RADIAL PLY TIRES FOR PASSENGER CARS FROM THE REPUBLIC OF KOREA

Determination of the Commission in Investigation No. 731-TA-200 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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C O N T E N T S

CONTENTS

Figures

Tables

Note.--Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-200 (Preliminary)

RADIAL PLY TIRES FOR PASSENGER CARS FROM THE REPUBLIC OF KOREA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from the Republic of Korea of new (not including recapped) pneumatic radial tires of rubber or plastics for passenger cars, provided for in item 772.51 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On July 20, 1984, counsel for The Armstrong Rubber Co., Cooper Tire & Rubber Co., The Firestone Tire & Rubber Co., The B.F. Goodrich Co., and The Goodyear Tire & Rubber Co., filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that imports of new radial ply tires for passenger cars are being sold in the United States at LTFV and that such imports are causing material injury, or threatening to cause material injury, to the domestic industry producing such merchandise. Accordingly, effective July 20, 1984, the Commission instituted a preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or

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

the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise.

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, D.C., and by publishing the notice in the Federal Register on July 31, 1984 (49 F.R. 30605). The conference was held in Washington, D.C., on August 13, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the record in this investigation, we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry is being materially retarded, by reason of imports of radial ply tires for passenger cars from the Republic of Korea (Korea), which are allegedly sold at less than fair value (LTFV). 1/

Summary

In making this determination, we analyzed the characteristics and uses of the imported articles and found that domestic products, like these imported articles include bias-ply, bias-belted, and radial ply tires for passenger cars. We therefore analyzed the question of whether there is a reasonable indication of material injury or threat of material injury by viewing the data for all tires for passenger cars.

Among other things, the data show increasing domestic consumption, production, capacity utilization, shipments, average weekly hours worked, average hourly wages and total compensation, worker productivity, and net sales revenues. Despite an increase of imports from Korea in 1983 and the first half of 1984, the market share held by imports from Korea remains small. Further, the information collected by the Commission indicates

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1/ Since there is an established domestic industry, "material retardation" is not an issue in this investigation and will not be discussed further.

that there is a shortage 2/ of replacement passenger tires in the United States, especially in the low-priced segment of the tire market, where imports from Korea are concentrated. There is no import inventory overhang and Korean producers are already producing at or near capacity. Moreover, the projected increase in the capacity of Korean producers does not present an imminent threat to the domestic industry.

Thus, we conclude there is no reasonable indication of material injury or threat thereof by reason of alleged LTFV imports from Korea.

Domestic industry

Section 771(4)(A) of the Tariff Act of 1930 ("Act") defines the domestic industry as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 3/ The statute defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an

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2/ Vice Chairman Liebeler does not agree with this characterization of the condition of the tire market. In making its determinations under Title VII and in other areas as well, the Commission often relies on economic analysis. For that reason, it is important that the lexicon of economics be used with clarity and precision. "Shortage" is a term of art. It refers to a market condition in which the quantity demanded exceeds the quantity supplied at the prevailing price. A shortage generally occurs when price controls prevent the market price from rising to its equilibrium level. Since the normal market response to a nascent shortage is a rise in price, shortage conditions are inconsistent with a situation such as this, in which prices have fallen in an uncontrolled market.

Various members of this industry described to the Commission staff a situation in which they have not been able to purchase all the tires they wish. There is no evidence or assertion, however, that any purchaser has attempted to bid up the price of tires and has had his offer refused. Therefore Vice Chairman Liebeler cannot agree with the use of the term "shortage" to describe a free market in which price is falling.

3/ 19 U.S.C. § 1677(4)(A).

investigation . . . ." 4/

The imported articles that are the subject of this investigation are radial ply tires for passenger cars ("radial tires"). All of the tires from Korea under investigation are radial passenger tires, and approximately 75 percent are "P-metric" passenger tires. 5/ Radial tires for passenger cars produced by domestic and Korean firms are substitutable for a given size and type. 6/ Therefore, domestically produced radial tires are "like" the radial tires imported from Korea.

A second issue is whether domestically produced bias-ply or bias-belted passenger tires ("bias tires") are also "like" the radial tires imported from Korea. Radial tires and bias tires have different characteristics. The primary physical difference between radial ply tires and bias tires is the directional orientation of the plies. 7/ Radial tires, which represent relatively new technology in tire construction, are generally acknowledged to be superior to bias tires in a number of respects, including mileage, durability, traction, ride comfort, and gasoline economy. 8/ Thus, radial tires generally command a higher price than bias tires. Since they were introduced in the United States in the 1970's, sales of radial tires have

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4/ 19 U.S.C. § 1677(10).

5/ Transcript of the Preliminary Conference (Tr.) at 100 and 136. Although P-metric and metric tires are interchangeable, P-metric passenger tires are intended for U.S.-made cars while metric passenger tires are intended for foreign-made cars. Tr. at 98-99 and 156.

6/ Report of the Commission ("Report") at A-32.

7/ Id. at A-1. The ply cords in a radial ply tire are directed at a 90 degree angle away from the bead whereas that angle is 30 to 40 degrees in a bias tire. Id. at A-1-2.

8/ Id. at A-3.

steadily increased, as sales of bias tires have steadily declined. 9/

On the other hand, bias and radial tires are physically substitutable. A particular automobile could use either bias tires or radial tires. 10/ Also, as the prices of radial tires have declined, there is a growing degree of substitution or replacement of bias tires with radial tires. 11/ Therefore, although there are certain distinctions in characteristics and uses, there are nevertheless sufficient overlapping uses to warrant our finding that the like product is tires for passenger cars, including both bias and radial tires. Thus, the relevant domestic industry against which we are assessing the impact of the allegedly dumped imports is the passenger tire industry. 12/

Condition of the domestic industry

Domestic consumption, production, capacity utilization, shipments, employment, weekly hours worked, average hourly wages, total compensation, and

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9/ With the exception of one company, all domestic producers manufacture both radial and bias tires. Id. at 67-68. In order to produce radial tires, domestic manufacturers have converted (and are continuing to convert) many of their bias tire manufacturing facilities into radial tire facilities. Many other bias tire plants have been closed and new radial tire plants have been built, usually in different locations. Petition at 100. Radial and bias tires are sometimes produced in the same plants, by the same workers, using the same equipment until the latter stages of the manufacturing process, at which point machinery and workers are dedicated to making one type of tire or the other. Tr. at 45 and 68. See also, Petition at 97, n.22. However, conversion of a production line from bias to radial production involves substantial restructuring and capital investment. Id. at 97, n.22 and 116.

10/ We note, however, that one cannot use a bias tire and a radial tire on the same axle.

11/ Tr. at 32. In recent years, domestic manufacturers such as Goodyear have introduced radial tire models that are significantly lower in cost and price than previous models. See, e.g. Tr. at 127.

12/ We note that these definitions of the like product and domestic industry, which were suggested by the petitioners, afford them their best opportunity to establish a reasonable indication of material injury or threat thereof. Such definitions include within the scope of the investigation the operations of the less profitable and declining bias tires. We also note that the adoption of a narrower definition of the industry, such as that producing only radial passenger tires, would not have changed our determination.

worker productivity have all increased over the period of investigation.

U.S. consumption of tires for passenger cars increased steadily throughout the period of investigation from 160.8 million tires in 1981 to 177.8 million tires in 1983, and from 86.5 million tires in January-June 1983 to 98.1 million tires in January-June 1984. 13/ Domestic production increased substantially, from 149.8 million tires in 1981 to 156.3 million tires in 1983, and to 88.3 million tires in January-June 1984 compared with 79.0 million tires in the corresponding period of 1983. 14/

Reported domestic capacity to produce passenger tires decreased between 1981 and 1983 from 158.8 million tires to 152.3 million tires, before increasing in January-June 1984 to 79.4 million tires, compared with a capacity of 75.5 million tires in January-June 1983. 15/ At the same time, domestic capacity utilization grew from 81.7 percent in 1981 to 88.7 percent in 1983, and from 90.9 percent in the first half of 1983 to over 100 percent in the first half of 1984. 16/

U.S. producers' domestic shipments of tires for passenger cars increased steadily between 1981 and 1983, from 143.8 million tires to 154.8 million tires, and between January-June 1983 and January-June 1984, from 75.3 million

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13/ Report at A-6, table 1.
14/ Id. at A-13, table 4.
15/ Id. Several producers have consolidated operations in order to increase capacity utilization and lower variable costs. See, e.g., Merrill Lynch, Tire Industry Quarterly, March, 1981 at 6. In addition, data on overall operations mask steady increases in capacity to produce radial tires. Report at A-13, table 4.
16/ Id. We note that capacity was reported on the basis of the industry's definition of "rated" capacity, which is most commonly viewed as the quantity of tires that a firm can produce by operating its establishments 3 shifts (24 hours) per day, 5 days per week. Although capacity utilization may be somewhat overstated due to a number of establishments recently operating 6 or 7 days per week, the increasing trend and high levels of capacity utilization are unmistakable.

tires to 83.7 million tires. 17/ Inventories of passenger tires held by domestic producers declined throughout the period of investigation, with significant decreases in 1983 and the first half of 1984. As a percentage of shipments, inventories decreased from 22.6 percent in 1981 to 17.6 percent in 1983, and although inventories for the first half of 1983 accounted for 20.9 percent of shipments, this percentage was only 17.8 percent for the comparable period of 1984. 18/ Exports by domestic producers also increased over the period of investigation. 19/

Between 1981 and 1983, the reported number of production and related workers engaged in the manufacture of tires for passenger cars declined from 22,379 workers to 20,489 workers. 20/ However, the number of workers increased from 20,601 in the first half of 1983 to 21,773 in the first half of 1984. 21/ Moreover, the average number of weekly hours worked increased, from 39.1 hours in 1981 to 40.7 hours in 1983, and remained steady between the first half of 1983 and the first half of 1984. 22/ The average hourly wages paid, the average total compensation, and the productivity of workers also increased over the period of investigation. 23/

17/ Id. at A-15, table 5.

18/ Id. at A-16, table 6. All other measures of inventory suggest that reduction as well. See, infra, at 13.

19/ Domestic producers exported 4 million passenger tires in 1981, 2.9 million tires in 1982, 4.2 million tires in 1983, and 3.1 million tires in the first half of 1984 compared with 1.9 million tires in the first half of 1983. Id.

20/ Id. at A-18, table 7.

21/ Id.

22/ Id.

23/ The average hourly wages paid increased from $12.29 in 1981 to $13.87 in 1983, and comparing the two partial-year periods, the average wages paid increased from $13.61 to $14.19. Similarly, the average total compensation increased from $16.42 in 1981 to $18.32 in 1983, and from $18.24 in January-June 1983 to $18.75 in January-June 1984. The productivity of workers increased by 9 percent between 1981 and 1983 and by 8 percent between January-June 1983 and January-June 1984. Id.

The profit-and-loss data collected by the Commission show that the domestic industry was profitable throughout the period of investigation, with radial ply tire operations showing the largest profits. 24/ Net sales of passenger tires increased steadily between 1981 and 1983 and between January-June 1983 and January-June 1984. 25/ At the same time, the ratio of operating income to net sales for passenger tires increased between 1981 and 1982, then declined slightly in 1983, and declined between January-June 1983 and January-June 1984. 26/ In 1982 and 1983, passenger tire operations registered double-digit profit margins.

Net sales of radial passenger tires alone, which account for 71 percent of domestic shipments in 1983, climbed steadily during 1981-1983 and in January-June 1984. 27/ The ratio of operating income to net sales for radial tire operations showed double-digit profit margins in each period. 28/ Although the operating income to net sales ratio for radial tire production declined in January-June 1984 compared with January-June 1983, it remained above 1981 levels. 29/

In contrast to radial tire operations, domestic operations producing bias passenger tires showed smaller profits and steadily declining trends. Net sales revenues for bias passenger tires declined each year and in the partial-

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24/ The specific data on profitability are confidential because the petition contains similar aggregate data for 5 of the 8 firms that responded to the questionnaire. The publication of data for the 8 firms could disclose confidential information concerning the operations of the other 3 firms.
25/ This analysis is based on combining data in tables 9 and 10, which cover radial and other passenger tire operations, respectively. Report at A-20 and A-22.
26/ Id.
27/ Id. at A-20, table 9. The exact figures are confidential.
28/ Id.
29/ Id.

year periods. 30/ Profit margins for bias tires also declined each year, and in January-June 1984 showed a slight loss. 31/

During this period, we note that domestic producers increased capital expenditures considerably, indicating that they were investing in modernizing plant facilities, including converting bias tire production facilities into radial tire production facilities. 32/ Seven large manufacturers of passenger tires reduced their long-term debt by 18 percent in 1983. 33/ These events together suggest the ability to raise capital was enhanced significantly during the period of investigation. The financial ratios of U.S. producers also improved in all categories over the period of investigation, particularly with regard to inventory turnover, the ratios of net sales to fixed and total assets, and capital expenditures to fixed assets. 34/

Therefore, there is no reasonable indication that the domestic industry is experiencing material injury. 35/ In fact, the record demonstrates that despite their high production levels, faced with high demand in both the original equipment (OE) and replacement markets, the domestic industry has not been able or willing to meet the current demand in both markets for certain

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30/ Id. at A-21-22, table 10.
31/ Id.
32/ Id. at A-22-24, tables 11 and 12.
33/ Merrill Lynch, Tire Industry Quarterly, April 1984 at 14, June 1983 at 15.
34/ Report at A-25-26, table 14.
35/ Chairwoman Stern bases her determination upon an analysis of the effect of imports on the domestic industry without making a separate finding that there is no reasonable indication that the industry is experiencing material injury. The condition of the domestic industry is obviously an important factor in evaluating the effect of the subject imports. However, in this investigation, it is not analytically helpful to consider separately the questions of injury and causation. Rather, having examined the general condition of the domestic industry, she makes one finding that there is no reasonable indication of material injury, or threat thereof, by reason of alleged LTFV imports from Korea.

passenger tires, and has recently placed customers on allocation. 36/

The domestic industry argues that although it is currently performing well, it is nonetheless materially injured by imports from Korea because it is not doing as well as it should. 37/ Specifically, it argues that the tire industry is cyclical and that during the current upswing in the cycle it should be earning greater profits than it is. In support of its contention, the domestic industry cites that its profit margins have decreased during the current upswing in the business cycle.

