitted to Commerce

SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of 23 firms that accounted for a

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[1] The scope of the investigation includes all antifriction bearings, regardless of size, precision grade, or use, that employ balls as the rolling element (whether ground or unground) and parts thereof (inner ring, outer ring, cage, balls, seals, shields, etc.) that are produced in China. Imports of these products are classified under the following categories: antifriction balls, ball bearings with integral shafts and parts thereof, ball bearings (including thrust, angular contact, and radial ball bearings) and parts thereof, and housed or mounted ball bearing units and parts thereof. The scope includes ball bearing type pillow blocks and parts thereof; and wheel hub units incorporating balls as the rolling element. With regard to finished parts, all such parts are included in the scope of the petition. With regard to unfinished parts, such parts are included if (1) they have been heat-treated or (2) heat treatment is not required to be performed on the part. Thus, the only unfinished parts that are not covered by the petition are those that will be subject to heat treatment after importation.

Imports of these products are classified under the following Harmonized Tariff Schedules of the United States (HTS) subheadings: 3926.90.45, 4016.93.00, 4016.93.10, 4016.93.50, 6909.19.50, 8431.20.00, 8431.39.00, 8482.10.10, 8482.10.50, 8482.80.00, 8482.91.00, 8482.99.05, 8482.99.25, 8482.99.35, 8482.99.65, 8483.20.40, 8483.20.80, 8483.30.40, 8483.30.80, 8483.50.90, 8483.90.20, 8483.90.30, 8483.90.70, 8708.50.50, 8708.60.50, 8708.60.80, 8708.70.60, 8708.93.30, 8708.93.60, 8708.93.75, 8708.99.06, 8708.99.31, 8708.99.40, 8708.99.49, 8708.99.58, 8708.99.80, 8803.10.00, 8803.20.00, 8803.30.00, 8803.90.30, and 8803.90.90.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

[3] The petition calculated LTFV margins on the basis of a comparison of U.S. price and constructed value. This comparison reveals dumping margins on Chinese ball bearings ranging from 17 percent to 249 percent.

[4] A list of witnesses appearing at the conference is presented in app. B.

[5] Commerce delayed its decision on initiation by 20 days pursuant to section 732(c)(1)(B) of the Tariff Act of 1930.

majority of U.S. production of subject ball bearings during 2001. U.S. imports are based on official Commerce statistics.[6]

PREVIOUS AND RELATED INVESTIGATIONS

On March 31, 1988, a petition was filed by counsel on behalf of the Torrington Co. alleging that imports of ball bearings and other antifriction bearings from Singapore and Thailand were being subsidized by the Governments of Singapore and Thailand. The petition further alleged that imports of ball bearings and other antifriction bearings from France, Germany, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom were being sold in the United States at LTFV. On October 13, 1988, and November 9, 1988, the Commission instituted final countervailing and antidumping duty investigations. The Commission determined that a domestic industry producing ball bearings was materially injured by reason of LTFV imports from France, Germany, Italy, Japan, Romania, Singapore, Sweden, and the United Kingdom. Commerce published the antidumping duty orders on these ball bearings on May 15, 1989.[7]

On April 1, 1999, the Commission instituted reviews to determine whether revocation of the antidumping duty orders on certain ball bearings and parts thereof from France, Germany, Italy, Japan, Romania, Singapore, Sweden, and the United Kingdom would likely lead to the continuation or recurrence of material injury to a domestic industry.[8] On June 22, 2000, the Commission determined that revocation of the antidumping duty orders on the subject ball bearings and parts thereof from France, Germany, Italy, Japan, Singapore, and the United Kingdom would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[9] On that same date, the Commission determined that revocation of the antidumping duty orders on ball bearings and parts thereof from Romania and Sweden would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. In the course of the review investigations, the Commission found one domestic like product consisting of all subject ball bearings and parts thereof and one domestic industry consisting of all domestic producers of such ball bearings and parts thereof.[10]

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[6] Of the 26 HTS numbers used to collect import statistics, 3 reported quantity in kilograms (8482.91.0010; 8482.91.0020; and 8482.99.3500) and 23 reported in "number" (6909.19.5010; 8482.10.1040; 8482.10.1080; 8482.10.5004; 8482.10.5008; 8482.10.5016; 8482.10.5024; 8482.10.5028; 8482.10.5032; 8482.10.5036; 8482.10.5044; 8482.10.5048; 8482.10.5052; 8482.10.5056; 8482.10.5060; 8482.10.5064; 8482.10.5068; 8482.80.0020; 8482.80.0040; 8482.80.0080; 8482.99.0500; 8483.20.4040; and 8483.20.8040); therefore, in general imports are presented in this report by value only.

[7] The Commission also found that a domestic industry was materially injured by reason of subsidized and LTFV imports of ball bearings from Singapore and subsidized imports of ball bearings from Thailand. Commerce published the countervailing duty order on Singapore and the countervailing duty and antidumping duty orders on Thailand in May 1989, but later revoked the orders.

[8] 64 FR 15783.

[9] 65 FR 39925 (June 28, 2000).

[10] Postconference brief of petitioner, pp. 12-13, citing *Certain Bearings from China, France, Germany, Hungary, Italy, Japan, Romania, Singapore, Sweden, and the United Kingdom*, Investigations Nos. AA1921-143, 731-TA-341, 731-TA-343 through 345, 731-TA-391 through 397, and 731-TA-399 (Review), USITC Pub. 3309, June 2000, Vol. I.

THE SUBJECT PRODUCT

For purposes of this investigation, ball bearings and parts thereof, whether mounted or unmounted, are generally defined as antifriction bearings that employ balls as the rolling element. Included in the scope are antifriction balls; inner and outer races; ball bearings with integral shafts; other ball bearings (including thrust, angular contact, and radial ball bearings) and parts thereof; ball bearing type pillow blocks and parts thereof; ball bearing type flange, take-up, cartridge, and hanger units and parts thereof; and wheel hub units incorporating balls as the rolling element. All finished parts are included within the scope of the investigation; however, unfinished parts are included only if they have been heat-treated, or if heat treatment is not required to be performed on the part. This definition of the scope is consistent with that of previous investigations on ball bearings and that of the petition underlying this investigation.

The general tariff rate for assembled ball bearings with integral shafts is 2.4 percent *ad valorem*; the general rate for ball bearings without integral shafts is 9 percent *ad valorem*. Imports of combination bearings containing balls receive a general duty rate of 5.8 percent *ad valorem*. The general rates for balls, inner and outer rings, and other parts of ball bearings range from 4.4 percent to 9.9 percent *ad valorem*. Housed ball bearings are subject to a rate of 4.5 percent *ad valorem*. The duty rates were reduced in stages from 1995 to 1999 and are not scheduled for further reductions. The general duty rates for additional parts and products containing ball bearings range from free to 5.5 percent *ad valorem*.

Product Description

The function of an antifriction bearing is to reduce friction between moving and fixed parts and thereby enable easier, faster motion. Bearings consist of a few major components: an outer ring or outer race, an inner ring or inner race, a series of balls or roller elements that fit into the opening in a separator cage, and a separator or cage that keeps the balls or rollers equally distributed around the races. The inner ring and outer ring rotate with respect to each other, separated by the rolling elements, which support the load. Bearings normally are equipped with one of two types of rolling elements - balls or rollers.

Ball bearings are often preferred over roller bearings when speed is a more important factor than load-carrying capacity. They can withstand fairly high speeds because there is less contact between the rolling balls and the inner and outer rings than there would be with a roller bearing. Ball bearings are designed to carry radial or thrust loads, or a combination of the two. Ball bearings are classified by a number of geometric configurations including single row, double row, self-aligning, and angular contact.

Manufacturing Process

There are four major steps in the production of antifriction bearings: green machining, heat treatment, finishing, and assembly and inspection. Special bearing grade alloy steel in the form of seamless tubing is the raw material utilized in the production of most inner and outer rings. Alloy wire, in the form of coils, is the base material for ball and roller manufacture. There is a generally accepted minimum industry standard for steel utilized in bearings production; however, the raw material used by most bearing manufacturers exceeds this standard in quality. The production processes described below generally apply to the manufacture of all types of bearings. However, because of the strict specification

requirements applied to precision and super-precision bearings,[11] production of these products often involves greater inspection and the use of clean rooms to control particle and humidity levels during the manufacturing process.

The first step in the process of bearings production–green machining–refers to the machining operations performed on the raw material prior to heat treatment. For inner and outer rings, the steel tubing is machined on single or multiple screw machines. When the desired contour and shape is achieved, the inner or outer ring is sheared off the end of the tube. Green machining the inner ring involves more steps because of the complexity of the design and function of this component. The machined components are then inspected and gauged to ensure adherence to the prescribed specifications. The green machining of balls begins when coil wire is fed into a cold header machine, where the wire is cut into blanks and pressed into balls between hemispherical dies. The balls are then ground to attain a uniform spherical shape.

Following the green machining process, bearing components are heat-treated to ensure durability, hardness, and shock resistance. The first step in this process, carburization, heats the green-machined components in a carbon-rich atmosphere to impregnate carbon into the surface of the product. The components are then "quenched" or immersed in an oil bath. After quenching, the carbonized outside case becomes very hard, whereas the lower carbon core remains comparatively soft. The highly carbonized outer layer ensures that the roller contact surfaces will be hard and wear-resistant, while the softer core enables the bearing to absorb shocks more easily.

The next stage of heat treatment is applicable in the manufacture of all steel bearing parts, with the exception of cages.[12] The components are placed in a hardening furnace and heated to very high temperatures for an extended period of time. This process permanently fixes the carbon in the bearing component. The components are then placed in a stamping die for reshaping, as the heating process distorts their size, and are quenched once more in an oil bath.

The third phase of production is finishing. This process consists mainly of a series of grinding and honing operations to ensure that the components are sized to the required precise tolerances and polished to ensure the smoothest possible rolling surface. Grinding is performed in a series of steps wherein the width, outside diameter, and bore of the inner and outer rings are shaped. Honing involves the polishing of the inside diameter of the outer ring and the outside diameter of the inner ring.

Balls are finished somewhat differently than are the inner and outer rings. Heat-treated balls are fed into grinding and finishing machines, which grind the balls to a uniform size and finish each sphere to the correct dimensions, shape, and outside surface. The balls are inspected for size, form, and surface finish, then packed for shipment or incorporation in the assembly process.

After the finishing process, the bearings are assembled. Cages are mounted on an assembly nest and the balls or rollers are placed in the openings or pockets of the cage. The inner ring is then inserted into the middle of the cage. The inner and outer ring assemblies are then demagnetized, inspected, slushed with a protective anti-rust solution, and packaged for shipment.

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[11] Precision and superprecision bearings are manufactured to higher tolerances than non-precision bearings. ABEC (Annular Bearing Engineering Committee) tolerances pertain to ball bearings, while RBEC (Roller Bearing Engineering Committee) tolerances pertain to roller bearings. Tolerance classes are 1, 3, 5, 7, and 9 (higher numbered classes correspond to higher tolerances); these classes define the minimum and maximum manufacturing ranges for bearings (for example, such tolerances govern the allowable variation limits on bore size, diameter, width, and thickness as well as other error limitations). Bearings that are manufactured to higher tolerances provide greater running accuracy and have a higher speed capability. A common use for such bearings is in machine tool spindle units.