We reject petitioners' contention for two reasons. First, we do not agree that the slight decline in profits alone can be taken as sufficient evidence of a reasonable indication of material injury. 38/ The allegation by a profitable industry that profits should have been greater is not, without

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36/ Report at A-55; Tr. at 63-64, 82, 85, 93, 98, 103, 108, 122, 125, 132, and 134. See also, Report at A-26, which demonstrates that inventory turnover has increased over the period of investigation. Domestic producers generally prefer to sell to the OE market over the replacement market, and sell to the brand name segment of the replacement market over the private-label segment. Thus, the private-label customers have encountered the most problems satisfying their requirements. As we note infra, imports from Korea are concentrated in this private-label segment of the market.

37/ Tr. at 22.

38/ See, e.g., American Spring Wire Corp. et al. v. United States, __ C.I.T. __, Slip Op. 84-83 (July 11, 1984) where the Court of International Trade held that "absence of profits shall not act as a proxy for injury." We note, also, that we believe this investigation is readily distinguishable from the Commission's affirmative determinations in Color Television Receivers From the Republic of Korea and Taiwan, Inv. No. 731-TA-134 (Final), USITC Publication 1514 (1984) and Certain Radio Paging and Alerting Receiving Devices From Japan, Inv. No. 731-TA-102 (Preliminary), USITC Publication 1295 (1982). In Color Television Receivers, the improvements in demand and capacity utilization were substantially below the levels that had been achieved earlier and the industry's profit levels were significantly below that of producers of other electronic products. In Radio Paging Devices, although most of the indicators of the domestic industry's condition were positive, reflecting an expanding market, the declines in profits were substantial and occurred on both an operating basis and a net profit basis.

other evidence of injury, a sufficient basis for a finding of a reasonable indication of injury.

Second, we find that the data collected in this investigation show this industry as a whole is not cyclical. The data, in fact, indicate that the profitability of the industry appears to be negatively related to new passenger car production. For example, although petitioners argue that the passenger tire industry follows the trends of the automobile industry, the record indicates that the ratio of operating profits to net sales of passenger tire producers increased in 1982, a year in which passenger car production dropped significantly. 39/ Further, the overall net income for the five largest domestic passenger tire manufacturers is not positively related to U.S. passenger car production. 40/

The performance of tire manufacturers also does not appear to correlate with fluctuations in the economy. All available measures of inventory level and turnover suggest a continued tightening of the supply of domestic passenger tires during 1981 to 1983 that does not follow the pattern of the recession and recovery of real gross national product. 41/

39/ Report at A-19, table 8, Petitioners' Postconference Brief at 17-18. Logically, a drop in profit margins of tire manufacturers is to be expected during a period of increased auto sales when a larger percentage of the manufacturers' production is devoted to the lower profit OE market.

40/ Overall profits for the five largest producers of passenger tires (accounting for more than 75 percent of 1983 domestic shipments) increased significantly from 1980 levels during 1981, a year when passenger car production fell to 6.3 million units from 6.4 million units in 1980 and from 8.4 million units in 1979. Merrill Lynch, Tire Industry Quarterly, March 1982, at 11, and April, 1984, at 13, "Net Income Trends," as reprinted in Petition, Exhibit 24

41/ Office of Economics Memorandum, EC-H-340 (August 24, 1984). Absolute numbers of passenger tires in inventory decreased in each full year of the investigation. Report at A-16, table 6. Inventories of tires as a percentage of shipments fell in 1982, 1983, and in the first half of 1984 compared with the like period of 1983. Id. Inventory values as a portion of net sales and as a portion of total assets fell in each full year of the investigation and in the first half of 1984. Id. at A-26, table 14. (Continued on next page)

No reasonable indication of material injury by reason of alleged LTFV imports 42/

Even if we were to have found a reasonable indication of material injury, we do not believe that there is a reasonable indication that the alleged LTFV imports from Korea are a cause of that injury.

The Act requires the Commission to determine whether there is a reasonable indication of material injury by reason of alleged unfair imports by considering, among other factors, (1) the volume of alleged LTFV imports, (2) the effect of such imports on prices in the United States for like products, and (3) the impact of such imports on domestic producers of like products. 43/

Imports from Korea increased in absolute terms since 1981, but at a rate slower than the increase in many other factors, such as, domestic consumption or production, or the increase in domestic shipments, and other imports. 44/ Imports of radial ply tires for passenger cars from Korea accounted for an increasing, but nevertheless small portion of domestic consumption of passenger tires during the period of investigation. Those imports constituted 0.6 percent of domestic consumption of passenger tires in 1981, 1.0 percent in 1982, 2.0 percent in 1983, 1.9 percent in the first half of 1983, and 2.0

(footnote 41 continued) Inventory turnover, the measure of inventory movement in relation to production costs (the cost of goods sold), increased from 4.9 times this cost in 1981 to 6.4 in 1983, and to 6.9 in the first half of 1984, indicating that the speed of inventory movement continued to accelerate from 1981 through the first half of 1984. This significant increase in inventory turnover is mirrored in the continued decrease in the average number of days that tires were in inventory. Id.

42/ Vice Chairman Liebeler, who joined with a majority of the Commission in finding no reasonable indication of material injury or threat thereof to a domestic industry, does not reach the question of causation.

43/ 19 U.S.C. § 1677(7)(B).

44/ Report at A-6, A-13, A-15, and A-29.

percent in the first half of 1984. 45/ At the same time, domestic producers' share of U.S. consumption slipped slightly from 89.4 percent in 1981 to 87.0 percent in 1983, and to 85.3 percent in January-June 1984 compared with 87.1 percent in January-June 1983. 46/ Therefore, while domestic consumption climbed in 1983 and the first half of 1984, the market share held by imports from Korea remained small and relatively flat. 47/ Thus, we find that imports from Korea did not increase significantly in either absolute or relative terms.

The pricing information collected by the Commission also does not support the existence of a causal nexus between imports from Korea and the condition of the domestic industry. 48/ Prices for radial tires typically peaked during 1982 and subsequently declined until the most recent quarters when a slight price increase occurred in some of the product categories studied. 49/ Petitioners contend that domestic prices have been suppressed by low priced imports from Korea. 50/ They argue that imports from Korea have been able to

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45/ Id. at A-31, table 18. In the radial tire market, imports from Korea constituted 0.5 percent of U.S. radial passenger tire consumption in 1981, 1.2 percent in 1982, 2.6 percent in 1983, 2.5 percent in January-June 1983, and 2.4 percent in January-June 1984. Id.

46/ Id.

47/ Apparently, the decline in U.S. market share is largely accounted for by imports from countries other than Korea which increased from 10.0 percent of U.S. consumption in 1981 to 11.0 percent in 1983, and to 12.7 percent in January-June 1984, compared with 11.0 percent in January-June 1983. Id. Further, those imports included imports by domestic producers. Id. at A-17.

48/ The price data collected by the Commission is related only to the replacement market, which is the only market in which imports from Korea participate. In 1983, 72 percent of domestic passenger tire shipments were directed to the replacement market while the OE market accounted for approximately 28 percent of all such shipments. Report at A-7-8. In 1981 and 1982, the OE market accounted for 25 percent and 23 percent of domestic passenger tire shipments, respectively, while this market accounted for 32 percent of shipments in the first half of 1984 compared to 27 percent in the comparable period of 1983. Id. at A-15, table 5.

49/ Id. at A-34-37.

50/ Tr. at 30, 36, and 51; Petitioners' Postconference brief at 1 and 14-16.

enter the market because of price and that domestic producers would have been able to raise prices but for the presence of those imports. 51/

Although prices have declined during the period of investigation, we do not believe that imports from Korea are a cause of those lower prices. First, the evidence indicates that major downward pressure was exerted in domestic tire prices by factors unrelated to imports from Korea. Thus, it appears that initially, prices dropped because of declines in costs, 52/ and subsequently, prices remained low because of competition among domestic producers for market share. 53/ Further, the record contains information that prices were pushed down by price cutting on the part of one domestic producer 54/ and by mass merchandisers of radial passenger tires who began to advertise domestic national brand tires at discount prices. 55/

Second, even though the imports from Korea are priced significantly below prices for domestically produced tires, substantial evidence in the record indicates that availability, not price, was the major factor in purchasers' decisions to source from Korea. 56/ In addition, the Commission was unable to confirm any of the petitioners' allegations of lost revenues or lost sales to imports from Korea. 57/ To the contrary, virtually every purchaser of imports from Korea contacted indicated that it purchased imports because of the

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51/ Tr. at 40-41 and 62, and Petitioners' Postconference brief at 14.
52/ Tr. at 87 and 109.
53/ Tr. at 21 (Mr. Robert Gossett, Goodyear Tire & Rubber Co.), 38 (Mr. Gary Fay, Cooper Tire & Rubber Co.), and 130-31 (Mr. Craig Anderson, Hercules Tire & Rubber Corp.); Respondents' Postconference brief at 19.
54/ Tr. at 89, 95, and 109-110. See also, Merrill Lynch Tire Industry Quarterly, March 1981, at 7, reprinted in Petition at Exh. 24. There, discussing 1981 price levels, it states: "The chief culprit in the recent price weakness is considered to be Michelin . . . ."
55/ Tr. at 127.
56/ Id. at 128; See note 36, supra.
57/ Report at A-39.

shortage of supply from domestic producers. 58/ The explanation for the apparently anomolous situation of falling prices in a period of insufficient supplies appears to be that domestic producers are seeking to maintain or increase market share, despite the shortages of supply. 59/

In light of our discussion above, we do not find a reasonable indication that imports of radial tires from Korea have had a detrimental impact upon the operations of domestic producers of passenger tires.

No reasonable indication of threat of material injury

In considering whether there is a reasonable indication of threat of material injury to the domestic industry producing passenger tires, we have considered the rate of increase of U.S. market penetration by the alleged LTFV imports, the lack of inventory overhang, the capacity of the Korean producers to generate exports, and the availability of alternative markets for the Korean tires. 60/ We have also taken into account the requirement that a reasonable indication of threat of material injury be based upon "information showing that the threat is real and injury is imminent, not a mere supposition or conjecture." 61/

First, imports of radial passenger tires from Korea, as a percentage of market share, increased only slightly between 1982 and 1983 and not at all in 1984. Alleged LTFV imports from Korea accounted for only 1.0 percent of domestic consumption in 1982, and 2.0 percent of apparent U.S. consumption in 1983 and in the first half of 1984. 62/ Thus, although such imports increased

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58/ Id.
59/ We note, however, that profits have been only minimally affected.
60/ 19 C.F.R. § 207.26(d).
61/ S. Rep. No. 249, 96th Cong., 1st Sess. 88, 89 (1979); Alberta Gas Chemicals, Inc. v. United States, 515 F.Supp. 780, 790-91 (CIT 1981).
62/ Report at A-31, table 18.

in absolute numbers, as a percent of market share there was virtually no increase in the most recent periods.

Second, inventories of radial passenger tires from Korea decreased steadily and substantially from yearend 1981 to yearend 1983, and further declined steeply from June 30, 1983, to June 30, 1984. 63/

Third, Korea does not have and will not have significant excess capacity. There are currently two Korean producers of radial passenger tires. 64/ The information collected regarding their capacity to produce radial passenger tires shows that their combined capacity has increased during the period of investigation and is expected to increase in the future. 65/ However, the expected increase in capacity in 1984 and 1985, is relatively small. 66/ A third Korean company is not expected to begin producing radial passenger tires before 1986. 67/ Korean producers are currently operating at nearly 100 percent of capacity and have projected that they will be operating at even higher levels of capacity utilization in 1984. 68/ In addition, home market sales of radial passenger tires in Korea rose substantially between 1982 and 1983 and is projected to further increase in 1984. 69/

Fourth, although the United States has been Korea's primary export market for radial passenger tires, the percentage of Korean exports sent to Europe more than doubled from 1982 to 1983 and are expected to nearly double again in 1984. 70/

63/ Id. at A-27.
64/ Id. at A-10-11.
65/ Id. at A-11.
66/ Id.
67/ Id.
68/ Id.
69/ Id. at A-11-12.
70/ Id.

We have considered petitioners' contention that the Commission should take into account their forecast that demand for radial passenger tires in the OE market will decline by 6 percent in 1985 while domestic capacity will increase. Assuming arguendo such a downturn in the OE market, the industry's profits have typically increased during such downturns. 71/ Furthermore, most of the industry's sales and all competition with passenger tires from Korea occur in the replacement market. Therefore, any negative projected downturn in the OE market and the consequent impact of imports from Korea on the industry as a whole is conjectural. This does not meet the legal standard of "real and imminent."

Thus, we conclude that there is no reasonable indication of threat of material injury to the domestic industry by reason of alleged LTFV imports from Korea.

71/ Merrill Lynch, Tire Industry Quarterly, March, 1982, at 11, and April 1984, at 13, "Net Income Trends," as reprinted in Petition, Exh. 24; Report at A-19. The relationship of passenger car production to passenger tire industry profits is discussed supra at page 12.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On July 20, 1984, counsel for the Armstrong Rubber Co., Cooper Tire & Rubber Co., the Firestone Tire & Rubber Co., the B.F. Goodrich Co., and the Goodyear Tire & Rubber Co., filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that an industry in the United States is materially injured, or threatened with material injury, by reason of imports from the Republic of Korea (Korea) of new (not including recapped) pneumatic radial tires of rubber or plastics, for passenger cars, provided for in item 772.51 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, the Commission instituted a preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 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 the importation of such merchandise. The statute directs that the Commission make its determination within 45 days after receipt of a petition, or in this case, by September 4, 1984.

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, D.C., and by publishing the notice in the Federal Register on July 31, 1984 (49 F.R. 30605). 1/ The public conference was held in Washington, D.C., on August 13, 1984. 2/ The Commission voted on the investigation on August 27, 1984.

Previous Commission Investigation

On March 11, 1982, the Commission instituted investigation No. 104-TAA-9 under section 104(b)(1) of the Trade Agreements Act of 1979, concerning imports of X-radial steel belted tires from Canada. The investigation was terminated when the petition was withdrawn on April 21, 1982.

The Product

Description and uses

This investigation involves new radial ply tires for passenger cars which, if imported, enter the United States under TSUS item 772.51. Radial ply tires are pneumatic tires in which the ply cords run archwise from bead to bead at appproximately a 90-degree angle (figure 1). In bias-ply or belted bias-ply tires, the cord angle is generally between 30 and 40 degrees away

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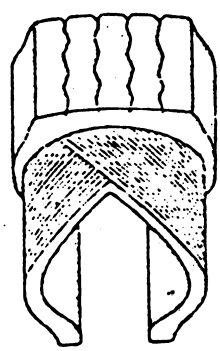
1/ A copy of the Commission's notice of institution of a preliminary antidumping investigation is presented in app. A. A copy of the Department of Commerce's notice is presented in app. B.

2/ A copy of the list of witnesses appearing at the conference is presented in app. C.

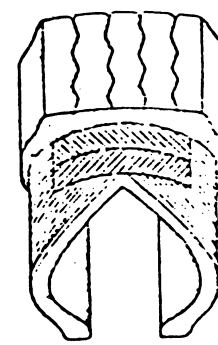
Figure 1.--Basic tire constructions.

BIAS-PLY CONSTRUCTION



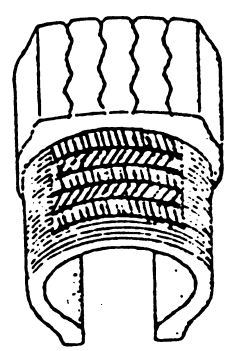
Note plies at 30°-40° angle

BIAS-BELTED CONSTRUCTION



Note addition of belts.

RADIAL CONSTRUCTION



Note arcwise orientation of plies, with the addition of belts.

Source: "Tires and Tubes," Summary of Trade and Tariff Information, USITC Publication 841, Control No. 7-12-12, March 1981, p.4.

from the bead. A ply cord (carcass ply) is a layer of rubberized fabric extending from bead to bead and reinforcing the tire. Tire beads are composed of high tensile strength steel wire formed into hoops which anchor the carcass plies and hold the tire on the rim of the wheel. Polyester is the cord material used in the carcass plies of nearly all radial ply tires.

Belts are narrow layers of tire cord placed in the crown of the tire directly under the tread. Steel wire mesh was the belted cord material used in 78 percent of the radial passenger tires produced domestically in 1983. 1/ Another 18 percent had belts of fiberglass cord.

In 1965, B.F. Goodrich became the first American company to introduce the radial tire. 2/ Radial tires did not become popular in the United States until the 1970's. During the first 6 months of 1984, approximately 75 percent of domestically produced passenger car tires were radials. Radials are now used as original equipment on all American cars. With the radial ply construction it is possible to eliminate the friction between plies and stabilize the portion of the tire which contacts the road. The performance consequences of radial tire construction include:

1. Twice the mileage of the bias-ply tire.

2. Improved traction due to structural change, not just tread design change.

3. Improved ride comfort and safety due to the casing having greater flexibility.

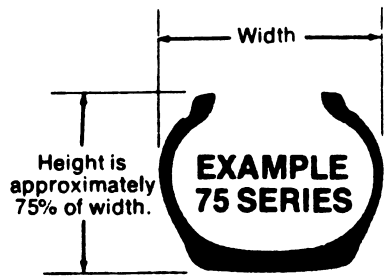
4. Reduced heat buildup which increases the life of the tire cord.

5. Reduced rolling resistance which increases gasoline economy.

Radial tires for passenger cars are available in about 15 sizes. However, over 60 percent of radial passenger tire shipments in 1983 were in six metric sizes: P195/75R14, P215/75R15, P225/75R15, P205/75R14, P155/80R13, and P185/80R13. The "P" designates passenger car tire. The first three digits are the tire width in millimeters. The next two digits are a percentage expressing the tire profile, i.e., the ratio of the tire height to width. The rim diameter designation in inches is the final piece of information given in the tire size. For example, with respect to the most popular P-metric radial size, P195/75R14, the tire width is 195 millimeters (approximately 7.7 inches); the tire profile is 75 percent, i.e., the tire height is approximately 75 percent of the tire width; and the tire is to be mounted only on a 14-inch diameter rim. An illustration of a tire profile is shown in figure 2.

1/ "1983 Tire Industry Facts," Modern Tire Dealer, January 1984, p. 43.
2/ Michelin began marketing radial tires in Europe in 1948. Michelin radials were available in the United States as early as 1952 for foreign cars and in 1957 for domestic cars.

Figure 2.--Tire profile.



Source: Tire Replacement Guide for Passenger Cars, Rubber Manufacturers Association, Washington, D.C., 1982.

Manufacturing process

The tire manufacturing process consists of mixing elastomers, carbon blacks, and chemicals to form a rubber compound; processing the various fabrics and coating them with rubber in a calendering operation; extruding the rubber tread and sidewall material; assembling the components on a tire-building machine; curing the tire under heat and pressure; and then finishing the product.

The purpose of mixing is to obtain thorough, uniform dispersion of all compounding ingredients within the elastomer. Generally the order of addition is (1) rubber, (2) plasticizers and softeners, (3) fillers, (4) curing agents (sulfur), and (5) accelerators and antioxidants. In the calendering operation the rubber compound is spread on the fabric. A calender is a heavy-duty machine equipped with three or more heated rolls revolving in opposite directions. The amount of rubber compound deposited onto the fabric is determined by the gap between rolls. Each cord is insulated on all sides by rubber. The rubberized fabric is then cut to the desired width and angle.

In tire manufacturing, most of the rubber goes into forming the tread and sidewall. Strips of rubber compound are fed into an extruder and forced through a (shaped slot) die. Proper extrusion depends on the plasticity of the stock and the smoothness of the compound. Following extrusion, the continuous stream of formed compound is bevel cut to a predetermined length and is weighed, cooled, and cemented. These strips are then ready for tire building. Rubber is also used to coat bead wires. The bundles of wire are passed through an extrusion die where a coat of rubber is added. The rubber-coated wires are then wound in a hoop of specific diameter.

The calendered and cut carcass plies and belts plus the extruded tread, sidewall, and beads are assembled at the tire-building machine. On this drum, the "green" or uncured tire is built. Radial tire building requires complex and costly machinery incorporating inflatable textile-reinforced diaphragms, overlying a skeletal metal drum, to shape the carcass plies up to the diameter for belt fitting. Radial ply tires cannot be assembled on conventional bias

ply tire-building equipment without the equipment undergoing major modification.

The tire-building process begins with the application of a thin layer of rubber compound called the inner liner. In tubeless tires the inner liner is the air-retaining member. The carcass plies are placed on the drum one at a time, after which the beads are set in place and the plies are turned up around them. At this stage, the green radial tire is expanded from a cylindrical to a toroidal shape. A toroidal shape can be visualized as the volume of space that a sphere occupies while orbiting some center. The belts and tread rubber are then added to this toroidal shape. The drum is collapsed, and the uncured (green) tire is loaded into an automatic tire press to be cured (vulcanized) at high temperature and pressure. In press curing, the compound flows into the mold shape to give a design to the tread and the desired thickness to the sidewall. The vulcanization process converts the rubber and fabric into a tough, highly elastic product and also bonds the various parts of the tire into one singular unit.

After curing, the tire can be mounted on a rim and permitted to cool while inflated to reduce internal stresses. Finishing the tire after cure and post inflation involves trimming, buffing, balancing, and inspection by quality control procedures.

U.S. tariff treatment

New radial ply passenger car tires are provided for in TSUS item 772.51. The current most-favored-nation (MFN) (column 1) rate of duty, 1/ which applies to all passenger tire imports from Korea, is 4 percent ad valorem. This product is eligible for duty-free treatment under the Generalized System of Preferences (GSP) when imported from GSP-eligible countries. Korea is not eligible for such treatment under item 772.51.

At the request of the U.S. industry, the TSUSA reporting number for passenger car tires was changed effective January 1, 1982, from 772.5105 (new passenger car tires) to 772.5109 (new radial passenger car tires) and 772.5112 (other new passenger car tires). The purpose of this change was to obtain a better statistical picture of the characteristics of imported tires by differentiating between radial and non-radial tires.

Nature and Extent of Alleged Sales at LTFV

In calculating alleged dumping margins, the petitioner compared various U.S. and Korean radial passenger tires of comparable sizes, tread designs, and construction, built for use on the same vehicles. Fair value calculations were based on the Korean manufacturers' estimated and published ex-factory wholesale prices and were adjusted to reflect movements in exchange rates. U.S. prices were generally based on printed price lists circulated to the trade but in some instances were based on prices reported by petitioners'

1/ Col. 1 rates of duty are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

sales staffs. Petitioners' comparisons of calculated fair value prices and U.S. prices resulted in dumping margins that ranged from 8.74 percent to 121.81 percent.

The Domestic Market

Apparent U.S. consumption

Apparent U.S. consumption of all passenger tires rose by 2.6 percent from 1981 to 1982, 7.8 percent from 1982 to 1983, and 13.5 percent in January-June 1984 compared with consumption in January-June 1983 (table 1). From 1981 to 1983, consumption of radial passenger tires increased by 23.3 percent, whereas consumption of other passenger tires declined by 13.9 percent. These trends continued into January-June 1984, when consumption of radial passenger tires was 23.1 percent greater, and consumption of other passenger tires was 11.4 percent less, respectively, than in January-June 1983.

Similar trends occurred in the replacement market where consumption of radials steadily increased and consumption of other passenger tires steadily decreased. Total consumption in the replacement market grew by 7.4 percent from 1981 to 1983 and by 7.9 percent in January-June 1984 compared with consumption in January-June 1983.

Table 1.--Passenger tires: Apparent U.S. consumption, by markets and types, 1981-83, January-June 1983, and January-June 1984

(In thousands of tires)

Item	1981	1982	1983	January-June--	
				1983	1984
Replacement market:					
Radial passenger tires	75,855	86,429	93,991	45,144	54,126
Other passenger tires	48,921	44,539	40,049	20,804	17,045
Total	124,776	130,968	134,040	65,948	71,171
Original equipment market:					
Radial passenger tires	29,973	28,415	36,527	17,117	22,543
Other passenger tires 1/	6,006	5,566	7,246	3,420	4,429
Total	35,979	33,981	43,773	20,537	26,972
All markets:					
Radial passenger tires	105,828	114,844	130,518	62,261	76,669
Other passenger tires	54,927	50,105	47,295	24,224	21,474
Total	160,755	164,949	177,813	86,485	98,143

1/ The only passenger tires other than radials that have been used as originial equipment for new cars during the period covered by the investigation are those that have been purchased for use as temporary ("mini") spares.

Source: Compiled from data contained in Rubber Manufacturers Association public reports.

In the original equipment (OE) market, consumption of both radial and other passenger tires declined from 1981 to 1982 and then increased in subsequent periods. Total consumption in the OE market fell by 5.6 percent from 1981 to 1982 and then rose by 28.8 percent from 1982 to 1983 and by 31.3 percent in January-June 1984 compared with consumption in January-June 1983.

U.S. consumption of passenger tires in the replacement market is closely related to the number of vehicle miles traveled, which rose by 1.4 percent from 1981 to 1982 and by 3.7 percent from 1982 to 1983, as shown in the following tabulation (in billions of vehicle miles): 1/

Year	U.S. motor vehicle travel
1981	1,550.3
1982	1,571.4
1983	1,630.0

Replacement market consumption is also related to the average age of passenger cars in use in the United States, which rose from 6.9 years in 1981 to 7.2 years in 1982 and to 7.4 years in 1983. 2/ Although tire consumption in the replacement market has risen in response to an increase in miles traveled and an increase in the average age of cars, this growth in consumption has been somewhat mitigated by the increasing trend in the replacement market toward radial tires which have a substantially greater tread life than bias tires.

Tire consumption in the original equipment market is directly proportional to U.S. automobile production (after adjusting for changes in inventories), which declined by 18.9 percent from 1981 to 1982, then increased by 34.1 percent from 1982 to 1983, and is projected to further increase by 17.6 percent from 1983 to 1984, as shown in the following tabulation (in millions of passenger cars): 3/

Year	U.S. automobile production
1981	6.25
1982	5.07
1983	6.80
1984 (estimated)	8.00

Channels of distribution

There are mainly two markets for tires in the United States, the original equipment market and the replacement market. The OE market is characterized by direct sales between tire producers and automotive producers. In 1983, the OE market accounted for about 28 percent of U.S. producers' domestic passenger

1/ Tire Industry Quarterly, Merrill Lynch, April 1984, p. 4.
2/ MVMA Motor Vehicle Facts & Figures '84, Motor Vehicle Manufacturers Association, p. 24.
3/ Tire Industry Quarterly, Merrill Lynch, December 1983, p. 8, and April 1984, p. 3.

tire shipments. The remaining 72 percent of shipments were in the replacement market via several channels. Independent dealers were the largest distribution route for passenger radials, accounting for 67 percent of the replacement units sold in 1983. Chain stores, department stores, and discount stores are the second largest source of replacement sales, representing about 18 percent of the market. Sears, Montgomery Ward, and K-Mart are included in this category. Other major avenues of distribution include tire company stores (11 percent) and oil companies (4 percent).