[12] Cages are manufactured from cold-rolled strip steel. The steel is fed into a press, which blanks and pierces the material to form a finished cage. The cages are then surface-treated and cleaned before incorporation into the assembly process.

DOMESTIC LIKE PRODUCT ISSUES

The petitioner argues that "all ball bearings and parts thereof constitute a single like product with respect to the subject imports from China." It bases this conclusion on previous Commission findings, including the June 2000 sunset review in which "the Commission reaffirmed its longstanding position from prior investigations that ball bearings and parts thereof are a single domestic like product."[13]

Chinese respondents appear essentially to agree with the petitioner, noting only that the domestic like product should include all parts of ball bearings, including unfinished parts that are subject to heat treatment after importation.[14] Such parts are excluded from the scope of the investigation, which includes all finished parts as well as unfinished parts only if they have been heat-treated or if heat treatment is not required.

[13] Postconference brief of petitioner, pp. 2-5, citing *Certain Bearings from China, France, Germany, Hungary, Italy, Japan, Romania, Singapore, Sweden, and the United Kingdom*, Investigations Nos. AA1921-143, 731-TA-341, 731-TA-343 through 345, 731-TA-391 through 397, and 731-TA-399 (Review), USITC Pub. 3309, June 2000, p. BB-I-24.

[14] Postconference brief on behalf of Ningbo Mos Group, Mingbo Cixin Bearing, Ningbo Huanchi Group, Wangxiang China, Ningbo General Bearing Co., Limited, and Jiangsu General Ball and Roller Co., Limited, pp. 4-6.

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

U.S. CHANNELS OF DISTRIBUTION/MARKET SEGMENTS

The vast majority of U.S.-produced ball bearings are sold directly to end users, whereas a larger share of imported Chinese ball bearings are sold to distributors. U.S. producers' shipments to end users accounted for 98.5 percent of total shipments in 1999, 98.7 percent in 2000, and 95.8 percent in 2001. Chinese importers' shipments to end users accounted for 72.7 percent of total shipments in 1999, 46.8 percent in 2000, and 40.6 percent in 2001.

Respondents argue that U.S. and Chinese manufacturers supply different sectors of the U.S. ball bearing market. Respondents maintain that U.S. producers sell most of their production to high-end customers and/or applications (i.e., critical parts for motor vehicles, aerospace, earth moving equipment, etc.), whereas the great bulk of Chinese bearings are sold to low-end customers (i.e., producers of in-line skates, skateboards, lawnmower wheels, wheelchairs, pulleys, etc.).[1] Respondents argue that, while China does produce some precision-grade ball bearings, it is decades away from producing enough precision-grade ball bearings to satisfy its own needs, much less export to the United States or other advanced economies.[2] Respondents further argue that even if Chinese producers could produce ball bearings of a quality comparable to that of U.S. producers, certification programs, close supplier relationships, and "Buy America" policies insulate U.S. producers from competition with Chinese suppliers.[3] [4] [5]

Petitioner maintains that Chinese ball bearing producers are currently competing with U.S. ball bearing producers in nearly all areas of the U.S. ball bearing market; therefore, the U.S. ball bearing market is not segmented.[6] Petitioner states that Chinese ball bearing manufacturers are capable of and are currently producing ball bearings with high ABEC ratings and ball bearings that meet *Electric Motor Quality* specifications.[7] Petitioner also argues that qualification processes and "Buy American" requirements are not significant barriers to Chinese competition in the U.S. ball bearing market.[8] [9]

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[1] Respondents' postconference brief, p. 4.

[2] Respondents' postconference brief, pp. 29-30.

[3] Respondents' postconference brief, p. 11.

[4] Respondents state that many of the Japanese-owned ball bearing producers in the United States have close "*keiretsu*" relationships with Japanese automotive companies operating in the United States. Respondents' postconference brief, p. 11.

[5] Respondents report that defense-related ball bearing purchases account for approximately 5-10 percent of the value of all bearings currently produced in the United States. The defense market requires between $300 and $400 million in bearings per year. Respondents maintain that Chinese imports are entirely walled off from this market. Respondents' postconference brief, p. 12.

[6] Petitioner's postconference brief, app. 2, p. 1.

[7] Petitioner's postconference brief, app. 2, p. 4.

[8] Petitioner's postconference brief, app. 2, p. 6.

[9] Petitioner states that the Buy American Act, as implemented by the Federal Acquisition Regulation Part 25, requires that "domestic end products" be acquired by U.S. government agencies for public use. However, petitioner maintains that this restriction is subject to numerous exceptions and limitations that make it possible for ball bearings manufactured in China to be sold to United States government agencies. Petitioner's postconference brief, app. 2, p. 9.

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Petitioner acknowledges that it is unaware of current Chinese competition with U.S. ball bearing producers in the aerospace ball bearing market.[10]

Captive Consumption

Internal consumption accounted for a significant share of U.S. producers' total shipments of ball bearings. U.S. producers' internal consumption was $*** million in 1999, $*** million in 2000, and $*** million in 2001. This internal consumption accounted for *** percent of U.S. producers' shipments in 1999, *** percent in 2000, and *** percent in 2001.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic supply

Based on available information, U.S. producers of ball bearings are likely to respond to changes in price with moderate changes in the quantity shipped to the U.S. market. Supply responsiveness is constrained by U.S. producers' inability to switch between production of ball bearings and production of other products. However, significant levels of excess capacity, inventories, and export shipments suggest greater supply responsiveness.

Industry capacity

U.S. producers' capacity to produce ball bearings remained virtually unchanged during 1999-2000, then increased by 1.2 percent in 2001. U.S. production of ball bearings increased by 12.4 percent from 1999 to 2000, then fell by 34.2 percent in 2001. U.S. producers' capacity utilization increased from 57.4 percent in 1999 to 64.6 percent in 2000, then fell to 42.0 percent in 2001.

Export markets

U.S. producers' export shipments of ball bearings were relatively large compared with total shipments. The percentage of U.S. producers' export shipments of ball bearings relative to their total shipments dipped from 9.6 percent on the basis of value in 1999 to 9.4 percent in 2000, then rose to 9.6 percent in 2001.

Inventories

U.S. producers' inventories of ball bearings were significant during the period examined. The ratio of such inventories to total shipments increased from 5.4 percent in 1999 to 15.0 percent in 2001.

Production alternatives

U.S. producers cannot easily switch between production of ball bearings and other products. Sixteen of 20 responding U.S. producers reported that they do not produce other products on the same equipment and machinery used in the production of ball bearings. Those producers that reported being

[10] Petitioner's postconference brief, app. 2, p. 8.

able to produce other products on the same equipment cited products such as roller bearings, needle roller assemblies, washers, metal slugs, and spacers.

Chinese Imports

Chinese producers are likely to respond to changes in price with moderate changes in the quantity of ball bearings shipped to the U.S. market. The main reasons for Chinese producers' ball bearing supply responsiveness are significant levels of excess capacity, the existence of substantial alternate markets from which Chinese producers could shift sales, and significant levels of inventories. Chinese producers' inability to shift between production of ball bearings and other products is a constraint on Chinese producers' ball bearing supply response.

Industry capacity

Chinese producers' capacity to produce ball bearings increased by 14.1 percent from 1999 to 2000, then fell by 5.8 percent in 2001. Chinese production of ball bearings increased by 26.4 percent from 1999 to 2000, then fell by 8.5 percent in 2001. Chinese ball bearing capacity utilization increased from 79.2 percent in 1999 to 87.2 percent in 2000, then fell to 82.9 percent in 2001.

Alternative markets

Chinese producers' home market shipments of ball bearings increased by 16.9 percent from 1999 to 2000, then fell by 16.8 percent in 2001. Chinese producers' home market shipments relative to their total shipments fell from 46.9 percent in 1999 to 39.6 percent in 2001. Chinese producers' exports to countries other than the United States increased by 36.0 percent from 1999 to 2000, and by 0.9 percent in 2001. Chinese producers' exports of ball bearings to countries other than the United States relative to their total shipments increased from 35.3 percent in 1999 to 39.0 percent in 2001.

Inventories

Chinese producers held significant levels of ball bearing inventories relative to their total shipments during the period examined. The ratio of Chinese producers' inventories to their total shipments rose from 14.1 percent in 1999 to 17.7 percent in 2001.

Production alternatives

Most Chinese producers reported that they do not produce other products on the same machinery and equipment used to produce ball bearings.[11]

U.S. Demand

Demand Characteristics

The U.S. demand for ball bearings depends on the demand for the products that use ball bearings. Ball bearings are used in a vast range of products and industries including the automotive, construction,

[11] ***.

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agriculture, aerospace, steel, paper, and natural resource industries, and conveyers and material handling. The demand for these products tends to follow general economic conditions.

Most U.S. producers and importers reported that U.S. demand for ball bearings was flat during 1999 and 2000, then fell during 2001 and the first quarter of 2002. Based on Commission questionnaire responses, apparent U.S. consumption of ball bearings increased in value by 3.0 percent from $2.86 billion in 1999 to $2.95 billion in 2000, then fell by 9.0 percent to $2.68 billion in 2001.

Substitute Products

Most U.S. producers reported that, prior to the design stage, other types of bearings can be substituted for ball bearings. Cited substitute products include tapered roller bearings, needle roller bearings, fluid bearings, air bearings, magnetic bearings, spherical roller bearings, cylindrical roller bearings, and bushings. Nineteen of 28 responding importers reported that there are no substitute products for ball bearings. Those importers that reported substitutes cited products such as bushings, needle roller bearings, tapered roller bearings, and sleeve bearings as possible substitute products.

Cost Share

Ball bearings are used in a wide variety of products. For this reason, reported cost shares for ball bearings range from less than 0.1 percent (for production of rimmers and blowers), to 28 percent (for production of washing machines).

SUBSTITUTABILITY ISSUES

Comparisons of Domestic Products and Subject and Nonsubject Imports

Most U.S. producers and Chinese importers reported lead times of 3-4 months. However, lead times can vary widely from a few days for stock items to 6 months for new designs.

Fourteen of 15 responding domestic producers reported that U.S.-produced and imported Chinese ball bearings are used interchangeably. One domestic producer reported that imported Chinese ball bearings are generally of lower quality. Twenty-two of 34 responding importers reported that U.S.-produced and imported Chinese ball bearings are used interchangeably. In general, those importers that reported that U.S.-produced and imported Chinese ball bearings are not used interchangeably maintained that the imported Chinese ball bearings are of lower quality.

Eleven of 18 responding domestic producers reported that there are significant differences in product characteristics or sales conditions between U.S.-produced and imported Chinese ball bearings. These domestic producers cited factors such as better domestic quality, technical support, transportation logistics, product range, and dramatically lower Chinese prices.

Twenty-eight of 34 responding Chinese importers reported that there are significant differences in product characteristics or sales conditions between U.S.-produced and imported Chinese ball bearings. Reported domestic producers' advantages include: better quality, longer product lifetime, wider product range, better technical support, shorter lead times, and easier transportation network. The most often reported Chinese advantage was lower price. In addition, several importers reported that U.S. producers were unwilling or unable to produce certain types of ball bearings, and were unwilling to sell in small lot sizes.

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PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of 23 firms accounting for the great majority of U.S. production of ball bearings and parts.[1]

The petition listed 45 known producers of ball bearings and parts of ball bearings in the United States and *Bearings HQ* lists an additional 43 producers. Table III-1 presents plant locations and shares of reported 2001 U.S. production (in units) and shipments (in value) for each of the ball bearing producers that responded to the Commission's questionnaire. Table III-2 presents U.S. production capacity, production, capacity utilization, shipments, end-of-period inventories, and employment-related indicators during 1999-2001, and table III-3 presents U.S. producers' shipments, by types, during 1999-2001.

Timken is a leading international manufacturer of antifriction bearings and steel products. With operations in 24 countries, the company employs about 18,900 associates worldwide[2] and recorded 2001 sales of $2.45 billion,[3] of which MPB shipped $*** million of ball bearings in 2001.[4] General Bearing Corp. manufactures, sources, assembles, and distributes a variety of bearing components and bearing products.[5] In 2000, General Bearing acquired a controlling interest in Jiangsu General Ball & Roller Co., Ltd., a leading Chinese ball manufacturer.[6] A subsidiary of Ingersoll-Rand since 1969, The Torrington Company is part of the parent corporation's Industrial Productivity global growth sector.[7] The Torrington Company is based in Torrington, CT but has an extensive manufacturing network with more than 20 plants in North and South America, Europe, and Asia. Torrington employs more than 11,000 employees worldwide.

Delphi Automotive Systems manufactures a wide range of automotive products and is the largest such producer in the world, with annual sales in 2001 of over $29 billion.[8] Delphi has approximately 195,000 employees and operates 199 wholly owned manufacturing sites, 43 joint ventures, 53 customer centers and sales offices, and 32 technical centers in 43 countries, including regional headquarters in Paris, Tokyo, and Sao Paulo.[9] SKF-USA is the U.S. subsidiary of the Swedish company SKF, the largest bearing manufacturer in the world. SKF operates 54 bearing production facilities in 20 countries, and has dedicated research facilities in the Netherlands and the United States. Nine of its plants are located

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[1] Twelve of these firms reported foreign ownership.

[2] From Timken website, *http://www.timken.com/aboutus/*, retrieved on March 12, 2002.

[3] From Yahoo Market Guide, *http://biz.yahoo.com/p/t/tkr.html*, retrieved on March 12, 2002.

[4] MPB's questionnaire response; MPB is wholly owned by The Timken Co.

[5] Whereas General Bearing once was a major U.S. producer of ball bearings, during the period examined General Bearing did not produce any ball bearings or parts in the United States. All production is off-shore.

[6] From General Bearing website, *http://www.generalbearing.com/history/*, retrieved on March 12, 2002.

[7] From Torrington website, *http://www.torrington.com/company/*, retrieved on March 12, 2002.

[8] Delphi Corp. 2001 Annual Report, *http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=DPH&script=700*, retrieved on March 12, 2002.

[9] Delphi Corp., *http://www.delphiauto.com/corporate/*, retrieved on March 12, 2002.

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in the United States.[10] NSK Corp. is headquartered in Ann Arbor, MI, and is an industry leader in the manufacture of anti-friction bearings, precision machinery and parts, mechatronics, and automotive products. NSK Corp. is part of Tokyo-based NSK, Ltd., the second largest bearings manufacturer in the world, which operates over 30 plants outside of Japan, including six in the United States.[11]

Table III-1
Ball bearings: U.S. producers, their position on the petition, plant locations, ownership, and percent of production and shipments, 2001

Firm	Position on petition	Plant location(s)	Related companies	Share of reported	
				Production	Shipments
Barden Corp.[1]	***	Danbury, CT	FAG Kugelfischer Georg Schaefer AG of Germany	***	***
Carolina Forge Co.	Support	Wilson, NC	Meadville Forging Co. of Meadville, PA	***	***
Delphi Corp.[1]	***	Troy, MI	None	***	***
Dodge/Rockwell	Support	Rogersville, TN	None	***	***
Emerson Power Transmission Corp.[1]	Support	Valapariso, IN	Emerson of St. Louis, MO	***	***
FAG Bearings Corp.[1]	***	Danbury, CT	FAG Kugelfischer Georg Schaefer AG of Germany	***	***
Frantz Manf. Co.	Support	Sterling, IL	None	***	***
Hartford Bearing	***	Rocky Hill, CT	None	***	***
Hoover Precision	Support	Cummings, GA	Tsugaki Nakashima of Japan (plants in Mexico)	***	***
INA USA Corp.[1]	Support	Fort Mill, SC	INA Scharffler KG of Germany	***	***
Koyo[1]	Support	Westlake, OH & Orangeburgh, SC	Koyo Seiko Co., Ltd. of Japan (plants in Japan)	***	***

Table continued on next page.

[10] From SKF-USA website, *http://www.skfusa.com/home2.html*, retrieved on March 12, 2002.

[11] From NSK Corp., *http://www.us.nsk.com/nskcorpprofile.htm*, retrieved on March 12, 2002.

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Firm	Position on petition	Plant location(s)	Related companies	Share of reported	
				Production	Shipments
MPB Corp.[1]	Support	Keene, NH	The Timken Co. (plants in England and Romania)	***	***
Nachi[1]	Support	Greenwood, IN	Nachi Fujikoshi of Japan (plants in Japan and Spain)	***	***
Nakanishi[1]	Support	Winterville, GA	Nakanisi Metal Works Co., Ltd. of Japan (plants in Japan and the Philippines)	***	***
National Bearings[1]	Support	Lancaster, PA	None	***	***
New Hampshire Ball Bearings	Support	Chatsworth, CA	NMB (USA), Inc.	***	***
NN, Inc.	Support	Johnson City, TN	None	***	***
NTN Bearing Corp. of America	Support	Mt. Prospect, IL	NTN Corp. of Japan	***	***
NSK Corp.[1]	Support	Ann Arbor, MI	NSK, Ltd. of Japan (plants in Brazil, China, England, Germany, Indonesia, Japan, Korea, Malaysia, Poland, and Switzerland)	***	***
Pacamor/Kubar[1]	Support	Troy, NY	None	***	***
Rexnord Link-Belt	Support	Indianapolis, IN	Rexnord of Milwaukee, WI	***	***
SKF[1]	Support	Norristown, PA	ABSKF of Goteborg Sweden	***	***
The Torrington Co.[1]	Support	Torrington, CT	Ingersoll Rand of Bermuda (plants in China, Canada, England, and Spain)	***	***

[1] They also import ball bearings.
[2] Less than 0.005 percent.

Note.--Reported 2001 U.S. production is in units and 2001 U.S. shipments are in value.

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

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Table III-2
Ball bearings: U.S. production capacity, production, capacity utilization, shipments, end-of-period inventories, and employment-related indicators, 1999-2001

Item	Calendar year		
	1999	2000	2001
Capacity (*1,000 bearings or equivalents*)	6,650,585	6,644,342	6,723,029
Production (*1,000 bearings or equivalents*)	3,818,671	4,291,614	2,821,889
Capacity utilization (*percent*)	57.4	64.6	42.0
U.S. shipments:			
Quantity (*1,000 bearings or equivalents*)	2,940,113	2,925,231	2,172,784
Value (*1,000 dollars*)	1,959,189	1,942,184	1,797,227
Unit value (*per unit*)	$0.67	$0.66	$0.83
Export shipments:			
Quantity (*1,000 bearings or equivalents*)	1,050,621	1,149,712	695,075
Value (*1,000 dollars*)	207,099	201,171	190,891
Unit value (*per unit*)	$0.20	$0.17	$0.27
Total shipments:			
Quantity (*1,000 bearings or equivalents*)	3,990,734	4,074,943	2,867,859
Value (*1,000 dollars*)	2,166,288	2,143,355	1,988,118
Unit value (*per unit*)	$0.54	$0.53	$0.69
Inventories (*1,000 bearings or equivalents*)	215,936	438,555	430,445
Ratio of inventories to total shipments (*percent*)	5.4	10.8	15.0
Production and related workers (PRWs)	11,035	10,578	9,919
Hours worked by PRWs (*1,000 hours*)	21,970	20,368	19,063
Wages paid to PRWs (*1,000 dollars*)	386,703	363,619	342,297
Hourly wages	$17.60	$17.85	$17.96
Productivity (*bearings or equivalents produced per hour*)	171.8	208.7	148.9
Unit labor costs (*per bearing or equivalent*)	$0.10	$0.09	$0.12

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

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Table III-3
Ball bearings: U.S. producers' shipments, by types, 1999-2001

Item	Calendar year		
	1999	2000	2001
	Quantity (*1,000 bearings or equivalents*)		
Commercial shipments	2,929,149	2,914,063	2,163,533
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Total U.S. shipments	2,940,113	2,925,231	2,172,784
Export shipments	1,050,621	1,149,712	695,075
Total shipments	3,990,734	4,074,943	2,867,859
	Value (*1,000 dollars*)		
Commercial shipments	1,682,833	1,664,335	1,566,722
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Total U.S. shipments	1,959,189	1,942,184	1,797,227
Export shipments	207,099	201,171	190,891
Total shipments	2,166,288	2,143,355	1,988,118
	Unit value (*per pound*)		
Commercial shipments	$0.57	$0.57	$0.72
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Total U.S. shipments	0.67	0.66	0.83
Export shipments	0.20	0.17	0.27
Average	0.54	0.53	0.69

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

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

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

U.S. IMPORTERS

Importers of ball bearings are located throughout the United States. The Commission sent questionnaires to 81 firms as identified by the petition and a review of U.S. Customs Service data and the 47 firms identified as possible producers in the petition. The Commission received usable data on imports of ball bearings from 53 companies; 3 firms reported that they did not import ball bearings, 70 firms did not respond, and 2 firms were "not in business."

The principal importers of ball bearings in the United States are the domestic bearing manufacturers and/or their affiliated firms. Table IV-1 presents information on the importing firms that responded to the Commission's importers' questionnaire.

Table IV-1
Ball bearings: Selected importers and their parent companies

* * * * * * *

U.S. IMPORTS AND CONSUMPTION

Data in this section regarding the quantity and value of U.S. imports of ball bearings are based on official U.S. import statistics. These data are shown in table IV-2 (for all imports)[1] and IV-3 (for import quantities reported on the basis of units rather than weight). Table IV-4 presents data on U.S. producers' U.S. shipments, U.S. imports, by sources, and total U.S. consumption during 1999-2001. Table IV-5 presents data for U.S. producers that imported subject product from China. During the 12-month period from February 2001 to January 2002, imports from China were $124.9 million and imports from all other sources were $740.7 million (total imports for this period were $865.4 million).

[1] The following are the top 10 suppliers (based on value) of imported ball bearings in 2001: Japan (34.4 percent), China (14.5 percent), Canada (13.4 percent), Germany (4.5 percent), Taiwan (3.7 percent), Korea (3.3 percent), Singapore (3.1 percent), France (3.0 percent), Mexico (2.9 percent), and Thailand (2.0 percent). Radial ball bearings accounted for over half, by value, of total ball bearing imports during 2001; radial ball bearings from China accounted for 11.2 percent of total imports of ball bearings in 2001. Radial ball bearings are the most common type of ball bearing and are used in a wide range of applications, from appliances to automobiles. They consist of a single or double row of balls held by a retainer cage within an inner and outer ring. Radial ball bearings are designed to support a radial load almost exclusively, often at very high speeds.