Independent dealers buy directly from the tire manufacturers. They may act as wholesalers, selling to other dealers or bulk consumers, or as retailers, selling through their own retail outlets. Chain stores have maintained a substantial share of the replacement market for over half a century. Tires for these outlets are manufactured to the chain store's specification under private brand names.

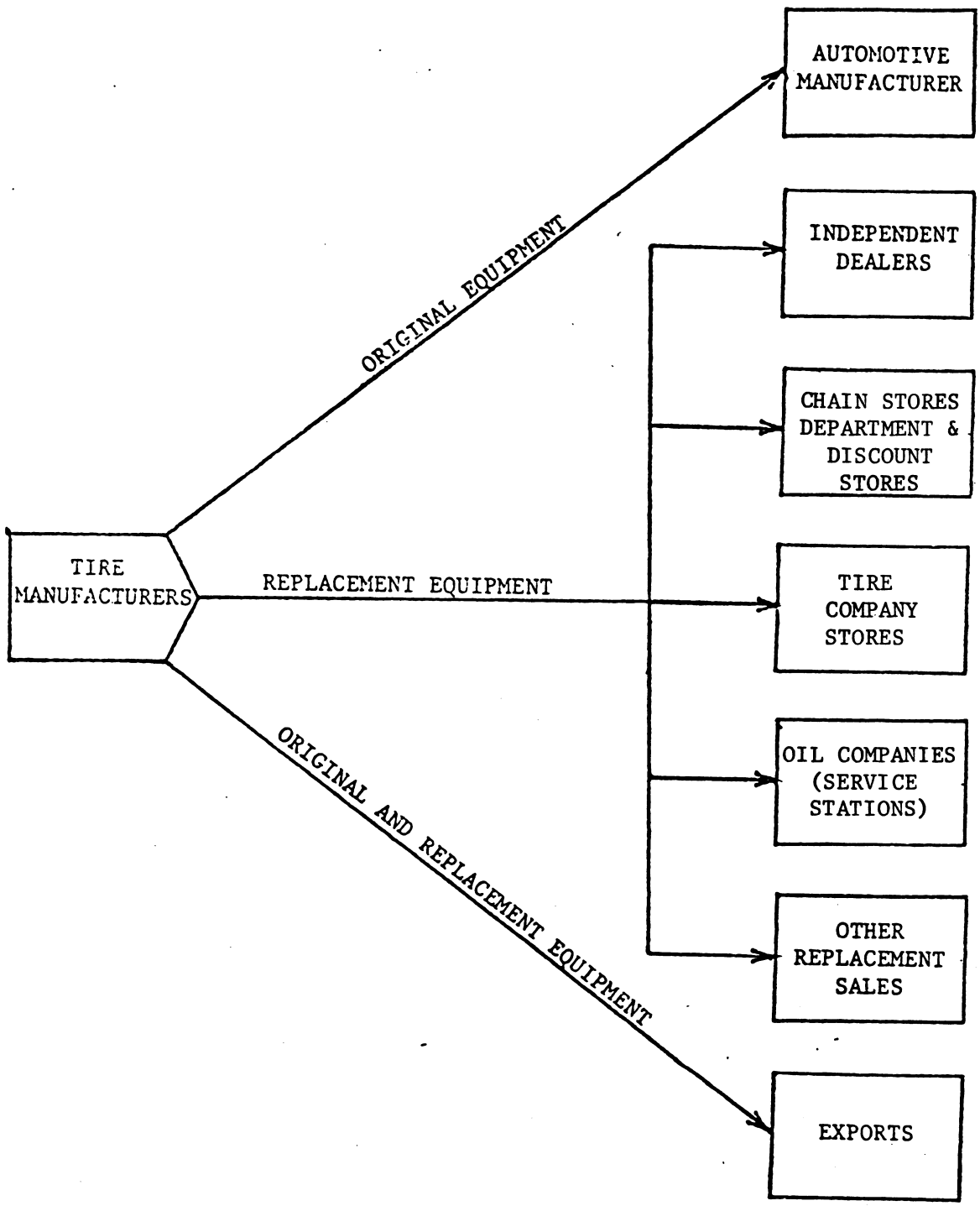
Tire company stores are direct retail outlets for the major tire companies. These stores have accounted for over 10 percent of the market for the past several years. They generally handle only the tires of the manufacturer they represent and sell at competitive prices. At present no foreign-owned tire manufacturers maintain company-owned retail stores. They generally manufacture private label tires or sell through chain stores or independent dealers.

Sales through oil companies (service stations) are generally handled in one of three ways. An oil company may purchase tire company brands for resale to the service station outlets. Secondly, an oil company may buy tires under a private label (e.g., Atlas), manufactured to the oil company's specifications. Finally, the service station may act as a direct agent for the tire manufacturer, remitting a portion of the profit to the oil company represented. A diagram of the channels of distribution within the domestic passenger tire market is shown as figure 3.

U.S. Producers

Currently there are 10 domestic manufacturers of radial passenger tires. The largest companies are Goodyear and Firestone, which are multinational in scope, vertically integrated, and producers of a wide variety of rubber products. Uniroyal, B.F. Goodrich, and GenCorp are highly diversified corporations which started as basic rubber companies but are now also involved in other industries. These firms are also vertically integrated, multinational, and producers of an assortment of rubber products. Dunlop and Michelin are foreign-owned companies which are also vertically integrated; their major U.S. operations are in tires. Armstrong, Cooper, and Mohawk are small manufacturers which are not vertically integrated to any great extent and sell primarily in the domestic market. Table 2 shows the U.S. producers' shares of domestic passenger tire shipments in 1983, by type of tire.

Figure 3.--Channels of distribution - U.S. tire market.



Source: Prepared by staff of the U.S. International Trade Commission.

Table 2.—Passenger tires: U.S. producers' shares of domestic shipments, by type, 1983

Producers	Radial	Other	Total
* * *----------	***	***	***
* * *----------	***	***	***
* * *----------	***	***	***
* * *----------	***	***	***
* * *----------	***	***	***
* * *----------	***	***	***
* * *----------	***	***	***
* * *----------	***	***	***
All other 1/----------	13.1	7.7	11.5
Total----------	100.0	100.0	100.0

1/ Includes * * * and * * *, which did not provide data in response to the Commission's questionnaire.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from Rubber Manufacturers Association public reports.

U.S. Importers

Two U.S. importers accounted for nearly 100 percent of imports of radial passenger tires from Korea during the period covered by the investigation. Each firm is affiliated with a Korean producer and exporter. Hankook Tire America Corp., of Fort Lee, N.J., accounts for virtually all imports of radial passenger tires produced by Hankook Tire Manufacturing Co., Ltd., of Kuro-Ku, Korea, and exported by Hankook and Hyosung Corp., of Seoul, Korea. Hankook Tire America Corp. is * * *. The second importer, Kumho U.S.A., Inc., of Compton, Calif., and, prior to October 1982, Samyang Tire U.S.A., Inc., have accounted for nearly all imports of radial passenger tires produced by Samyang Tire, Inc., of Chonnam, Korea, and exported by Samyang and Kumho & Co., Inc., of Seoul, Korea. Kumho U.S.A., Inc., is * * *.

The Korean Industry

There are two manufacturers of radial passenger tires in Korea: Hankook Tire Manufacturing Co., Ltd., in Kuro-Ku, Korea, established in * * *, and Samyang Tire, Inc., in Chonnam, Korea, formed in * * *. Samyang and Hankook began producing radial passenger tires in * * * and * * *, respectively. A third manufacturer, Woonpoong Tire Co., will begin to produce radial passenger tires in 1986. 1/ Korean exporters of radial passenger tires to the United States include the two current manufacturers and their related trading companies, Hyosung Corp. and Kumho & Co., Inc., respectively, both of Seoul, Korea.

1/ Statement of Seong Yawng Park at the public conference on Aug. 13, 1984, pp. 7 and 8 and Table 10.

Korean production of radial passenger tires more than doubled from 1982 to 1983 and is expected to rise by * * * percent from 1983 to 1984 (table 3). Radial passenger tire capacity rose by * * * percent from 1982 to 1983 and is expected to increase by an additional * * * percent from 1983 to 1984. Hankook and Samyang will expand radial passenger tire capacity by a total of 1 million tires per year beginning in mid-1985. In 1986, Woompoong will begin production with an annual capacity of 1.2 million tires. 1/ Capacity utilization in the Korean radial passenger tire industry rose from * * * percent in 1982 to * * * percent in 1983 and is projected to exceed * * * percent in 1984.

The United States has been Korea's principal export market for radial passenger tires, accounting for * * * percent of exports in 1982, * * * percent in 1983, and an anticipated * * * percent in 1984. Exports to the United States nearly tripled from 1982 to 1983 and are expected to increase modestly in 1984. In October 1983, the Korean Ministry of Trade and Industry imposed a limit on exports of radial passenger tires to the United States of 3.8 million tires annually for the 12-month period ending

Table 3.--Radial passenger tires: Korean production, capacity, capacity utilization, exports, and home-market sales, 1982-84, and inventories, as of Dec. 31 of 1982-84

Item	1982	1983	1/ 1984
Production----------1,000 tires--	***	***	***
Capacity 2/----------do----	***	***	***
Capacity utilization----------percent--	***	***	***
Sales:			
Exported to--			
The United States----------1,000 tires--	***	***	***
Europe----------do----	***	***	***
Australia----------do----	***	***	***
All other countries----------do----	***	***	***
Subtotal----------do----	***	***	***
Home-market----------do----	***	***	***
Total----------do----	***	***	***
Inventories 3/----------do----	***	***	***

1/ Projected.
2/ Based on operating establishments * * *.
3/ * * *.

Source: Hankook Tire Manufacturing Co., Ltd., and Samyang Tire Manufacturing Co., Ltd.

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

1/ Ibid.

September 30, 1984. 1/ Imports of Korean radial passenger tires reached a level of 2.687 million tires during October 1983-June 1984, or a projected annual rate of 3.583 million tires which is equal to 94.3 percent of the limit. On August 21, 1984, the Ministry of Trade and Industry extended this restraint level of 3.8 million tires for an additional 12-month period ending September 30, 1985. Counsel for the petitioners contends that this restraint level applies only to exports of P-metric radial tires. However, the August 21, 1984, letter from the Korean Government makes no mention of a restriction to P-metric radials. 2/ On August 23, 1984, a request was made of counsel for the Korean producers for a clarification of this issue.

Exports to Europe more than doubled from 1982 to 1983 and are expected to nearly double again from 1983 to 1984. On the other hand, exports to Australia fell precipitously from 1982 to 1983 and will remain low in 1984. Exports to all other countries as a whole more than doubled from 1982 to 1983 and are projected to rise by * * * percent from 1983 to 1984.

Home-market sales of radial passenger tires in Korea rose by * * * percent from 1982 to 1983 and are expected to further increase by * * * percent from 1983 to 1984. Total sales of Korean radial passenger tires more than doubled from 1982 to 1983 and are expected to increase by * * * percent from 1983 to 1984.

On May 28, 1982, the Australian Tyre Manufacturers Association lodged a formal dumping complaint under the Customs Tariff (Anti-Dumping) Act 1975 with the Department of Commerce of the Commonwealth of Australia, alleging that imports of certain radial and other passenger tires from Korea and several other countries were being dumped in the Australian market. 3/ On August 9, 1983, the Department of Industry and Commerce concluded that imports of certain radial passenger tires from Korea were being sold at less than normal value and had caused, and threatened to cause, material injury to the domestic industry. In accordance with this finding, the Government of Australia imposed dumping duties on such goods from Korea. Australia accounted for more than * * * percent of Korea's exports of passenger tires in 1982 and for less than * * * percent of such exports in 1983.

The Question of Material Injury

The Commission sent questionnaires to the 10 U.S. producers of radial passenger tires. Eight producers, accounting for 86.9 percent of U.S. shipments of radial passenger tires in 1983, provided data in response to the questionnaire. However, some of the questionnaire responses were incomplete, resulting in an understatement of data in some sections of the report. Such instances are noted where applicable. Production, shipments, and inventory data are based on public reports prepared by the Rubber Manufacturers Association (RMA), located in Washington, D.C. RMA's principal function is statistical reporting. Its membership includes all domestic tire producers as well as some foreign producers. RMA data contained in this section of the report represent production, shipments, and inventories of U.S. producers only.

1/ The Wall Street Journal, Oct. 21, 1983.
2/ See Appendix D for correspondence regarding this issue.
3/ See exhibit 4 of the petition.

U.S. production, capacity, and capacity utilization

U.S. production of radial passenger tires increased by 5.9 percent from 1981 to 1982, by 7.3 percent from 1982 to 1983, and by 19.9 percent in January-June 1984 compared with that in January-June 1983 (table 4). 1/ Production of other passenger tires declined steadily throughout the same period, reflecting the shift in customer preference from bias-ply and bias-belted tires to radial tires. For the most part, increases in radial production more than offset decreases in production of other passenger tires as total passenger tire production, after remaining essentially unchanged from 1981 to 1982, rose by 4.5 percent from 1982 to 1983 and by 11.8 percent in January-June 1984 compared with that in January-June 1983.

Table 4.--Passenger tires: U.S. production, capacity, and capacity utilization, by types, 1981-83, January-June 1983, and January-June 1984

Item	1981	1982	1983	January-June--	
				1983	1984
Production:					
Radial passenger tires					
1,000 tires--	96,635	102,322	109,796	54,678	65,580
Other passenger tires					
1,000 tires--	53,154	47,159	46,460	24,297	22,721
Total----------do----	149,789	149,481	156,256	78,975	88,301
Capacity: 1/					
Radial passenger tires					
1,000 tires--	97,581	100,808	102,521	50,483	56,912
Other passenger tires					
1,000 tires--	61,206	55,400	49,803	24,981	22,490
Total----------do----	158,787	156,208	152,324	75,464	79,402
Capacity utilization: 2/					
Radial passenger tires					
percent--	83.0	82.4	89.9	91.3	103.2
Other passenger tires--do----	79.7	77.7	86.0	89.9	95.8
Total----------do----	81.7	80.7	88.7	90.9	101.1

1/ Represents capacity of firms which accounted for 84.0 and 92.2 percent of production of radial and other passenger tires, respectively, in 1983.

2/ Production by firms which did not provide data on capacity are excluded from the calculations.

Source: Compiled from data contained in Rubber Manufacturers Association public reports and from data submitted in response to questionnaires of the U.S. International Trade Commission.

1/ * * *.

Reported capacity is based on the industry's definition of "rated" capacity, which is most commonly viewed as the quantity of tires that a firm can produce based on operating its establishments 3 shifts (24 hours) per day, 5 days per week. Thus, capacity utilization can exceed 100 percent if establishments operate 6 or 7 days per week, which frequently occurs during periods of peak demand such as the current period. However, because of other factors unrelated to demand, such as raw material shortages, equipment failures, and labor-related problems, capacity utilization for the industry may not exceed 100 percent even though some establishments are operating 6 or 7 days per week.

Reported capacity to produce radial passenger tires increased steadily during the period covered by the investigation, whereas reported capacity to produce other passenger tires decreased steadily. Capacity utilization with respect to radial passenger tires rose to 89.9 percent in 1983 compared with levels of 83.0 percent in 1981 and 82.4 percent in 1982 and further increased to 103.2 percent in January-June 1984 compared with 91.3 percent in January-June 1983. Capacity utilization rates for other passenger tires were slightly lower but similarly increased during the period covered by the investigation.

U.S. producers' domestic shipments, exports, inventories, and imports

U.S. producers' domestic shipments of radial passenger tires rose by 7.4 percent from 1981 to 1982, by 8.7 percent from 1982 to 1983, and by 21.1 percent in January-June 1984 compared with shipments in January-June 1983 (table 5). Shipments to both the replacement and original equipment markets generally increased throughout the period covered by the investigation, although shipments to the replacement market grew most rapidly from 1981 to 1982, and shipments to the original equipment market experienced the greatest growth from 1982 to 1983. Domestic shipments of all passenger tires produced in the United States also rose steadily throughout the period covered by the investigation in spite of a steady drop in shipments of passenger tires other than radials.

Exports of radial passenger tires decreased by 32.4 percent from 1981 to 1982, then nearly doubled from 1982 to 1983, and nearly doubled again in January-June 1984 compared with exports in January-June 1983. Exports of passenger tires other than radials declined throughout the period, whereas total passenger tire exports increased. Canada is by far the largest export market for U.S.-made passenger tires.

Table 5.--Passenger tires: U.S. producers' domestic shipments, by types and markets, and U.S. producers' exports and total shipments, by types, 1981-83, January-June 1983, and January-June 1984

(In thousands of tires)

Item	1981	1982	1983	January-June-- 1983	January-June-- 1984
Domestic shipments:					
Radial passenger tires:					
To the replacement market	63,877	72,543	73,347	35,335	41,041
To the original equipment market	29,973	28,245	36,161	16,945	22,273
Total	93,850	100,788	109,508	52,280	63,314
Other passenger tires:					
To the replacement market	43,900	41,227	38,044	19,604	15,981
To the original equipment market	6,006	5,566	7,246	3,420	4,429
Total	49,906	46,793	45,290	23,024	20,410
All passenger tires:					
To the replacement market	107,777	113,770	111,391	54,939	57,022
To the original equipment market	35,979	33,811	43,407	20,365	26,702
Total	143,756	147,581	154,798	75,304	83,724
Exports:					
Radial passenger tires	2,250	1,521	2,899	1,248	2,286
Other passenger tires	1,767	1,428	1,307	632	814
Total	4,017	2,949	4,206	1,880	3,100
Total shipments:					
Radial passenger tires	96,100	102,309	112,407	53,528	65,600
Other passenger tires	51,673	48 221	46,597	23,656	21,224
Total	147,773	150,530	159,004	77,184	86,824

Source: Compiled from data contained in Rubber Manufacturers Association public reports.

All U.S. manufacturers of radial passenger tires sell both house (manufacturers') brand tires and customers' private label tires. Only house brand tires are sold to the OE market whereas both house brand and private label tires are sold in the replacement market. Reported U.S. shipments of radial passenger tires, by house brands and private labels, are shown in the following tabulation:

Period	House brands: Quantity (1,000 tires)	House brands: As a share of reported production (percent)	Private labels: Quantity (1,000 tires)	Private labels: As a share of reported production (percent)
1981----------	52,840	68.4	24,386	31.6
1982----------	53,454	65.1	28,690	34.9
1983----------	64,775	68.1	30,368	31.9
January-June--				
1983----------	30,097	67.2	14,659	32.8
1984----------	38,975	67.5	18,762	32.5

U.S. producers' inventories of radial passenger tires rose by 8.5 percent from yearend 1981 to yearend 1982 and then fell by 18.5 percent from yearend 1982 to yearend 1983 (table 6). Inventories further dropped by 4.2 percent as of June 30, 1984 compared with inventories as of June 30, 1983. Producers' inventories of passenger tires other than radials declined steadily throughout the period covered by the investigation.

Table 6.--Passenger tires: U.S. producers' inventories, by types, as of Dec. 31 of 1981-83 and June 30 of 1983-84

Item	As of Dec. 31--			As of June 30--	
	1981	1982	1983	1983	1984
Inventories:					
Radial passenger tires 1,000 tires--	22,989	24,946	20,333	23,668	22,680
Other passenger tires 1,000 tires--	10,374	8,179	7,620	8,620	8,248
Total----------do----	33,363	33,125	27,953	32,288	30,928
Ratio of inventories to shipments:					
Radial passenger tires percent--	23.9	24.4	18.1	1/ 22.1	1/ 17.3
Other passenger tires-do----	20.1	17.0	16.4	1/ 18.2	1/ 19.4
Total----------do----	22.6	22.0	17.6	1/ 20.9	1/ 17.8

1/ Based on annualized shipments.

Source: Compiled from data contained in Rubber Manufacturers Association public reports.

None of the producers that submitted data in response to the Commission's questionnaire purchased any imports of passenger tires from Korea during the period covered by the investigation. However, five producers did purchase imports of radial and other passenger tires from other sources, as shown in the following tabulation:

Period	Radial passenger tires		Other passenger tires	
	Quantity (1,000 tires)	As a percent of reported production (percent)	Quantity (1,000 tires)	As a percent of reported production (percent)
1981----------	1,304	1.6	215	0.4
1982----------	1,511	1.8	130	0.3
1983----------	3,276	3.6	840	2.0
January-June--				
1983----------	1,521	3.3	480	2.1
1984----------	3,069	5.2	359	1.7

Purchases of imported radial passenger tires by domestic producers more than doubled from 1982 to 1983 and in January-June 1984 compared with January-June 1983. * * *.

U.S. employment and productivity

The average number of production workers engaged in the manufacture of radial passenger tires declined by 3.0 percent from 1981 to 1982, then rose by 0.8 percent from 1982 to 1983, and increased by 12.4 percent in January-June 1984 compared with the number of workers in January-June 1983 (table 7). Conversely, employment related to the production of other passenger tires fell by 22.7 percent from 1981 to 1983 and 12.4 percent in January-June 1984 compared with employment in January-June 1983. Average weekly hours worked by workers producing both radial and other passenger tires fluctuated between 36 and 44 hours per week during the period covered by the investigation. Workers producing both types of tires received regular increases in wages and total compensation during this period. Productivity of workers producing radial and other passenger tires increased by 12.4 percent and 6.8 percent, respectively, from 1981 to 1983 and by 8.7 percent and 11.8 percent, respectively, in January-June 1984 compared with productivity in January-June 1983. Production workers at most U.S. tire plants are represented by the United Rubber, Cork, Linoleum, and Plastic Workers of America, although workers at a few plants are not represented by a union.

Table 7.--Average number of production and related workers engaged in the manufacture of passenger tires, hours worked by such workers, wages paid, total compensation, and output per hour, by types of passenger tires, 1981-83, January-June 1983, and January-June 1984 1/

Item	1981	1982	1983	January-June--	
				1983	1984
Number of workers:					
Radial passenger tires	15,548	15,087	15,207	15,013	16,878
Other passenger tires	6,831	6,034	5,282	5,588	4,895
Total	22,379	21,121	20,489	20,601	21,773
Hours worked:					
Radial passenger tires per worker, per week	38.6	36.8	40.2	40.7	41.1
Other passenger tires per worker, per week	40.3	39.2	42.1	43.7	42.3
Average--do	39.1	37.5	40.7	41.5	41.4
Wages paid:					
Radial passenger tires per worker, per hour	$12.42	$13.20	$13.89	$13.58	$14.08
Other passenger tires per worker, per hour	12.01	13.14	13.79	13.68	14.55
Average--do	12.29	13.18	13.87	13.61	14.19
Total compensation:					
Radial passenger tires per worker, per hour	$16.41	$17.76	$18.26	$18.08	$18.51
Other passenger tires per worker, per hour	16.45	18.23	18.50	18.61	19.56
Average--do	16.42	17.90	18.32	18.24	18.75
Output per hour:					
Radial passenger tires per worker	2.17	2.43	2.44	2.30	2.50
Other passenger tires per worker	2.92	2.97	3.12	2.87	3.21
Average--do	2.41	2.59	2.62	2.46	2.66

1/ Represents data for firms which accounted for 68.0 percent and 74.7 percent of production of radial and other passenger tires, respectively, in 1983.

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

Financial experience of U.S. producers

Eight U.S. producers furnished income-and-loss data relative to their establishment operations, their operations producing radial passenger tires, and their operations producing other passenger tires. 1/ In the aggregate, U.S. producers earned higher than average operating profits from their operations producing passenger tires during the reporting period, and their radial passenger tire operations were substantially more profitable than their other passenger tire operations during this period.

Overall establishment operations.--Overall establishment net sales declined from $7.6 billion to $7.3 billion, or by 4 percent, from 1981 to 1982 (table 8). Such sales rose 6 percent to $7.7 billion in 1983. Net sales were

Table 8.--Income-and-loss experience of 8 U.S. producers on the overall operations of their establishments within which radial passenger tires are produced, 1981-83, interim 1983, and interim 1984.

	1981	1982	1983	Interim period to June 30	
				1983	1984
Net sales------1,000 dollars--	7,649,968	7,336,565	7,746,836	3,714,849	4,277,819
Cost of goods sold------do----	6,194,017	5,818,692	6,181,575	2,911,944	3,479,255
Gross income----------do----	1,455,951	1,517,873	1,565,261	802,905	798,564
General, selling, and administrative expenses 1,000 dollars--	901,357	908,842	962,806	492,143	525,861
Operating income--------do----	554,594	609,031	602,455	310,762	272,703
Depreciation and amortization---------1,000 dollars--	228,366	224,741	208,356	104,566	109,167
Cash flow from operations 1,000 dollars--	782,960	833,772	810,811	415,328	381,870
Ratio to net sales:					
Gross income-------percent--	19.0	20.7	20.2	21.6	18.7
Operating income------do----	7.2	8.3	7.8	8.4	6.4
Cost of goods sold----do----	81.0	79.3	79.8	78.4	81.3
General, selling, and administrative expenses percent--	11.8	12.4	12.4	13.2	12.3
Number of firms reporting operating losses----------	-	-	1	-	1
Ratio of radial passenger tire sales to total establishment net sales percent--	41	47	50	49	50

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

1/ The eight producers are: * * *.

$4.3 billion during interim 1984, up 15 percent from the $3.7 billion in net sales reported for the corresponding period of 1983. Operating income followed a somewhat different trend than net sales during 1981-83. Such income rose from $555 million, or 7.2 percent of net sales, in 1981 to $609 million, or 8.3 percent of net sales, in 1982, but then declined slightly to $602 million, or 7.8 percent of net sales, in 1983. The eight reporting firms reported an aggregate operating income of $273 million, or 6.4 percent of net sales, for the interim period ended June 30, 1984, compared with an operating income of $311 million, or 8.4 percent of net sales, for the corresponding period of 1983.

Radial passenger tire operations.--Net sales of radial passenger tires rose annually from $ * * * billion to $ * * * billion, or by * * * percent, during 1981-83 (table 9). Net sales were $ * * * billion during the interim period ended June 30, 1984, up * * * percent from the $ * * * billion in net sales reported for the corresponding period of 1983. Operating income also rose annually during 1981-83, from $ * * * million, or * * * percent of net sales, to $ * * * million, or * * * percent of sales. Overall, operating income rose * * * percent during 1981-83. However, such income declined * * * percent to $ * * * million, or * * * percent of net sales, during interim 1984, compared with $ * * * million, or * * * percent of net sales, for the corresponding period of 1983. The radial tire operations of each reporting firm operated profitably during the reporting period.

Table 9.--Income-and-loss experience of 8 U.S. producers on their operations producing radial passenger tires, 1981-1983, interim 1983, and interim 1984

Item	1981	1982	1983	Interim period to June 30	
				1983	1984
Net sales------1,000 dollars--	***	***	***	***	***
Cost of goods sold------do----	***	***	***	***	***
Gross income----------do----	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars--	***	***	***	***	***
Operating income-------do----	***	***	***	***	***
Depreciation and amortization---------1,000 dollars--	***	***	***	***	***
Cash flow from operations 1,000 dollars--	***	***	***	***	***
Ratio to net sales:					
Gross income-------percent--	***	***	***	***	***
Operating income------do----	***	***	***	***	***
Cost of goods sold----do----	***	***	***	***	***
General, selling, and administrative expenses percent--	***	***	***	***	***
Number of firms reporting operating losses----------	-	-	-	-	-

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

U.S. producers were asked to provide separate income-and-loss data for their radial passenger tire operations as they related to OE and replacement market sales, with the understanding that such data were separately available. Of the five U.S. producers that sell in significant quantities to both markets, only * * * provided separate data. * * *. As shown in the following tabulation, * * *.