IV-1

Table IV-2
Ball bearings: U.S. imports, by sources, 1999-2001

Source	Calendar year		
	1999	2000	2001
	Value (*1,000 dollars*)[1]		
China	122,400	126,244	127,957
Other sources	781,632	880,432	756,829
Total	904,032	1,006,676	884,785
	Share of value (*percent*)		
China	13.5	12.5	14.5
Other sources	86.5	87.5	85.5
Total	100.0	100.0	100.0

[1] Landed, duty-paid.

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

Source: Compiled from official Commerce statistics.

IV-2

Table IV-3
Selected ball bearings: U.S. imports, by sources, 1999-2001

Source	Calendar year		
	1999	2000	2001
	Quantity (*1,000 bearings or bearing equivalents*)		
China	234,210	267,624	279,665
Other sources	689,152	711,603	600,818
Total	923,362	979,227	880,483
	Value (*1,000 dollars*)[1]		
China	117,772	121,074	120,444
Other sources	743,157	832,621	716,139
Total	860,929	953,695	836,583
	Unit value (*per bearing or equivalent*)[1]		
China	$0.50	$0.45	$0.43
Other sources	1.08	1.17	$1.19
Average	0.93	0.97	$0.95
	Share of quantity (*percent*)		
China	25.4	27.3	31.8
Other sources	74.6	72.7	68.2
Total	100.0	100.0	100.0
	Share of value (*percent*)		
China	13.7	12.7	14.4
Other sources	86.3	87.3	85.6
Total	100.0	100.0	100.0

[1] Landed, duty-paid.

Note.–Because of rounding, figures may not add to the totals shown. This table is based on data extracted from the following HTS numbers for which quantities are reported on the basis of units rather than weight: 6909.19.5010; 8482.10.1040; 8482.10.1080; 8482.10.5004; 8482.10.5008; 8482.10.5016; 8482.10.5024; 8482.10.5028; 8482.10.5032; 8482.10.5036; 8482.10.5044; 8482.10.5048; 8482.10.5052; 8482.10.5056; 8482.10.5060; 8482.10.5064; 8482.10.5068; 8482.80.0020; 8482.80.0040; 8482.80.0080; 8482.99.0500; 8483.20.4040; 8483.20.8040.

Source: Compiled from official Commerce statistics.

IV-3

Table IV-4
Ball bearings: U.S. producers' U.S. shipments, U.S. imports, by sources, and total U.S. consumption, 1999-2001

Item	Calendar year		
	1999	2000	2001
	Value (*1,000 dollars*)		
U.S. producers' shipments	1,959,189	1,942,184	1,797,227
U.S. imports from[1]--			
China	122,400	126,244	127,957
Nonsubject countries	781,632	880,432	756,829
All countries	904,032	1,006,676	884,785
Total U.S. consumption	2,863,221	2,948,860	2,682,012
	Share of value (*percent*)		
U.S. producers' U.S. shipments	68.4	65.9	67.0
U.S. imports from--			
China	4.3	4.3	4.8
Nonsubject countries	27.3	29.9	28.2
All countries	31.6	34.1	33.0

[1] Landed duty-paid.

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

Table IV-5
Ball bearings: Selected U.S. producers' U.S. shipments and Chinese imports, 1999-2001

* * * * * * *

IV-4

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

U.S. producers reported that raw material costs to produce ball bearings accounted for 40.8 percent of the cost of goods sold in 1999, 41.3 percent in 2000, and 39.7 percent in 2001.

Transportation Costs to the U.S. Market

Transportation costs for ball bearings from China to the United States (excluding U.S. inland costs) are estimated to be approximately 3.4 percent of the total cost of ball bearings. These estimates are derived from January 1999-December 2001 official import data and represent the transportation and other charges on imports on a c.i.f. basis, as compared with customs value.

U.S. Inland Transportation Costs

Inland transportation costs generally account for a small share of the delivered price of subject ball bearings. For U.S. producers, estimates ranged from 1 to 5 percent. Importers estimated that U.S. inland transportation costs for their shipments of subject imports from China accounted for a wider range of between 1 and 10 percent.

U.S. producers tend to ship ball bearings longer inland distances than do importers. Questionnaire responses indicate that 8.8 percent of U.S. producers' shipments are for distances within 100 miles, 61.3 percent of U.S. producers' shipments are for distances between 101 and 1,000 miles, and 29.9 percent are for distances greater than 1,000 miles. Subject importers reported that 24.5 percent of their shipments are for distances less than 100 miles, 49.2 percent are for distances between 101 and 1,000 miles, and 26.3 percent are for distances greater than 1,000 miles.

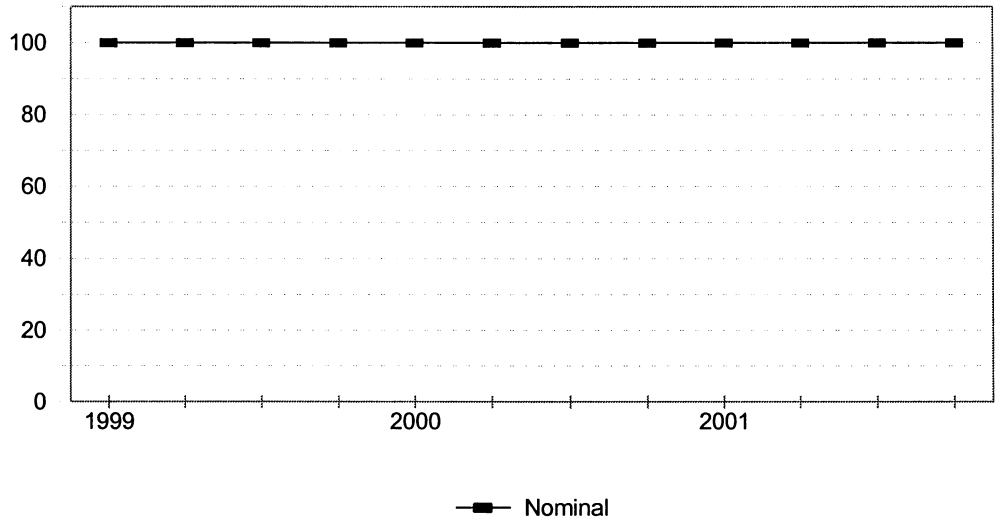
EXCHANGE RATE

Nominal exchange rate data for China are presented on a quarterly basis in figure V-1. The nominal value of the Chinese currency relative to the U.S. dollar remained constant during January 1999-December 2001.[1]

[1] Producer price data are not available for China, therefore real exchange rate data are not presented.

V-1

Figure V-1
Exchange rate: Index of the nominal exchange rate of the Chinese yuan relative to the U.S. dollar, January 1999-December 2001



Note.--January-March 1999=100.

Source: International Monetary Fund, *International Financial Statistics*, February 2001.

PRICING PRACTICES

U.S. producers and subject importers reported that ball bearing pricing is generally determined by transaction-by-transaction negotiations and contracts. In general, neither U.S. producers nor subject importers issue price lists. Ball bearing prices are usually quoted on an f.o.b. basis, and typical sales terms are net 30 days. U.S. producers and subject importers typically do not have set discount policies–discounts are negotiated on a transaction-by-transaction basis and depend on factors such as the prevailing competitive environment and potential purchase volumes.

Contracts

U.S. producers and subject importers sell the majority of their ball bearings on a contract basis. U.S. producers sold 60.5 percent of their ball bearings on a contract basis and the remaining 39.5 percent on a spot basis. Chinese importers sold 81.9 percent of their ball bearings on a contract basis and the remaining 18.1 percent on a spot basis.

Most U.S. producers reported that contracts are typically 1-3 years in duration, and are renegotiated at the end of the contract period. Contracts generally fix price, and estimate quantity. Nine of 19 responding U.S. producers reported that contracts have meet-or-release provisions. In general, U.S. producers' contracts do not have standard minimum quantity requirements or price premiums for sub-minimum shipments. Most subject importers reported that contracts are typically 3-12 months in duration, and are renegotiated at the end of the contract period. Contracts generally fix both price and quantity, but in some cases only fix price. Thirteen of 22 responding subject importers reported that contracts have meet-or-release provisions. In general, subject importers do not have standard minimum quantity requirements or price premiums for sub-minimum shipments.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly quantity and f.o.b. value data for sales during the period January 1999 through December 2001. Product specifications for which pricing data were requested are as follows:

Product 1.--608ZZ-Radial ball bearing, single row, deep groove. 8 mm bore, 22 mm OD, 7 mm width, with two shields. ABEC 1-3 tolerances.

Product 2.--6001-2RS-Radial ball bearing, single row, deep groove. 12 mm bore, 28 mm OD, 8 mm width, sealed. ABEC 1-3 tolerances.

Product 3.--6201-2RS-Radial ball bearing, single row, deep groove. 12 mm bore, 32 mm OD, 10 mm width, sealed. ABEC 1-3 tolerances.

Product 4.--6203ZZ-Radial ball bearing, single row, deep groove. 17 mm bore, 40 mm OD, 12 mm width, with two shields. ABEC 1-3 tolerances.

Product 5.--6206-2RS-Radial ball bearing, single row, deep groove. 30 mm bore, 62 mm OD, 16 mm width, sealed. ABEC 1-3 tolerances.

Product 6.--RA100RR-Wide inner ring ball bearing (extended inner ring type). 1 inch shaft, locking collar, cylindrical OD, nonrelubricatable. ABEC 1 tolerance.

Seven U.S. producers and 20 Chinese importers provided usable pricing data. Pricing data reported by the U.S. producers accounted for only 1.2 percent of the value of U.S. producers' total shipments of ball bearings during January 1999-December 2001. Pricing data reported by the Chinese importers accounted for 10.0 percent of the value of U.S. imports of Chinese ball bearings during January 1999-December 2001.[2]

Price Trends[3]

Weighted-average prices and margins of underselling/overselling for U.S.-produced and imported ball bearings are shown in tables V-1 through V-6 and figures V-2 through V-7. Prices for U.S.-produced product 1 fluctuated between *** per unit until the fourth quarter of 2001, when prices increased to *** per unit. Prices for imported Chinese product 1 fell by 11.4 percent from $0.35 per unit in the first quarter of 1999 to $0.31 per unit in the fourth quarter of 2001. Prices for U.S.-produced product 2 fluctuated between *** per unit during the period January 1999-September 2000. For the rest of the period prices fluctuated widely, finishing at *** per unit. Prices for imported Chinese product 2 fell by 11.5 percent from $0.52 per unit in the first quarter of 1999 to $0.46 per unit in the fourth quarter of 2001. Prices for U.S.-produced product 3 fluctuated between *** per unit until the fourth quarter of 2001, when prices increased to *** per unit. Prices for imported Chinese product 3 fell by 13.5 percent from $0.89 per unit in the first quarter of 1999 to $0.77 per unit in the fourth quarter of 2001. Prices for

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[2] Respondents argue that the responses to the pricing section of the Commission's producers' and importers' questionnaires underscore the extent to which U.S. producers stay away from production of small commodity-grade bearings such as those imported from China. Respondents' postconference brief, p. 25.