Period	Tires sold to the replacement market		Tires sold to the original equipment market	
	Net sales	Operating income (loss) margin	Net sales	Operating income margin
	1,000 dollars	percent	1,000 dollars	percent
1981	***	***	***	***
1982	***	***	***	***
1983	***	***	***	***
Interim 1983	***	***	***	***
Interim 1984	***	***	***	***

Other passenger tire operations.--Net sales of passenger tires other than radials declined annually from $1.3 billion to $1.1 billion, or by 17 percent, during 1981-83 (table 10). Sales of such tires were $518 million during interim 1984, down 8 percent from the $565 million in net sales reported for the corresponding period of 1983. Operating income also declined annually during 1981-83, from $61.6 million, or 4.6 percent of net sales, in 1981, to $17.8 million, or 1.6 percent of net sales, in 1983. The eight reporting firms sustained an operating loss of $8.2 million, or 1.6 percent of net sales, during interim 1984, compared with an operating income of $8.9 million, or 1.5 percent of net sales, for the corresponding period of 1983. Four of the eight responding producers sustained operating losses from their non-radial passenger tire operations in 1981 and 1982. Five firms sustained such losses in 1983, and three firms sustained such losses in interim 1983 and interim 1984.

Interrelationship of capacity utilization, prices, and profits.--A majority of the respondents consider the breakeven rate to be between 84-90 percent of capacity. * * *.

* * * * * * *

Table 10.--Income-and-loss experience of 8 U.S. producers on their operations producing other passenger tires, 1981-1983, interim 1983, and interim 1984

	1981	1982	1983	Interim period to June 30	
				1983	1984
Net sales------1,000 dollars--	1,332,751	1,221,308	1,101,022	564,920	518,087
Cost of goods sold------do----	1,106,385	1,040,346	935,878	477,637	459,638
Gross income----------do----	226,366	180,962	165,144	87,283	58,449
General, selling, and administrative expenses 1,000 dollars--	164,722	159,882	147,347	78,412	66,692
Operating income (loss)-do----	61,644	21,080	17,797	8,871	(8,243)
Depreciation and amortization----------do----	22,926	23,808	22,701	11,603	11,094
Cash flow from operation do----	84,570	44,888	40,498	20,474	2,851
Ratio to net sales:					
Gross income-------percent--	17.0	14.8	15.0	15.4	11.3
Operating income (loss) percent--	4.6	1.7	1.6	1.5	(1.6)
Cost of goods sold----do----	83.0	85.2	85.0	84.6	88.7
General, selling, and administrative expenses percent--	12.4	13.1	13.4	13.9	12.9
Number of firms reporting operating losses----------	4	4	5	3	3

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

Producers' statements regarding effects of imports from Korea on growth, investment, and ability to raise capital.-- * * *.

*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

Value of plant, property, and equipment.--Eight U.S. corporations provided data on their investment in productive facilities in which radial passenger tires are produced (table 11). For all products of the establishments, the total value of plant, property, and equipment increased by

Table 11.--Value of plant, property, and equipment (investment in productive facilities) of 8 U.S. producers' facilities within which radial passenger tires are produced, as of the end of accounting years 1981-83, interim 1983, and interim 1984

(In thousands of dollars)

Item	1981	1982	1983	January-June-	
				1983	1984
All products of your establishment(s):					
Original cost	2,977,570	3,117,931	3,035,478	2,972,023	3,134,311
Book value	1,424,898	1,410,144	1,346,709	1,330,460	1,383,104
Radial passenger tires:					
Original cost	1,616,702	1,699,322	1,796,371	1,773,302	1,875,793
Book value	846,259	839,919	878,759	878,430	899,101
Other passenger tires:					
Original cost	368,519	402,804	403,549	384,002	394,216
Book value	140,227	149,162	138,173	133,352	139,737

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

5 percent from 1981 to 1982 but declined by 3 percent from 1982 to 1983. On a book value basis these investments fell by less than 1 percent from 1981 to 1982 and by 5 percent from 1982 to 1983. Comparison of the 1984 interim period shows a 5 percent increase in the original cost value and a 4 percent increase in the book value of assets over the like 1983 period.

The value of investments in facilities used for the production of radial passenger tires increased by 11 percent on an original cost basis and increased by 4 percent on a book value basis from 1981 to 1983. For the interim 1984 period, the value of such investments increased by 6 percent (original cost) and 2 percent (book value) over the similar 1983 period.

Assets for the production of other passenger tires increased by 9 percent on an original cost basis but fell by 2 percent on a book basis from 1981 to 1983. Both measures increased in interim 1984 compared with interim 1983.

Capital expenditures.--The eight U.S. producers of radial tires increased capital expenditures for all products in each full year of the investigation (table 12). Such expenditures rose by 16 percent from 1981 to 1982 and by 11 percent from 1982 to 1983. For interim 1984, capital expenditures nearly doubled, increasing from $76 million in interim 1983 to $142 million in interim 1984.

Table 12.--Capital expenditures on 8 U.S. producers' facilities within which radial passenger tires are produced, as of the end of accounting years 1981-83, interim 1983, and interim 1984

(In thousands of dollars)

Item	1981	1982	1983	January-June-	
				1983	1984
All products of your establishment(s):					
Land and land improvements	629	1,491	1,535	688	2,149
Building or leasehold improvements	16,256	23,123	16,964	7,508	16,591
Machinery, equipment, and fixtures	135,556	152,605	178,706	68,068	123,341
Total	152,441	177,219	197,205	76,264	142,081
Radial passenger tires:					
Land and land improvements	93	121	89	67	684
Building or leasehold improvements	5,160	7,384	7,759	2,768	8,977
Machinery, equipment, and fixtures	42,605	54,192	86,655	38,468	64,745
Total	47,858	61,697	94,503	41,303	74,406
Other passenger tires:					
Land and land improvements	49	57	55	47	451
Building or leasehold improvements	1,379	1,964	589	176	2,430
Machinery, equipment, and fixtures	8,101	7,756	6,991	3,312	4,355
Total	9,529	9,777	7,635	3,535	7,236

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

For capital expenditures on radial passenger tires, the yearly increase was more dramatic, with expenditures increasing from $48 million in 1981 to $62 million in 1982 and $95 million in 1983, almost doubling over the 3-year period. Interim 1984 capital expenditures for radial passenger tires were 1.8 times greater than the expenditures in the like 1983 period.

Capital expenditures on other passenger tires increased slightly from 1981 to 1982 and then fell by 22 percent from 1982 to 1983. In interim 1984 these expenditures rebounded, more than doubling over the interim 1983 period.

Asset and liability measures.--Inventory values fell over the period of investigation, whereas accounts and notes receivable increased slightly (table 13). Total current assets declined over the period. Inventories fell by 24 percent from 1981 to 1983 and by over 10 percent in interim 1984 compared with the like 1983 period. Fixed assets fell by 6 percent during 1981-83 but increased by 4 percent during the interim periods of 1983-84.

Table 13.--Asset and liability items for 8 U.S. producers' domestic establishments within which passenger tires are produced, as of the end of accounting years 1981-83, interim 1983, and interim 1984

(In thousands of dollars)

Item	1981	1982	1983	January-June-	
				1983	1984
Current assets:					
Accounts and notes receivable (net bad debt reserve)	1,173,699	1,135,669	1,308,588	1,206,859	1,288,717
Inventory	1,278,229	1,182,750	973,767	1,119,077	1,012,998
Total current assets	2,728,812	2,597,740	2,530,183	2,478,544	2,400,823
Fixed assets	1,721,014	1,689,603	1,619,020	1,594,057	1,656,968
Total assets	4,525,009	4,373,092	4,259,548	4,166,354	4,250,391
Current liabilities	642,333	590,400	571,637	522,565	597,326
Total liabilities and net worth	4,525,009	4,373,092	4,259,548	4,166,354	4,250,391

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

Financial ratios.--The use of financial ratios allows comparisons among the yearly data and the combination of income-and-loss and asset-and-liability (balance sheet) data (table 14).

Liquidity of the eight tire manufacturers as measured by the current ratio was constant during 1981-83. Receivables turnover was constant from 1981 to 1982 and then slowed slightly in 1983 coincident with the start of a drawdown in inventories, suggesting that payments lagged somewhat behind increasing 1983 sales. This figure rebounded to 1981-82 levels in January-June 1984.

Table 14 .--Financial ratios for 8 U.S. producers on the overall operations of their establishments within which radial passenger tires are produced, 1981-83, interim 1983, and interim 1984

Item	1981	1982	1983	January-June-	
				1983	1984
Current ratio	4.3	4.4	4.4	4.7	4.0
Receivables turnover	6.5	6.5	5.9	1/ 6.2	1/ 6.6
Inventory turnover	4.9	4.9	6.4	1/ 5.2	1/ 6.9
Average days that units are in inventory	75	74	57	1/ 70	1/ 53
Inventory/total assets	.28	.27	.23	.27	.24
Inventory/net sales	.17	.16	.13	1/ .15	1/ .12
Net sales/total assets	1.7	1.7	1.8	1/ 1.8	1/ 2.0
Net sales/fixed assets	4.4	4.3	4.8	1/ 4.7	1/ 5.2
Capital expenditures/ fixed assets	.09	.11	.12	1/ .10	1/ .17

1/ Based on annualized data.

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

Inventories remained nearly constant during 1981-82 according to four ratios that measure inventory movement. In 1983, inventories began to move much more rapidly as shown by the 1983 interim and full year data. Inventory turnover increased from 4.9 to 6.4 times the cost of goods sold in 1982-83. The measure of the average days that units were in inventory fell from 74 days in 1982 to 57 days in 1983. In January-June 1984 this figure fell further to 53 days. This increased movement of inventory in 1983 was accompanied by reductions in inventories measured as a percentage of total assets and net sales. January-June 1984 data suggest that inventories have remained at this lower proportional level to total assets and net sales. The interim data suggest that the change in inventory activity started in January-June 1983 and continued to accelerate during 1983 and January-June 1984.

Net sales as a share of total assets and of fixed assets were constant during 1981-82 and increased in January-June 1983. The increase in sales to assets continued throughout 1983 and into January-June 1984. Net sales, which were 4.3 times fixed assets in 1982, increased to 4.7 times fixed assets in January-June 1983, to 4.8 times fixed assets for all of 1983, and to 5.2 times fixed assets in January-June 1984. The two measures of net sales to assets both suggest increasing use of the firms' productive assets during 1983 and January-June 1984.

Capital expenditures as a percentage of fixed assets increased in each full year of the investigation as well as in January-June 1984. None of the other financial ratios for the eight tire manufacturers exhibited a significant change from 1981 to 1982. The dip in financial ratios that characterizes the impact of the 1982 recession in some industries is not present in the data of the eight radial tire manufacturers.

The Question of the Threat of Material Injury

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of the alleged LTFV imports, the rate of increase of U.S. market penetration by such imports, the quantities of such imports held in inventory in the United States, and the capacity of producers in Korea to generate exports (including the availability of export markets other than the United States).

Trends in imports and U.S. market penetration are discussed in the section of this report that addresses the causal relationship between the alleged injury and the imports allegedly sold at LTFV. Information regarding the capacity of the Korean producers to generate exports is discussed in the section of this report that covers the Korean industry.

Inventories of radial passenger tires from Korea, as reported by U.S. importers in their questionnaire responses, decreased steadily from yearend 1981 to yearend 1983, falling by * * * percent. Inventories further declined by * * * percent from June 30, 1983 to June 30, 1984, as shown in the following tabulation:

Period	Reported inventories of Korean radial passenger tires (1,000 tires)	Reported inventories as a share of reported imports (percent)
December 31, 1981-------	***	***
December 31, 1982-------	***	***
December 31, 1983-------	***	***
June 30, 1983----------	***	1/ ***
June 30, 1984----------	***	1/ ***

1/ Based on annualized imports.

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

U.S. imports

Data contained in this section of the report were compiled from official statistics of the U.S. Department of Commerce. Imports of radial and other passenger tires have been reported separately in the official statistics

beginning January 1, 1982. Separate data for the two classes of passenger tires for 1981 were derived by multiplying total imports of passenger tires, by sources in 1981, by the estimated share of imports accounted for by each class of tire in 1981, based on the trend in such share from 1982 to 1983.

Imports of radial passenger tires from Korea fell by 5.2 percent from 1981 to 1982, more than tripled from 1982 to 1983, and increased by 11.7 percent in January-June 1984 compared with imports in January-June 1983 (table 15). The unit value of imports from Korea was consistently lower than the unit value of imports from all other sources combined during January 1981-June 1984. Imports of radial passenger tires from Korea, as a share of

Table 15.--Radial passenger tires: U.S. imports for consumption, by selected sources, 1981-83, January-June 1983, and January-June 1984

Source	1981 1/	1982	1983	January-June--	
				1983	1984
	Quantity (1,000 tires)				
Korea	1,027	974	3,386	1,583	1,769
All other	11,438	12,653	17,620	8,419	11,502
Total	12,465	13,627	21,006	10,003	13,271
	Value (1,000 dollars)				
Korea	21,975	21,153	75,009	35,602	41,235
All other	388,634	452,158	543,744	265,605	330,778
Total	410,609	473,311	618,753	301,207	372,013
	Unit value (per tire)				
Korea	$21.05	$21.72	$22.15	$22.48	$23.31
All other	34.02	35.74	30.86	31.55	28.76
Total	32.94	34.73	29.46	30.11	28.03
	Percent of total quantity				
Korea	8.2	7.1	16.1	15.8	13.3
All other	91.8	92.9	83.9	84.2	86.7
Total	100.0	100.0	100.0	100.0	100.0

1/ Data for 1981 were derived by multiplying total imports of passenger tires, by sources in 1981, by the estimated share of imports accounted for by radial passenger tires in 1981, based on the trend in such share from 1982 to 1983.

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

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

total imports, declined from 8.2 percent in 1981 to 7.1 percent in 1982, more than doubled to 16.1 percent in 1983, and then dropped to 13.3 percent in January-June 1984 compared with a share of 15.8 percent in January-June 1983.

Canada was the leading source of imports of radial passenger tires in 1982 and 1983, followed by Japan in both years. Korea was the fifth leading exporter to the United States in 1982 and the third leading exporter in 1983. France and West Germany are also significant sources of radial passenger tire imports, and in January-June 1984, Brazil emerged as an important source, surpassing all but Japan, Canada, and Korea.

Imports of radial passenger tires, from Korea as well as from all other sources, followed an upward trend during the period covered by the investigation, whereas imports of other passenger tires followed a downward trend (table 16).

Table 16.--Passenger tires: U.S. imports for consumption, by types and by selected sources, 1981-83, January-June 1983, and January-June 1984

(In thousands of tires)

Type and source	1981	1982	1983	January-June--	
				1983	1984
Radial passenger tires:					
From Korea	1/ 1,027	974	3,386	1,583	1,769
From all other sources	1/ 11,438	12,653	17,620	8,419	11,502
Total	1/ 12,465	13,627	21,006	10,003	13,271
Other passenger tires:					
From Korea	1/ 460	218	115	74	83
From all other sources	1/ 4,561	3,094	1,890	1,126	981
Total	1/ 5,021	3,312	2,005	1,200	1,064
All passenger tires:					
From Korea	1,487	1,192	3,501	1,657	1,852
From all other sources	15,999	15,747	19,510	9,545	12,482
Total	17,486	16,939	23,011	11,202	14,334

1/ Data on imports of radial and other passenger tires in 1981 were derived by multiplying total imports of passenger tires, by sources in 1981, by the estimated share of imports accounted for by each type of tire in 1981, based on the trend in such share from 1982 to 1983.

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

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

Los Angeles, Calif., was the major U.S. customs district through which imports of radial passenger tires from Korea entered the United States in 1982, 1983, and January-June 1984 (table 17). West coast districts accounted for 57.4 percent of imports of this product from Korea in 1982, 45.1 percent in 1983, and 45.4 percent in January-June 1984.

Table 17.--Radial passenger tires: Shares of U.S. imports from Korea by U.S. customs districts, 1982, 1983, and January-June 1984

(In percent)

Customs district	Share of imports of radial passenger tires from Korea		
	1982	1983	January-June 1984
West Coast districts:			
Los Angeles, Calif	50.5	30.1	26.6
San Francisco, Calif	1.4	8.0	9.6
All other	5.5	7.0	9.2
Subtotal, West Coast	57.4	45.1	45.4
Other districts:			
Baltimore, Md	5.5	12.0	12.7
New York, N.Y	11.3	6.6	3.6
New Orleans, La	0.7	6.4	12.1
Savannah, Ga	14.7	2.9	1.0
All other	10.4	27.0	25.2
Subtotal, other	42.6	54.9	54.6
Total	100.0	100.0	100.0

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

U.S. importers of radial passenger tires from Korea reported selling such tires under both house (manufacturers') brands and customers' private labels. Private label sales accounted for the preponderance of importers' U.S. shipments in 1983 and the growth in such shipments from 1982 to 1983, as shown in the following tabulation:

Period	House brands		Private labels	
	Quantity (1,000 tires)	As a share of U.S. shipments (percent)	Quantity (1,000 tires)	As a share of U.S. shipments (percent)
1981	***	***	***	***
1982	***	***	***	***
1983	***	***	***	***
January-June--				
1983	***	***	***	***
1984	***	***	***	***

The Korean manufacturers introduced P-metric radial passenger tires in the U.S. market in 1982. Shipments of P-metric radials accounted for * * * percent of U.S. shipments of Korean radial passenger tires in 1982, * * * percent in 1983, and * * * percent in January-June 1984. The balance of Korean radial passenger tire shipments in the U.S. market during the period

covered by the investigation were of European metric tires which are essentially interchangeable with P-metric tires. 1/

Market penetration of imports

As shown in table 18, according to data compiled from Rubber Manufacturers Association public reports, official import statistics, and importers' questionnaire responses, the U.S. producers' share of apparent U.S. consumption of radial passenger tires declined from 88.7 percent in 1981 to

Table 18.--Passenger tires: Ratios of U.S. producers' domestic shipments and of imports 1/ to apparent U.S. consumption, by types and by selected sources, 1981-83, January-June 1983, and January-June 1984

(In percent)

Item	1981	1982	1983	January-June--	
				1983	1984
Radial passenger tires:					
U.S.-produced	88.7	87.8	83.9	84.0	82.6
Imported from Korea	0.5	1.2	2.6	2.5	2.4
Imported from other countries	10.8	11.0	13.5	13.5	15.0
Total	100.0	100.0	100.0	100.0	100.0
Other passenger tires:					
U.S.-produced	90.9	93.4	95.8	95.0	95.0
Imported from Korea	0.8	0.4	0.2	0.3	0.4
Imported from other countries	8.3	6.2	4.0	4.7	4.6
Total	100.0	100.0	100.0	100.0	100.0
All passenger tires:					
U.S.-produced	89.4	89.5	87.0	87.1	85.3
Imported from Korea	0.6	1.0	2.0	1.9	2.0
Imported from other countries	10.0	9.5	11.0	11.0	12.7
Total	100.0	100.0	100.0	100.0	100.0

1/ Shipments of imports of radial passenger tires from Korea were derived by adjusting import data reported in table 15 for net changes in inventories reported by importers in their questionnaire responses.

Source: Compiled from data contained in Rubber Manufacturers Association public reports, from official statistics of the U.S. Department of Commerce, and from data submitted in response to questionnaires of the U.S. International Trade Commission.

1/ In comparison, domestic producers reported that more than 95 percent of their radial passenger tire production during the investigative period was of P-metric radials.

83.9 percent in 1983 and further dropped to 82.6 percent in January-June 1984 compared with 84.0 percent in January-June 1983. Conversely, imports of radial passenger tires from Korea increased from 0.5 percent of apparent consumption in 1981 to 1.2 percent in 1982 and 2.6 percent in 1983 before falling to 2.4 percent in January-June 1984 compared with a share of 2.5 percent in the comparable period of 1983. Imports of radial passenger tires from other countries steadily increased as a share of apparent U.S. consumption, from 10.8 percent in 1981 to 13.5 percent in 1983 and from 13.5 percent in January-June 1983 to 15.0 percent in January-June 1984.

The U.S. producers' share of apparent U.S. consumption of passenger tires other than radials followed a trend opposite that for radials, increasing from 90.9 percent in 1981 to 95.8 percent in 1983 and then equaled 95.0 percent in the January-June periods of 1983 and 1984. Imports of non-radial passenger tires from Korea as well as from other countries generally decreased as a share of U.S. consumption throughout the period covered by the investigation.

Import penetration within the replacement market for radial passenger tires has been greater than penetration within the market as a whole (table 19). No imports from Korea are sold in the OE market and imports from other countries have not exceeded 1 percent of consumption in the OE market during the period covered by the investigation. During 1981-83, the U.S. producers' share of consumption of radial passenger tires in the replacement market steadily fell, whereas the shares held by imports from Korea and other countries generally rose. In January-June 1984, the U.S. producers' share of this market continued to drop in comparison with the share in January-June 1983, whereas the Korean share remained constant at 3.4 percent and the share held by other countries continued to rise.

Prices

Since replacement radial passenger tires produced by domestic and Korean firms are virtually homogeneous for a given size and type, price is a major purchasing consideration. However, product availability and the ability of the producer to ensure prompt delivery to the wholesalers also influence purchasing decisions. Price data for the investigation were obtained from the questionnaires mailed to the major domestic producers, and to the major importers of replacement radial passenger tires from Korea. The producers' questionnaire requested the average net selling prices on an f.o.b. mill basis, net of all discounts and allowances, for each quarter during January 1982-June 1984. The importers' questionnaire asked for quarterly f.o.b. prices from importers of Korean tires during the same period. Eight domestic producers and three importers returned usable questionnaires.

Price data were obtained for both all-season and standard radial tires, for three different sizes - P185/80R13, P195/75R14, and P215/75R15 - that were sold as either a private label or manufacturer's brand. The price trends were virtually identical for each of these twelve product categories. Prices typically peaked during 1982 and subsequently fell until the most recent quarters, when a very slight price increase occurred in some of the product categories.

Table 19.--Passenger tires: Ratios of U.S. producers' domestic shipments and of imports 1/ to apparent U.S. consumption in the replacement market, by types and by selected sources, 1981-83, January-June 1983, and January-June 1984

(In percent)

Item	1981	1982	1983	January-June--	
				1983	1984
Radial passenger tires:					
U.S.-produced	84.2	83.9	78.0	78.3	75.8
Imported from Korea	0.7	1.6	3.6	3.4	3.4
Imported from other countries	15.1	14.5	18.4	18.3	20.8
Total	100.0	100.0	100.0	100.0	100.0
Other passenger tires:					
U.S.-produced	89.7	92.6	95.0	94.2	93.8
Imported from Korea	1.0	0.5	0.3	0.4	0.5
Imported from other countries	9.3	6.9	4.7	5.4	5.7
Total	100.0	100.0	100.0	100.0	100.0
All passenger tires:					
U.S.-produced	86.4	86.9	83.1	83.3	80.1
Imported from Korea	0.8	1.2	2.6	2.5	2.7
Imported from other countries	12.8	11.9	14.3	14.2	17.2
Total	100.0	100.0	100.0	100.0	100.0

1/ Shipments of imports of radial passenger tires from Korea were derived by adjusting import data reported in table 15 for net changes in inventories reported by importers in their questionnaire responses.

Source: Compiled from data contained in Rubber Manufacturers Association public reports, from official statistics of the U.S. Department of Commerce, and from data submitted in response to questionnaires of the U.S. International Trade Commission.

The weighted-average price for domestically produced standard replacement radial passenger tires, size P195/75R14, sold as a private label brand, peaked at $ * * * per tire during October-December 1982 and subsequently declined to a low of $ * * * in January-March 1984, before rising to $ * * * in April-June 1984 (table 20). The price of Korean imported tires in this product category followed a similar pattern, peaking at $ * * * per tire in July-September 1982, and subsequently declining. Imports from Korea were priced lower than domestic tires throughout the period, although the degree of underselling varied from a high of $ * * * (28 percent) in October-December 1982 to $ * * * (10 percent) in January-March 1984. The margins of underselling, on both an absolute and percentage basis, have declined since 1982, implying a trend towards convergence of domestic and Korean prices.

Table 20.--Radial passenger tires: U.S. producers' and importers' weighted-average prices for private label brand P195/75R14, standard tread, steel-belted radial tires, by quarters, January 1982-June 1984

Period	U.S. product	Korean product	Margin of underselling	
			Amount	Percent
	Per tire			
1982:				
January-March	$ ***	$ ***	$ ***	-
April-June	***	***	***	-
July-September	***	***	***	15
October-December	***	***	***	28
1983:				
January-March	***	***	***	20
April-June	***	***	***	18
July-September	***	***	***	14
October-December	***	***	***	12
1984:				
January-March	***	***	***	10
April-June	***	***	***	11

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

The weighted-average prices for both domestically and Korean produced replacement standard radial passenger tires, size P195/75R14, sold as a manufacturer's brand, follow a pattern similar to the prices of the identical size tire sold as a private label brand (table 21). The domestic price peaked during April-June 1982 at $ * * * and subsequently declined to $ * * * in April-June 1984. The price of imports from Korea peaked at $ * * * in January-March 1983 and subsequently declined to $ * * * during April-June 1984. The extent of import underselling generally declined throughout the period, from $ * * * (32 percent) in July-September 1982, to $ * * * (22 percent) in April-June 1984.

Table 21.--Radial passenger tires: U.S. producers' and importers' weighted-average prices for manufacturers' brand P195/75R14, standard tread, steel-belted radial tires, by quarters, January 1982-June 1984

Period	U.S. product	Korean product	Margin of underselling	
			Amount	Percent
	Per tire			
1982:				
January-March	$ ***	$ ***	$ ***	-
April-June	***	***	***	-
July-September	***	***	***	32
October-December	***	***	***	34
1983:				
January-March	***	***	***	27
April-June	***	***	***	26
July-September	***	***	***	22
October-December	***	***	***	24
1984:				
January-March	***	***	***	22
April-June	***	***	***	22

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

The degree of underselling was considerably less for standard replacement radial passenger tires, size P215/75R15, sold as a private label brand (table 22). In October-December 1982, when the domestic price peaked at $ * * * per tire and the Korean imported price peaked at $ * * * per tire, the degree of underselling also peaked at $ * * * (22 percent). By January-March 1984, the margin of underselling declined to $ * * * (9 percent), when the domestic price was at a low of $ * * * and the Korean price of $ * * * was also nearly at a low.

Table 22.--Radial passenger tires: U.S. producers' and importers' weighted-average prices for private label brand P215/75R15, standard tread, steel-belted radial tires, by quarters, January 1982-June 1984

Period	U.S. product	Korean product	Margin of underselling	
			Amount	Percent
	Per tire			
1982:				
January-March	$ ***	$ ***	$ ***	-
April-June	***	***	***	-
July-September	***	***	***	-
October-December	***	***	***	22
1983:				
January-March	***	***	***	17
April-June	***	***	***	16
July-September	***	***	***	12
October-December	***	***	***	12
1984:				
January-March	***	***	***	9
April-June	***	***	***	10

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

The weighted-average prices for both domestically and Korean-produced replacement standard radial passenger tires, size P215/75R15, sold as a manufacturer's brand, follow a pattern only slightly different from the identical size tire sold as a private label brand (table 23). While the domestic price peaked at $ * * * in April-June 1982 and generally declined throughout the remainder of the period, the Korean imported price was fairly constant at about $ * * *. Thus, the margin of underselling both in absolute and percentage terms tended to decrease following the $ * * * (32 percent) peak during October-December 1982.