[3] ***.

V-3

U.S.-produced product 4 increased by *** percent from *** per unit in the first quarter of 1999 to *** per unit in the fourth quarter of 2001. Prices for imported Chinese product 4 fell by 8.8 percent from $0.57 per unit in the first quarter of 1999 to $0.52 per unit in the fourth quarter of 2001. Prices for U.S.-produced product 5 fluctuated downward from *** per unit in the first quarter of 1999 to *** per unit in the third quarter of 2001, before increasing to *** per unit in the fourth quarter of 2001. Prices for imported Chinese product 5 fluctuated downward from $1.66 per unit in the first quarter of 1999 to $1.27 per unit in the third quarter of 2001, before increasing to $1.43 per unit in the fourth quarter of 2001. Prices for both U.S.-produced product 6 and imported Chinese product 6 fluctuated widely during the period. Prices for U.S.-produced product 6 tended to fluctuate upward, whereas prices for imported Chinese product 6 tended to fluctuate downward.

Table V-1
Ball bearings: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 1999-December 2001

Period	United States		China		
	Price (*per unit*)	Quantity (*1,000 units*)	Price (*per unit*)	Quantity (*1,000 units*)	Margin (*percent*)
1999:					
January-March	$***	***	$0.35	1,118	***
April-June	***	***	0.35	1,370	***
July-September	***	***	0.33	1,522	***
October-December	***	***	0.33	1,644	***
2000:					
January-March	***	***	0.32	2,265	***
April-June	***	***	0.33	2,074	***
July-September	***	***	0.31	3,037	***
October-December	***	***	0.31	1,899	***
2001:					
January-March	***	***	0.32	2,074	***
April-June	***	***	0.31	2,337	***
July-September	***	***	0.31	1,840	***
October-December	***	***	0.31	2,106	***

[1] 608ZZ-Radial ball bearing, single row, deep groove. 8 mm bore, 22 mm OD, 7 mm width, with two shields. ABEC 1-3 tolerances.

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

V-4

Table V-2
Ball bearings: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 1999-December 2001

Period	United States		China		
	Price (*per unit*)	Quantity (*1,000 units*)	Price (*per unit*)	Quantity (*1,000 units*)	Margin (*percent*)
1999:					
January-March	$***	***	$0.52	304	***
April-June	***	***	0.58	218	***
July-September	***	***	0.51	372	***
October-December	***	***	0.52	355	***
2000:					
January-March	***	***	0.51	364	***
April-June	***	***	0.52	409	***
July-September	***	***	0.51	357	***
October-December	***	***	0.44	1,714	***
2001:					
January-March	***	***	0.44	961	***
April-June	***	***	0.44	1,230	***
July-September	***	***	0.44	1,921	***
October-December	***	***	0.46	623	***

[1] 6001-2RS-Radial ball bearing, single row, deep groove. 12 mm bore, 28 mm OD, 8 mm width, sealed. ABEC 1-3 tolerances.

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

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Table V-3
Ball bearings: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 1999-December 2001

Period	United States		China		
	Price (*per unit*)	Quantity (*1,000 units*)	Price (*per unit*)	Quantity (*1,000 units*)	Margin (*percent*)
1999:					
January-March	$***	***	$0.89	720	***
April-June	***	***	0.87	841	***
July-September	***	***	0.75	916	***
October-December	***	***	0.85	812	***
2000:					
January-March	***	***	0.87	695	***
April-June	***	***	0.86	786	***
July-September	***	***	0.79	710	***
October-December	***	***	0.79	657	***
2001:					
January-March	***	***	0.77	798	***
April-June	***	***	0.76	701	***
July-September	***	***	0.77	783	***
October-December	***	***	0.77	687	***

[1] 6201-2RS-Radial ball bearing, single row, deep groove. 12 mm bore, 32 mm OD, 10 mm width, sealed. ABEC 1-3 tolerances.

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

V-6

Table V-4
Ball bearings: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 1999-December 2001

Period	United States		China		
	Price (*per unit*)	Quantity (*1,000 units*)	Price (*per unit*)	Quantity (*1,000 units*)	Margin (*percent*)
1999:					
January-March	$***	***	$0.57	2,489	***
April-June	***	***	0.61	2,173	***
July-September	***	***	0.55	2,279	***
October-December	***	***	0.59	2,068	***
2000:					
January-March	***	***	0.53	3,132	***
April-June	***	***	0.52	3,277	***
July-September	***	***	0.53	2,766	***
October-December	***	***	0.50	2,749	***
2001:					
January-March	***	***	0.48	3,480	***
April-June	***	***	0.49	3,021	***
July-September	***	***	0.49	2,700	***
October-December	***	***	0.52	2,329	***

[1] 6203ZZ-Radial ball bearing, single row, deep groove. 17 mm bore, 40 mm OD, 12 mm width, with two shields. ABEC 1-3 tolerances.

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

V-7

Table V-5
Ball bearings: Weighted-average f.o.b. prices and quantities of domestic and imported product 5[1] and margins of underselling/(overselling), by quarters, January 1999-December 2001

Period	United States		China		
	Price (*per unit*)	Quantity (*1,000 units*)	Price (*per unit*)	Quantity (*1,000 units*)	Margin (*percent*)
1999:					
January-March	$***	***	$1.66	52	***
April-June	***	***	1.70	53	***
July-September	***	***	1.73	44	***
October-December	***	***	1.61	65	***
2000:					
January-March	***	***	1.67	54	***
April-June	***	***	1.47	45	***
July-September	***	***	1.54	65	***
October-December	***	***	1.41	62	***
2001:					
January-March	***	***	1.25	93	***
April-June	***	***	1.34	70	***
July-September	***	***	1.27	62	***
October-December	***	***	1.43	66	***

[1] 6206-2RS-Radial ball bearing, single row, deep groove. 30 mm bore, 62 mm OD, 16 mm width, sealed. ABEC 1-3 tolerances.

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

V-8

Table V-6
Ball bearings: Weighted-average f.o.b. prices and quantities of domestic and imported product 6[1] and margins of underselling/(overselling), by quarters, January 1999-December 2001

Period	United States		China		
	Price (*per unit*)	Quantity (*1,000 units*)	Price (*per unit*)	Quantity (*1,000 units*)	Margin (*percent*)
1999:					
January-March	$***	***	$3.10	26	***
April-June	***	***	2.66	31	***
July-September	***	***	2.30	37	***
October-December	***	***	4.50	5	***
2000:					
January-March	***	***	3.16	15	***
April-June	***	***	2.75	17	***
July-September	***	***	2.54	19	***
October-December	***	***	2.95	8	***
2001:					
January-March	***	***	2.38	23	***
April-June	***	***	2.30	23	***
July-September	***	***	2.25	21	***
October-December	***	***	2.22	22	***

[1] RA100RR-Wide inner ring ball bearing (extended inner ring type). 1 inch shaft, locking collar, cylindrical OD, nonrelubricatable. ABEC 1 tolerance.

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

Figure V-2
Weighted-average f.o.b. prices of domestic and imported Chinese product 1, January 1999-December 2001

* * * * * * *

Figure V-3
Weighted-average f.o.b. prices of domestic and imported Chinese product 2, January 1999-December 2001

* * * * * * *

Figure V-4
Weighted-average f.o.b. prices of domestic and imported Chinese product 3, January 1999-December 2001

* * * * * * *

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Figure V-5
Weighted-average f.o.b. prices of domestic and imported Chinese product 4, January 1999-December 2001

* * * * * * *

Figure V-6
Weighted-average f.o.b. prices of domestic and imported Chinese product 5, January 1999-December 2001

* * * * * * *

Figure V-7
Weighted-average f.o.b. prices of domestic and imported Chinese product 6, January 1999-December 2001

* * * * * * *

Price Comparisons

There were 72 quarterly price comparisons between U.S.-produced and imported Chinese ball bearings. Chinese imports undersold domestic products in all but one quarter and margins of underselling ranged from 8.0 percent to 85.7 percent. Chinese imports oversold domestic products in one quarter with a margin of overselling of *** percent.

There were 12 quarterly price comparisons between U.S.-produced and imported Chinese product 1. Imported Chinese product 1 was priced below domestic product 1 in all quarters and margins of underselling ranged from 37.6 percent to 60.5 percent. There were 12 quarterly price comparisons between U.S.-produced and imported Chinese product 2. Imported Chinese product 2 was priced below domestic product 2 in all quarters and margins of underselling ranged from 33.9 percent to 85.7 percent. There were 12 quarterly price comparisons between U.S.-produced and imported Chinese product 3. Imported Chinese product 3 was priced below domestic product 3 in all quarters and margins of underselling ranged from 8.0 percent to 41.2 percent. There were 12 quarterly price comparisons between U.S.-produced and imported Chinese product 4. Imported Chinese product 4 was priced below domestic product 4 in all quarters and margins of underselling ranged from 32.0 percent to 47.5 percent. There were 12 quarterly price comparisons between U.S.-produced and imported Chinese product 5. Imported Chinese product 5 was priced below domestic product 5 in all quarters and margins of underselling ranged from 15.1 percent to 38.0 percent. There were 12 quarterly price comparisons between U.S.-produced and imported Chinese product 6. Imported Chinese product 6 was priced below domestic product 6 in 11 quarters and margins of underselling ranged from 25.4 percent to 51.9 percent. Imported Chinese product 6 was priced above domestic product 6 in one quarter and the margin of overselling was *** percent.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of ball bearings to report any instances of lost sales and lost revenues they experienced due to competition from imports of ball bearings from China since January 1999. Petitioners reported 136 lost sales allegations involving *** units valued at ***. Petitioners also reported 39 lost revenue allegations valued at *** involving *** units. Staff contacted 14 cited purchasers named in 72 lost sales allegations valued at *** and 34 lost revenue allegations

valued at ***. A summary of the information obtained follows (tables V-7 and V-8). Corrected information is provided in the tables in parentheses below the alleged information.

* * * * * * *

Table V-7
Ball bearings: U.S. producers' lost sales allegations

* * * * * * *

Table V-8
Ball bearings: U.S. producers' lost revenue allegations

* * * * * * *

V-11

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Twenty-one producers that produced ball bearings during the period examined provided financial data on their ball bearings operations.[1] One producer, ***, reported internal consumption which accounted for approximately *** percent of total sales value in 2001. Five producers reported a very insignificant amount of transfers to related companies.[2] Those transfers reflected less than one percent of total sales (in terms of value) for all periods.

OPERATIONS ON BALL BEARINGS

The results of the 21 responding U.S. producers' ball bearings operations are presented in table VI-1.[3] Net sales value and operating income decreased continuously from 1999 through 2001. The ratios of cost of goods sold (COGS) to net sales value increased slightly over the same period, ranging from 82.0 percent in 1999 to 84.3 percent in 2001, while the ratios of operating income to net sales value decreased continuously from 7.1 percent in 1999 to 3.2 percent in 2001. However, the aggregate results of ball bearings operations indicate operating income and net income for all periods, even though they decreased continuously over the period.

[1] The producers with fiscal year ends other than December 31 are ***.

[2] They are ***.

[3] Due to variations in product mix as well as commingling of parts with complete bearings, the unit value data and variance analysis (which is based on unit values and quantities) are not presented.

VI-1

Table VI-1
Results of operations of U.S. producers in the production of ball bearings, fiscal years 1999-2001

Item	Fiscal year		
	1999	2000	2001
	Value (*$1,000*)		
Commercial sales	1,943,479	1,931,520	1,801,403
Internal consumption	***	***	***
Related company transfers	***	***	***
Total sales	2,222,793	2,213,187	2,037,422
COGS	1,822,027	1,847,556	1,718,006
Gross profit	400,766	365,631	319,416
SG&A expenses	242,478	243,747	253,810
Operating income	158,288	121,884	65,606
Interest expense	35,249	34,516	34,729
Other expense	7,793	11,505	16,878
Other income	7,430	6,262	12,294
Net income	122,676	82,125	26,293
Depreciation/amortization	120,895	122,199	120,781
Cash flow	243,571	204,324	147,074
	Ratio to net sales (*percent*)		
COGS	82.0	83.5	84.3
Gross profit	18.0	16.5	15.7
SG&A expenses	10.9	11.0	12.5
Operating income	7.1	5.5	3.2
Net income	5.5	3.7	1.3
	Number of firms reporting		
Operating losses	3	3	6
Data	21	21	21

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

The results of operations on sales of ball bearings by firm are presented in table VI-2. Thirteen producers out of the total of 21 had an operating income and only one producer (***) had an operating loss for all periods.

VI-2

Table VI-2
Results of operations of U.S. producers (by firm) in the production of ball bearings, fiscal years 1999-2001

* * * * * * *

CAPITAL EXPENDITURES, RESEARCH AND DEVELOPMENT EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

The U.S. producers' capital expenditures and research and development (R&D) expenses, together with the value of their fixed assets, are presented in table VI-3. Capital expenditures increased substantially from 1999 to 2000 and decreased from 2000 to 2001. R&D expenses decreased somewhat over the period examined. While original cost of productive facilities increased continuously from 1999 through 2001, net book value of those facilities decreased continuously from 1999 through 2001. Depreciation expenses exceeded capital expenditures in every year. Capital expenditures by individual firms are presented in table VI-4. Six producers incurred substantial amounts of capital expenditures during each year of the period examined.[4]

Table VI-3
Capital expenditures, R&D expenses, and assets utilized by U.S. producers in their production of ball bearings, fiscal years 1999-2001

Item	Fiscal year		
	1999	2000	2001
	Value (*$1,000*)		
Capital expenditures	86,301	126,932	103,649
R&D expenses	20,109	18,945	18,059
Productive facilities:			
Original cost	2,889,908	3,011,620	3,132,279
Book value	1,208,125	1,163,419	1,162,016

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

Table VI-4
Capital expenditures by U.S. producers (by firm) in the production of ball bearings, fiscal years 1999-2001

* * * * * * *

[4] They are ***.

VI-3

CAPITAL AND INVESTMENT

The Commission requested the producers to describe any actual or potential negative effects of imports of ball bearings from China on their growth, investment, ability to raise capital, and/or their development efforts (including efforts to develop a derivative or more advanced version of the product). The producers' comments are presented in appendix D.

VI-4

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN CHINA

The bearing industry in China has developed rapidly with current annual sales of around $2.5 billion. Bearings have become one of the leading export products of the Chinese machinery industry and ball bearings are the most significant type of bearing imported into the United States from China. Of all bearing imports from China in 2001, ball bearings and parts thereof constituted almost 80 percent.[1] Chinese producers export ball bearings world-wide in addition to the United States.

Since its founding in 1988, the China Bearing Industry Association has been committed to accelerating the development of the industry. Geographically located throughout China, its 251 members represent 85 percent of total Chinese sales.[2] Table VII-1 presents data for those Chinese producers responding to the Commission's questionnaire.[3] These firms accounted for around 40 percent of U.S. imports from China in 2001.

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[1] Compiled from official Commerce statistics.

[2] China Bearing Industry Association, *http://www.chinabearing.com.cn/english/p2.htm*, retrieved March 14, 2002.

[3] Of the 100 firms contacted, 46 responded by filling out the Commission's questionnaire and 22 indicated that they did not ship ball bearings to the United States.

VII-1

Table VII-1
Ball bearings: China's production capacity, production, shipments, and inventories, 1999-2001 and projected 2002-2003

Item	Actual experience			Projections	
	1999	2000	2001	2002	2003
	Quantity (*1,000 bearings or equivalents*)				
Capacity	657,385	750,482	706,932	667,539	666,957
Production	533,042	673,967	616,898	588,012	607,126
End of period inventories	79,609	100,863	115,252	81,449	72,767
Shipments:					
Internal consumption	23,269	34,229	42,745	31,270	31,942
Home market	264,435	308,999	257,205	247,911	270,203
Exports to--					
The United States	77,362	86,851	96,471	82,944	83,650
All other markets	198,931	270,599	253,562	229,979	227,546
Total exports	276,293	357,450	350,033	312,923	311,196
Total shipments	563,997	700,678	649,983	592,104	613,341
	Value (*1,000 dollars*)				
Production	255,162	301,665	287,579	253,650	262,848
Shipments:					
Internal consumption	12,324	15,716	17,760	12,375	12,599
Home market	154,389	166,362	159,804	144,653	143,378
Exports to--					
The United States	45,934	58,266	55,471	53,040	51,416
All other markets	79,052	106,226	107,184	94,493	95,928
Total exports	124,986	164,492	162,655	147,533	147,344
Total shipments	291,699	346,570	340,219	304,561	303,321

Table continued on next page.

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Item	Actual experience			Projections	
	1999	2000	2001	2002	2003
	Ratios and shares (*percent*)				
Capacity utilization	79.2	87.2	82.9	83.7	86.5
Inventories to production	14.9	15.0	18.7	13.9	12.0
Inventories to total shipments	14.1	14.4	17.7	13.8	11.9
Share of total quantity of shipments:					
Internal consumption	4.1	4.9	6.6	5.3	5.2
Home market	46.9	44.1	39.6	41.9	44.1
Exports to--					
The United States	13.7	12.4	14.8	14.0	13.6
All other markets	35.3	38.6	39.0	38.8	37.1
All export markets	49.0	51.0	53.9	52.8	50.7

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

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

U.S. INVENTORIES OF PRODUCT FROM CHINA

Table VII-2
Ball bearings: U.S. importers' end-of-period inventories of imports from China and all other sources, 1999-2001

Item/source	Calendar year		
	1999	2000	2001
End-of-period inventories (*1,000 bearings or equivalents*)			
China	1,142,183	980,139	1,147,408
All other sources	196,913	229,217	227,968
Total	1,339,096	1,209,356	1,375,376
Ratio to imports (*percent*)			
China	18.6	7.7	7.8
All other sources	27.5	23.2	20.0
Average	19.5	8.8	8.6

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

VII-3

U.S. IMPORTERS' CURRENT ORDERS

Forty firms reported imports of *** million ball bearings or equivalents from China after December 31, 2001. It should be noted that some firms reported their yearly orders and others monthly orders.

ANTIDUMPING DUTY ORDERS IN THIRD-COUNTRY MARKETS

There is no indication that ball bearings from China have been subject to any other import relief investigations in any other countries.

VII-4

APPENDIX A

FEDERAL REGISTER NOTICES

A-1

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–989 (Preliminary)]

Ball Bearings From China

AGENCY: International Trade Commission.

ACTION: Institution of antidumping investigation and scheduling of a preliminary phase investigation.

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigation No. 731–TA–989 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China of ball bearings and parts thereof provided for in subheadings 8482.10.10, 8482.10.50, 8482.80.00, 8482.91.00, 8482.99.05, 8482.99.25, 8482.99.35, 8482.99.65, 8483.20.40, 8483.20.80, 8483.30.40, 8483.30.80, 8483.50.90, 8483.90.20, 8483.90.30, and 8483.90.70; certain gaskets, seals or washers suitable for incorporation in ball bearings provided for in subheadings 3926.90.45, 4016.93.00, 4016.93.10, and 4016.93.50; ceramic bearings and other ceramic wares suitable for incorporation in ball bearings, provided for in subheadings 6909.19.50; certain parts of machines, the foregoing containing ball bearings, provided for in subheading 8431.20.00 and 8431.39.00; certain parts of motor vehicles, the foregoing containing ball bearings, provided for in subheadings 8708.50.50, 8708.60.50, 8708.60.80, 8708.70.60, 8708.93.30, 8708.93.60, 8708.93.75, 8708.99.06, 8708.99.31, 8708.99.40, 87.08.49, 8708.99.58, and 8708.99.80; and certain parts of aircraft, the foregoing containing ball bearings, provided for in subheadings 8803.10.00, 8803.20.00, 8803.30.00, 8803.90.30, and 8803.90.90 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Size or precision grade of a bearing does not influence whether the bearing is covered by the petition. With regard to finished parts, all such parts are covered by the petition. For unfinished parts, such parts are included if (1) they have been heat-treated prior to importation, or (2) heat treatment is not required to be performed on the part. Thus, the only unfinished parts that are not covered by the petition are those that will be subject to heat treatment after importation. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by April 1, 2002. The Commission's views are due at Commerce within five business days thereafter, or by April 8.

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

EFFECTIVE DATE: February 13, 2002.

FOR FURTHER INFORMATION CONTACT: Fred Ruggles (202–205–3187), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by

accessing its internet server (http://www.usitc.gov). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS–ON–LINE) at http://dockets.usitc.gov/eol/public.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on February 13, 2002, by the American Bearing Manufacturers Association, Washington, DC.

Participation in the Investigation and Public Service List

Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register.** Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

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

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigation under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register.** A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on March 6, 2002, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Fred Ruggles (202–205–3187) not later than March 4, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before March 11, 2002, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: February 15, 2002.

By order of the Commission.

Marilyn R. Abbott,

Acting Secretary.

[FR Doc. 02–4187 Filed 2–20–02; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–874]

Notice of Initiation of Antidumping Duty Investigation: Certain Ball Bearings and Parts Thereof From the People's Republic of China

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

ACTION: Initiation of antidumping duty investigation.

EFFECTIVE DATE: April 3, 2002.

FOR FURTHER INFORMATION CONTACT: Cindy Lai Robinson or Geoffrey Craig at (202) 482–3797 or (202) 482–4161, respectively; Office VI, Group II, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

Initiation of Investigation

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930, as amended ("the Act"), by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department of Commerce's ("the Department's") regulations are references to the provisions codified at 19 CFR Part 351 (2001).

The Petition

On February 13, 2002, the Department received a petition filed in proper form by the American Bearing Manufacturers Association ("ABMA" or "the petitioner"). On February 21, 2002, we sent the petitioner a letter with questions regarding the petition. The Department received information supplementing the petition on February 27, 2002.

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

The Department finds that the petitioner filed this petition on behalf of the domestic industry because it is an interested party, as defined in sections 771(9)(E) and 771(9)(F) of the Act and has demonstrated sufficient industry support with respect to the antidumping investigation that it is requesting the Department to initiate. (*See* the *Determination of Industry Support for the Petition* section below.)

Scope of Investigation

The scope of the investigation includes all antifriction bearings, regardless of size, precision grade or use, that employ balls as the rolling element (whether ground or unground) and parts thereof (inner ring, outer ring, cage, balls, seals, shields, etc.) that are produced in China. Imports of these products are classified under the following categories: Antifriction balls, ball bearings with integral shafts and parts thereof, ball bearings (including thrust, angular contact, and radial ball bearings) and parts thereof, and housed or mounted ball bearing units and parts thereof. The scope includes ball bearing type pillow blocks and parts thereof; and wheel hub units incorporating balls as the rolling element. With regard to finished parts, all such parts are included in the scope of the petition. With regard to unfinished parts, such parts are included if (1) they have been heat-treated, or (2) heat treatment is not required to be performed on the part. Thus, the only unfinished parts that are not covered by the petition are those that will be subject to heat treatment after importation.

Imports of these products are classified under the following Harmonized Tariff Schedules of the United States (HTSUS) subheadings: 3926.90.45, 4016.93.00, 4016.93.10, 4016.93.50, 6909.19.5010, 8431.20.00, 8431.39.0010, 8482.10.10, 8482.10.50, 8482.80.00, 8482.91.00, 8482.99.05, 8482.99.2580, 8482.99.35, 8482.99.6595, 8483.20.40, 8483.20.80, 8483.30.40, 8483.30.80, 8483.50.90, 8483.90.20, 8483.90.30, 8483.90.70, 8708.50.50, 8708.60.50, 8708.60.80, 8708.70.6060, 8708.93.30, 8708.93.6000, 8708.93.75, 8708.99.06, 8708.99.31, 8708.99.4000, 8708.99.4960, 8708.99.5800, 8708.99.8080, 8803.10.00, 8803.20.00, 8803.30.00, 8803.90.30, and 8803.90.90.

Specifically excluded from the scope are unfinished parts that are subject to heat treatment after importation. Also excluded from the scope are cylindrical roller bearings, mounted or unmounted, and parts thereof ("CRB") and spherical plain bearings, mounted and unmounted, and parts thereof ("SPB"). CRB products include all antifriction bearings that employ cylindrical rollers as the rolling element. SPB products include all spherical plain bearings that employ a spherically shaped sliding element and include spherical plain rod ends. Although the HTSUS subheadings are provided for convenience and U.S. Customs Service ("Customs") purposes, the written description of the merchandise under investigation is dispositive.

During our review of the petition, we discussed the scope with the petitioner to ensure that the scope in the petition accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations (Antidumping Duties; Countervailing Duties; Final Rule, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for parties to raise issues regarding product coverage. The Department encourages all parties to submit such comments within 20 days of publication of this notice. Comments should be addressed to Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period for scope comments is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determination.

Determination of Industry Support for the Petition

Section 771(4)(A) of the Act defines the "industry" as the producers as a whole of a domestic like product. Thus, when determining the degree of industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law.[1]

Section 771(10) of the Act defines the domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition. Moreover, the petitioner does not offer a definition of domestic like product distinct from the scope of the investigation.

The petition covers ball bearings and parts thereof ("BB&P") as defined in the *Scope of the Investigation* section, above, a single class or kind of merchandise. The Department has no basis on the record to find the petitioner's definition of the domestic like product to be inaccurate. The Department, therefore, has adopted the domestic like product definition set

[1] *See Algoma Steel Corp. Ltd.*, v. *United States*, 688 F. Supp. 639, 642–44 (CIT 1988); High Information Content Flat Panel Displays and Display Glass from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition, 56 FR 32376, 32380–81 (July 16, 1991).

forth in the petition. However, the Department will take into account any comments submitted by parties in connection with this issue during the course of the proceeding, and revisit the issue, if appropriate.

On March 4, 2002, the Department received comments regarding industry support from the following six PRC producers of the merchandise subject to this investigation: Ningbo MOS Group, Ningbo Cixin Bearing, Ningbo Huanchi Group, Wangxiang China, Ningbo General Bearing Co., Limited, and Jiangsu General Ball & Roller Co., Limited.

On March 5, 2002, the above six PRC producers filed additional information regarding their challenge to the standing of the petitioner. Specifically, they asserted that many products covered by the scope of the product definition are not represented by ABMA member companies.

On March 5, 2002, the Department also received a submission from the petitioner to correct a "software sorting error" with respect to the shipment volumes reported for certain ABMA member companies. It claimed that this error does not affect the reported shipments to production ratio of ABMA member companies.

The petitioner submitted another response on March 13, 2002, to rebut the industry support challenge filed by the six foreign producers on March 4 and 5, 2002. In this submission, the petitioner revised its ABMA member companies' production volume, and the shipments volume and value for "complete bearings." It also provided similar information for "parts." It demonstrated that the industry support for its petition is over 50 percent either by "parts," or by "complete bearings," or by "ball bearings and parts thereof." In addition, it rebutted the six PRC producers' March 5, 2002, allegations by showing that none of the named products in the foreign producers' submission, (*i.e.,* casters, constant velocity joints, hardware, and linear bearings (used, for example, in furniture and desk drawers)) are covered by the scope of the petition.

On March 15, 2002, the above six PRC producers filed additional information regarding their challenge to the standing of the petitioner. Specifically, they state that if the petition excludes those products referenced in the March 5 submission (*i.e.,* casters, constant velocity joints, hardware, and linear bearings) then the petition should be amended to say so explicitly. Further, they submitted a list of companies that they believe manufacture ball bearings or ball bearing parts that are not listed in the petition, and assert that by failing to provide the Department with a complete listing of the U.S. producers of ball bearings and ball bearings parts, the ABMA has complicated our effort to rule on its standing to petition for antidumping relief.

On March 19, 2002, the petitioner filed a rebuttal to the PRC producers' March 15, 2002 submission. The petitioner states that given its reported industry support figures, there is no need for the Department to poll individual companies since there is no possibility that the remaining companies represent more than a small minority of the domestic ball bearing industry. Further, the petitioner takes issue with the list of companies submitted by foreign producers, and notes that in any event none of the companies has registered opposition to the petition.

The Department has reviewed the comments of these PRC producers and the petitioner's revision to its petition. For further discussion of the comments and the petitioner's revision to its petition, *see* the Industry Support Attachment to the *Import Administration AD Investigation Checklist,* dated March 25, 2002 (*"Initiation Checklist"*) (public version on file in the Central Records Unit of the Department of Commerce, Room B–099) for further description.

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) At least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

In order to estimate production for the domestic industry as defined for purposes of this case, the Department has relied on the petition. The only industry-wide data available was shipment data for calendar year ("CY") 2000. Thus, the petition contained production and shipment data (by volume) of its members for CY 2000. To estimate industry-wide production, the petitioner compared its member companies' shipment data by volume with their production data by volume and derived a shipment to production ratio. The petitioner then divided the total industry-wide shipment figure by this ratio to derive an estimated total industry-wide ball bearing production.

Foreign producers contend that the petitioners' calculation of industry support, in using "complete bearings" figures, would be inaccurate by not taking into account "parts." The petitioner subsequently provided industry support information taking into account "parts" as well as "complete bearings." Based on this information, the petitioner has demonstrated that industry support was greater than 50 percent. *See Initiation Checklist.*

Accordingly, we find that information contained in the petition and its supplements demonstrate that the domestic producers or workers who support the petition account for over 50 percent of total production of the domestic like product. Therefore, the domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) and section 732(c)(4)(D) are met. *See Initiation Checklist* at Attachment I. Furthermore, because the Department received no domestic opposition to the petition, the domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for or opposition to the petition. *See Initiation Checklist.* Thus, the requirement of section 732(c)(4)(A)(ii) is met.

Accordingly, the Department determines that the petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

Period of Investigation

The anticipated period of investigation is July 1, 2001, through December 31, 2001.

Export Price and Normal Value

The following are descriptions of the allegations of sales at less than fair value upon which the Department has based its decision to initiate this investigation. The sources of data for the deductions and adjustments relating to home market and U.S. price are detailed in the *Initiation Checklist.*

The Department has analyzed the information in the petition and considers the country-wide import statistics for the anticipated period of investigation ("POI") and pricing information used to calculate the estimated margin to be sufficient for purposes of initiation. Based on the information submitted in the petition, adjusted where appropriate, we are initiating this investigation, as discussed below and in the *Initiation*

Checklist. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determination, we will re-examine the information and may revise the margin calculation, if appropriate.

Export Price

The petitioner based export prices [2] on price lists and quotes of four representative sample products (6201–2RS, 6201ZZ, 6203–2RS, and 6203ZZ) from Chinese distributors of Chinese ball bearings and U.S. distributors of Chinese ball bearings for the period October to December 2001. Some prices were FOB Chinese port, for which the petitioner made no deductions to arrive at a net-price. In most instances, the prices were FOB from a U.S. location. In these instances, the petitioner calculated a net price by deducting from the price movement expenses and a U.S. distributor markup of 15 percent. Movement expenses include costs for duties, ocean insurance and freight, and other import charges. *See Initiation Checklist.*

Normal Value

The petitioner asserts that the PRC is a nonmarket economy country ("NME") within the meaning of section 771(18) of the Act. In previous investigations, the Department has determined that the PRC is an NME. *See, e.g., Certain Hot-Rolled Carbon Steel Flat Products from the People's Republic of China; Notice of Preliminary Results of Antidumping Duty Administrative Review,* 66 FR 22183 (May 31, 2001); *Steel Wire Rope from the People's Republic of China; Notice of Final Determination of Sales at Less Than Fair Value,* 66 FR 12759 (February 28, 2001). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the normal value of the product appropriately is based on the producer's factors of production valued in a surrogate market economy country in accordance with section 773(c) of the Act.

In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters. *See, e.g., Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China,* 59 FR 22585 (May 2, 1994).

For the normal value calculation, the petitioner based the factors of production, as defined by section 773(c)(3) of the Act, on the quantities of inputs used to produce four representative ball bearings reported by one of its major member companies. The petitioner uses the actual usage rates of a U.S. production facility in accordance with 19 CFR 351.202(b)(7)(B) because information on actual usage rates of representative Chinese bearing producers is not reasonably available to the petitioner. The petitioner claims that this company was selected because it is one of the most efficient ball bearing producers in the world. Therefore, this company's usage rates should yield conservative estimates of the degree of dumping for the selected products. The petitioner asserts that India is the most appropriate surrogate country for the PRC, claiming that India is: (1) A market economy; (2) a significant producer of comparable merchandise; and (3) at a level of economic development comparable to the PRC in terms of per capita gross national product. Based on the information provided by the petitioner, we believe that the petitioner's use of India as a surrogate country is appropriate for purposes of initiating this investigation.

In accordance with section 773(c)(4) of the Act, the petitioner valued factors of production, where possible, on reasonably available, public surrogate country data. Specifically, the factor costs for all but one of the material inputs, including inner and outer rings, retainers, shields, and seats, were based on the Monthly Statistics of the Foreign Trade of India for the period January to December 2000. The petitioner did not rely on Indian import values for the factor cost of balls because it claims that such Indian import values are not reliable. Therefore, for balls, the petitioner conservatively used the value of steel used to produce rollers derived during the twelfth administrative review of tapered roller bearings. The value was adjusted for inflation. The petitioner asserts that using this value is appropriate because the balls used in the representative products, like the rollers reviewed, are made of AISI 52100 chrome steel.

Where scrap from the production process is recyclable, the recovery value for the scrap is subtracted from the gross cost. Values for scrap steel and the scrap offset were based on Indian imports of scrap. Unit energy costs were obtained from publicly available Indian energy prices, TERI Energy Data Directory and Yearbook 1999/2000, adjusted for inflation.

Labor was valued using the regression-based wage rate for China provided by the Department, in accordance with 19 CFR 351.408(c)(3).

The factory overhead rate, selling, general & administrative expenses ("SG&A") rate, and profit rate, were based on the average respective rates derived from the 1999 financial statements of three surrogate Indian ball bearing producers. The petitioner did not include costs of packing in its normal value calculation.

Based on the information provided by the petitioner, we believe that the petitioner's factors of production methodology represents information reasonably available to the petitioner and is appropriate for purposes of initiating this investigation.

Based on comparisons of export price to normal value, the petitioner calculated dumping margins ranging from 17 to 249 percent. *See Initiation Checklist.*

Fair Value Comparisons

The Department has examined the adequacy and accuracy of the information the petitioner used in its calculations of U.S. and home market prices and has found that it represents information reasonably available to the petitioner supporting the allegation of dumping.

Based on the data provided by the petitioner, there is reason to believe that imports of ball bearings and parts thereof from the PRC are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petitioner alleges that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise sold at less than NV. The petitioner contends that the industry's injured condition is evident in the decline of U.S. producers' output, sales, market share, profits, productivity, return on investment, and capacity utilization, as well as negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, investment, and existing development and production efforts. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, and lost sales, and pricing information. We have examined the accuracy and adequacy of the evidence provided in the petition and

[2] The petitioner states that its dumping analysis proceeded under the conservative assumption that the vast majority of Chinese ball bearing sales in the Untied States are export price transactions.

have determined that the petition alleges the elements necessary for the imposition of a duty under section 731 of the Act and contains information reasonably available to the petitioner supporting the allegations (see *Initiation Checklist* at Attachment II).

Initiation of Antidumping Investigation

Based upon our examination of the petition on ball bearings and parts thereof from the PRC and the petitioner's responses to our supplemental questionnaire clarifying the petition, we have found that the petition meets the requirements of section 732 of the Act. See *Initiation Checklist*. Therefore, we are initiating an antidumping duty investigation to determine whether imports of ball bearings and parts thereof from the PRC are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is postponed, we will make our preliminary determination no later than 140 days after the date of this initiation. See "Case Calendar" section of the *Initiation Checklist*.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of the government of the PRC. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition, as appropriate.

International Trade Commission Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will determine, no later than April 1, 2002, whether there is a reasonable indication that imports of ball bearings and parts thereof from the PRC are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: March 25, 2002.

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 02–8071 Filed 4–2–02; 8:45 am]

BILLING CODE 3510–DS–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–989 (Preliminary)]

Ball Bearings From China

Determination

On the basis of the record [1] developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from China of certain ball bearings and parts thereof, provided for in subheadings 3926.90.45, 4016.93.00, 4016.93.10, 4016.93.50, 6909.19.50, 8431.20.00, 8431.39.00, 8482.10.10, 8482.10.50, 8482.80.00, 8482.91.00, 8482.99.05, 8482.99.25, 8482.99.35, 8482.99.65, 8483.20.40, 8483.20.80, 8483.30.40, 8483.30.80, 8483.50.90, 8483.90.20, 8483.90.30, 8483.90.70, 8708.50.50, 8708.60.50, 8708.60.80, 8708.70.60, 8708.93.30, 8708.93.60, 8708.93.75, 8708.99.06, 8708.99.31, 8708.99.40, 8708.99.49, 8708.99.58, 8708.99.80, 8803.10.00, 8803.20.00, 8803.30.00, 8803.90.30, and 8803.90.90 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).[2]

Commencement of Final Phase Investigation

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigation. The Commission will issue a final phase notice of scheduling, which will be published in the **Federal Register** as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigation need not enter a separate appearance for the final phase of the investigation. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

Background

On February 13, 2002, a petition was filed with the Commission and Commerce by the American Bearing Manufacturers Association, Washington, DC, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of certain ball bearings and parts thereof from China. Accordingly, effective February 13, 2002, the Commission instituted antidumping duty investigation No. 731–TA–989 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the **Federal Register** of February 21, 2002 (67 FR 8039). The conference was held in Washington, DC, on March 6, 2002, and all persons who requested the opportunity were permitted to appear in person or by counsel. The Commission transmitted its determination in this investigation to the Secretary of Commerce on April 29, 2002. The views of the Commission are contained in USITC Publication 3504 (May 2002), entitled *Ball Bearings from China: Investigation No. 731–TA–989 (Preliminary).*

Issued: April 30, 2002.

By order of the Commission.

Marilyn R. Abbott,

Secretary.

[FR Doc. 02–11041 Filed 5–2–02; 8:45 am]

BILLING CODE 7020–02–P

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

[2] Vice Chairman Deanna Tanner Okun and Commissioner Marcia E. Miller dissenting.

APPENDIX B

CONFERENCE WITNESSES

B-1

CALENDAR OF THE PUBLIC CONFERENCE

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

BALL BEARINGS FROM CHINA
Investigation No. 731-TA-989 (Preliminary)
March 6, 2002 - 9:30 am

The conference was held in Courtroom A of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES:

Covington & Burling--Counsel
Washington, DC
on behalf of--

American Bearing Manufacturers Association
Washington, DC
David W. Rohn, President

National Bearings Company
Lancaster, PA
Jessica H. May, President

NTN Bearing Corporation of America
Chicago, IL
Jack Pangrazio, Vice President of Marketing
Craig Dunn, Esq., Corporate Counsel

SKF USA Inc.
Norristown, PA
Sten Malmstrom, President and Chief Executive Officer
Timothy Gifford, Vice President and General Counsel
Joseph P. Boland, Director, Financial Compliance

The Torrington Company
Torrington, CT
Donald E. Bodell, President, Engineering Solutions Industrial
David D. Gridley, Executive Director, Marketing Services and Government Affairs
Jeff Langdell, Marketing Manager, Kilian Manufacturing

Terence P. Stewart, Esq.
Eric Salonen, Esq.
Stewart and Stewart
Counsel for The Torrington Company

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IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES--*CONTINUED*

Covington & Burling--*Continued*

Law & Economic Consulting Group, Inc.
Washington, DC
Andrew R. Wechsler, Managing Director
Andrew Z. Szamosszegi, Managing Consultant

Harvey M. Applebaum
David R. Grace
Karin L. Kizer
Lara Czajkowski Higgins
)--OF COUNSEL

IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES:

Wilmer, Cutler & Pickering--Counsel
Washington, DC
on behalf of

General Bearing Corporation
Joseph J.C. Hoo

John D. Greenwald
Jason Kearns
)--OF COUNSEL

Garvey, Schubert & Baker--Counsel
Washington, DC
on behalf of

AST Bearing
Mitchell Dutton

William E. Perry)--OF COUNSEL

Coudert Brothers, LLP--Counsel
Washington, DC
on behalf of

Peer Bearing Company

John M. Gurley)--OF COUNSEL

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APPENDIX C

SUMMARY DATA

C-1

Table C-1
Ball bearings: Summary data concerning the U.S. market, 1999-2001

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

Item	Calendar year			Period changes		
	1999	2000	2001	1999-2001	1999-2000	2000-2001
U.S. consumption value:						
Amount	2,863,221	2,948,860	2,682,012	-6.3	3.0	-9.0
Producers' share[1]	68.4	65.9	67.0	-1.4	-2.6	1.1
Importers' share:[1]						
China	4.3	4.3	4.8	0.5	0.0	0.5
Other sources	27.3	29.9	28.2	0.9	2.6	-1.6
Total	31.6	34.1	33.0	1.4	2.6	-1.1
U.S. imports from--						
China:						
Value	122,400	126,244	127,957	4.5	3.1	1.4
Other sources:						
Value	781,632	880,432	756,829	-3.2	12.6	-14.0
All sources:						
Value	904,032	1,006,676	884,785	-2.1	11.4	-12.1
U.S. producers'--						
Capacity quantity	6,650,585	6,644,342	6,723,029	1.1	-0.1	1.2
Production quantity	3,818,671	4,291,614	2,821,889	-26.1	12.4	-34.2
Capacity utilization[1]	57.4	64.6	42.0	-15.4	7.2	-22.6
U.S. shipments:						
Quantity	2,940,113	2,925,231	2,172,784	-26.1	-0.5	-25.7
Value	1,959,189	1,942,184	1,797,227	-8.3	-0.9	-7.5
Unit value	$0.67	$0.66	$0.83	24.1	-0.4	24.6
Export shipments:						
Quantity	1,050,621	1,149,712	695,075	-33.8	9.4	-39.5
Value	207,099	201,171	190,891	-7.8	-2.9	-5.1
Unit value	$0.20	$0.17	$0.27	39.3	-11.2	57.0
Ending inventory quantity	215,936	438,555	430,445	99.3	103.1	-1.8
Inventories/total shipments[1]	5.4	10.8	15.0	9.6	5.4	4.2
Production workers	11,035	10,578	9,919	-10.1	-4.1	-6.2
Hours worked (*1,000 hours*)	21,970	20,368	19,063	-13.2	-7.3	-6.4
Wages paid (*1,000 dollars*)	386,703	363,619	342,297	-11.5	-6.0	-5.9
Hourly wages	$17.60	$17.85	$17.96	2.0	1.4	0.6
Productivity (*pounds per hour*)	171.8	208.7	148.9	-13.3	21.5	-28.7
Unit labor costs	$0.10	$0.09	$0.12	17.7	-16.5	41.0
Net sales:						
Quantity	1,070,884	1,018,136	775,880	-27.5	-4.9	-23.8
Value	2,222,793	2,213,187	2,037,422	-8.3	-0.4	-7.9
Unit value	$2.08	$2.17	$2.63	26.5	4.7	20.8

Table continued on next page.

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

Item	Calendar year			Period changes		
	1999	2000	2001	1999-2001	1999-2000	2000-2001
COGS	1,822,027	1,847,556	1,718,006	-5.7	1.4	-7.0
Gross profit or (loss)	400,766	365,631	319,416	-20.3	-8.8	-12.6
SG&A expenses	242,478	243,747	253,810	4.7	0.5	4.1
Operating income or (loss)	158,288	121,884	65,606	-58.6	-23.0	-46.2
Capital expenditures	86,301	126,932	103,649	20.1	47.1	-18.3
Unit COGS	$1.70	$1.81	$2.21	30.1	6.7	22.0
Unit SG&A expenses	$0.23	$0.24	$0.33	44.5	5.7	36.6
Unit operating income or (loss)	$0.15	$0.12	$0.08	-42.8	-19.0	-29.4
COGS/sales[1]	82.0	83.5	84.3	2.4	1.5	0.8
Operating income or (loss)/sales[1]	7.1	5.5	3.2	-3.9	-1.6	-2.3

[1] Period changes are in percentage points.

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

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

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APPENDIX D

EFFECTS OF SUBJECT IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

D-1

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

1. Since January 1, 1999, has your firm experienced any actual negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of ball bearings from China?

* * * * * * *

2. Does your firm anticipate any negative impact of imports of ball bearings from China?

* * * * * * *