In general, the pricing trends are similar for all three sizes of tires sold as either a private label or manufacturer's brand. Although only the prices of standard tires are documented in this report, the prices of all-season tires follow a virtually identical pattern. Prices typically peak early during the investigation period, followed by a general decline, with perhaps a slight increase at the end of the period. In no category did the price of the Korean tires ever exceed the price of the domestically produced tires. The degree of underselling has consistently diminished over time, suggesting a trend towards price convergence between imports and domestic replacement radial passenger tires.

Table 23.--Radial passenger tires: U.S. producers' and importers' weighted-average prices for manufacturers' brand P215/75R15, standard tread, steel-belted radial tires, by quarters, January 1982-June 1984

Period	U.S. product	Korean product	Margin of underselling	
			Amount	Percent
	Per tire			
1982:				
January-March	$ ***	$ ***	$ ***	-
April-June	***	***	***	-
July-September	***	***	***	-
October-December	***	***	***	32
1983:				
January-March	***	***	***	25
April-June	***	***	***	22
July-September	***	***	***	21
October-December	***	***	***	24
1984:				
January-March	***	***	***	21
April-June	***	***	***	22

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

Transportation costs

Six domestic producers reported the approximate freight charge per tire in 1983 for shipping passenger tires from their plants to their three largest metropolitan markets. The average miles shipped and freight charge per tire for each of the six producers is shown in the following tabulation:

Producer	Average distance (miles)	Freight charge per tire
* * *	***	$ ***
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***

The unweighted average freight charge incurred by the producers in 1983 was $1.65. Since the average domestic price per standard tire of size P195/75R14 sold under a private label brand was $32.04, transportation costs amounted to 5 percent of the price.

Only one importer, * * *, reported the freight charge per tire in 1983 for shipping tires from its warehouse to its three largest metropolitan markets. The average freight charge incurred was $ * * * for an average distance of * * * miles. Since the average Korean price per standard tire of size P195/75R14 sold under a private label brand was $ * * *, transportation costs amounted to * * * percent of the price.

Exchange rates

Between January 1981 and March 1984, the rates of inflation in the United States and Korea were quite similar. Therefore, there is not a large difference between the nominal and real rates of exchange between the U.S. dollar and the Korean won (table 24). Although the value of the dollar increased in nominal terms relative to the won between January-March 1981 and July-September 1981, the real value of the dollar fell relative to the won. However, the value of the dollar subsequently rose vis-a-vis the won, both in nominal and real terms between July-September 1981 and January-March 1984. By January-March of 1984, it took 16 percent less of a dollar in nominal terms, or 14 percent less in real terms, to purchase one won than it did in January-March of 1981.

Table 24.--Indexes of nominal and real exchange rates between the U.S. dollar and the Korean won, by quarters, January 1981-March 1984

(January-March 1981=100)

Period	Nominal exchange rate index 1/	Real exchange rate index 1/
1981:		
January-March	100.0	100.0
April-June	98.0	101.2
July-September	97.3	102.0
October-December	96.7	101.6
1982:		
January-March	94.0	99.4
April-June	91.6	97.0
July-September	90.0	95.1
October-December	89.6	95.0
1983:		
January-March	88.6	94.2
April-June	86.7	91.2
July-September	85.0	90.3
October-December	83.9	86.8
1984:		
January-March	83.8	86.0

1/ Based on exchange rates expressed in U.S. dollars per Korean won.

Source: International Monetary Fund, International Financial Statistics, May 1984.

Lost revenues

* * * alleged that it lost $ * * * in sales revenue from transactions with many customers between * * * and * * *. Neither * * * nor * * *, the only purchasers identified, could verify or refute any amount of alleged lost revenue. Both cited the numerous transactions that have transpired as rendering the identification of lost revenue an impossible task.

* * * cited * * * specific instances of alleged lost revenue, totalling $ * * *, all occurring from prices quoted on * * *. Because these quotes occurred * * * months ago, none of the purchasers could either verify or refute the alleged lost revenue.

* * * * * * *

Lost sales

* * * cited $ * * * of lost sales between * * * and * * *. * * * reported * * * and * * * did not provide any specific documentation of lost sales. * * * reported that it lost a sale of $ * * * to * * * on * * *. * * *, the purchaser for * * *, could not recall that specific transaction, but did state that he frequently negotiates with all of the major suppliers, and that it is not unusual to have the negotiations for any specific transaction terminated.

The purchasers contacted were virtually unanimous in their explanation for buying tires from Korean firms - an insufficient supply of domestically produced tires and a general scarcity of tires in the market. * * * of * * * stated that he purchases Korean tires "to shore up supply sources" because of "anticipated shortages." * * * of * * * said that although imports from Korea are lower priced, he "buys for shortages only." * * * of * * * stated that he had not yet purchased Korean tires but that he may in the future because of "a tight market" and the existence of "U.S. spot shortages."

APPENDIX A

NOTICE OF THE COMMISSION'S INSTITUTION OF A PRELIMINARY ANTIDUMPING INVESTIGATION

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-200 (Preliminary)]

Radial Ply Tires for Passenger Cars From the Republic of Korea

AGENCY: United States International Trade Commission.

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

EFFECTIVE DATE: July 20, 1984.

SUMMARY: The United States International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-200 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the Republic of Korea of new (not including recapped) pneumatic radial tires of rubber or plastics, for passenger cars, provided for in item 772.51 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at less than fair value.

FOR FURTHER INFORMATION CONTACT: Mr. Robert Carpenter, Office of Investigations, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, telephone 202-523-0398.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on July 20, 1984, by The Armstrong Rubber Co., Cooper Tire & Rubber Co., The Firestone Tire & Rubber Co., The B.F. Goodrich Co., and The Goodyear Tire & Rubber Co. The Commission must make its determination in this investigation within 45 days after the date of the filing of the petition, or by September 4, 1984 (19 CFR 207.17).

Participation

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

Service of documents

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

In addition to the foregoing, each document filed with the Commission in the course of this investigation must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

Written submissions

Any person may submit to the Commission on or before August 15, 1984, a written statement of information pertinent to the subject matter of this investigation (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

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

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on August 13, 1984, at the U.S. International Trade Commission Building, 701 E Street, NW, Washington, D.C. Parties wishing to participate in the conference should contact Robert Carpenter (202-523-0399), not later than August 9, 1984, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Public inspection

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

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

This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: July 26, 1984.
Kenneth R. Mason,
Secretary.
[FR Doc. 84-20202 Filed 7-30-84; 8:45 am]
BILLING CODE 7020-02-M

APPENDIX B

NOTICE OF THE DEPARTMENT OF COMMERCE'S INSTITUTION OF A PRELIMINARY ANTIDUMPING INVESTIGATION

[A-580-404]

Radial Ply Tires for Passenger Cars From the Republic of Korea: Initiation of Antidumping Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form within United States Department of Commerce, we are initiating an antidumping investigation to determine whether radial ply tires for passenger cars (radial ply tires) from Korea are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product materially injure, or threaten material injury to, a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before September 4, 1984, and we will make ours on or before December 27, 1984.

EFFECTIVE DATE: August 15, 1984.

FOR FURTHER INFORMATION CONTACT: Frank Crowe, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone: (202) 377-4087.

SUPPLEMENTARY INFORMATION:

The Petition

On July 20, 1984, we received a petition in proper form filed on behalf of the Armstrong Rubber Company, Cooper Tire & Rubber Company, the Firestone Tire & Rubber Company, the B.F. Goodrich Company, and the Goodyear Tire & Rubber Company. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petitioners alleged that the imports of the subject merchandise from Korea are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports materially injure, or threaten material injury to, a United States industry.

Petitioners based United States price on price lists circulated in the trade in the United States by the Korean companies. In a few instances, the price is based on reports of prices, which were gathered by various of the petitioner's sales staffs. These prices were adjusted by subtracting therefrom: The Federal Excise Tax ("FET"), the mark-up of the second unrelated purchaser in the U.S., the exporter's sales expenses, U.S. inland freight costs, CIF costs from port of exportation to port of importation, and U.S. import duty. The prices were then increased by the amount of value added tax and other duties and taxes rebated or not collected by reason of export.

Petitioners estimated Korean domestic tire prices by estimating wholesale prices based on ex-factory price lists of two manufacturers and from wholesale prices reported in the Korean publication *Price Data*. In comparing alleged U.S. prices with alleged Korean domestic prices, there are apparent dumping margins ranging from eight percent to 121 percent.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and whether it contains information reasonably available to these petitioners supporting the allegations. We have examined the petition on radial ply tires, and we have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping investigation to determine whether radial ply tires from Korea are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally we will make our preliminary determination by December 27, 1984.

Scope of Investigation

The merchandise (radial ply tires for passenger cars) is currently provided for in the Tariff Schedules of the United States Annotated (TSUSA) under item 772.5109, "New (not including recapped) passenger car tires: Radial."

Notification to ITC

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

Preliminary Determination by ITC

The ITC will determine by September 4, 1984, whether there is a reasonable indication that imports of radial ply tires from Korea materially injure, or threaten material injury to, a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Dated: August 9, 1984.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-21895 Filed 8-14-84; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX C

THE COMMISSION"S CALENDAR OF THE PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-200 (Preliminary)

RADIAL PLY TIRES FOR PASSENGER CARS
FROM THE REPUBLIC OF KOREA

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on August 13, 1984, in the hearing room of the USITC Building, 701 E Street, NW., Washington, D.C.

In support of the imposition of antidumping duties

Frederick L. Ikenson, P.C.--Counsel
Washington, D.C.
on behalf of

The Armstrong Rubber Co.
Cooper Tire & Rubber Co.
The Firestone Tire & Rubber Co.
The B.F. Goodrich Co.
The Goodyear Tire & Rubber Co.

Robert M. Gossett, Comptroller, Tire Division, The Goodyear Tire & Rubber Co.
John J. White, Director, Customer Services, The B.F. Goodrich Co.
Gary Fay, Manager, Financial Planning & Analysis, Cooper Tire & Rubber Co.

Frederick L. Ikenson--OF COUNSEL

In opposition to the imposition of antidumping duties

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

Hankook Tire Manufacturing Co., Ltd.
Samyang Tire Manufacturing Co., Ltd.

Guy Erb, Economist
J.G. Kahng, Executive Vice President, Kumho U.S.A., Inc.
William Finn, Marketing and Operations Manager, Hankook Tire America Corp.
S.K. Park, Chairman, Kumho Group
Craig Anderson, Executive Vice President, Hercules Tire & Rubber Corp.
Roger Banville, President, Prowler Tire Co.

Arnold & Porter
William D. Rogers)
Thomas B. Wilner) --OF COUNSEL
Sukhan Kim)

Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey
Michael J. Calhoun--OF COUNSEL

APPENDIX D

CORRESPONDENCE REGARDING KOREAN EXPORT RESTRAINTS

ARNOLD & PORTER

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THOMAS B. WILNER
DIRECT LINE: (202) 872-6836

August 22, 1984

Mr. Kenneth Mason
Secretary
International Trade Commission
Room 156
701 E Street, N.W.
Washington, D.C. 20436

380408

Re: **Radial Ply Tires for Passenger Cars From the Republic of Korea; Investigation No. 731-TA-200 (Preliminary)**

Dear Mr. Mason:

I am enclosing a copy of a letter sent yesterday to Mr. Alan F. Holmer announcing the extension by the Korean government of its restraint on radial tire exports to the United States for an additional year -- from October 1984 through September 1985. The restraint level will be the same as that for the prior year, 3.8 million tires. The announcement, of course, is further proof that there is no possible indication of threat of injury to the domestic tire industry from Korean radial tire exports.

Very truly yours,

Thomas B. Wilner
Counsel for Respondents

Enclosure

cc: Frederick L. Ikenson

MINISTRY OF TRADE AND INDUSTRY

REPUBLIC OF KOREA
77-6 Saejongro, Chongroku,
Seoul 110, Korea

August 21, 1984

Mr. Alan F. Holmer
Deputy Assistant Secretary
for Import Administration
Department of Commerce
14th Street btn Constitution
Avenue and E Street, NW
Washington, D.C. 20230

Dear Mr. Holmer:

I would like to take this opportunity to inform you of the undertaking this ministry has given to the United States Rubber Manufacturers Association with regard to radial tire exports.

As I indicated in my letter to Mr. Brotzman of the RMA, our government has decided to extend for an additional year (October 1984 - September 1985) the self-restraint currently in effect on radial tire exports. The restraint level for the second year will be the same as that for the first year, i.e. 3.8 million tires. Furthermore, we will continue, in the coming years, to do our best to ensure that Korean exports do not cause any disruption in the American radial tire market. To achieve that objective, we will, of course, provide guidance to the relevant Korean companies so as to enable them to take appropriate voluntary action.

Anyhow, we feel that the likelihood of future disruption is remote. As you know, representatives of the American radial tire industry testified before the ITC that their industry is now healthier than ever before. In support of that view, it should be noted that sales of U.S.-made radial tires increased 14% last year and 27.8% for the first five months of this year.

Be that as it may, Korea will continue to cooperate fully to avoid any possibility of tire trade disputes between our two countries.

Thank you.

Sincerely yours,

Un-Suh PARK
Director-General
International Trade
Promotion Bureau

LAW OFFICES
FREDERICK L. IKENSON, P.C.
1875 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20009

FREDERICK L. IKENSON
J. ERIC NISSLEY

TELEPHONE
(202) 483-8900

August 22, 1984

HAND DELIVERED

Hon. Kenneth R. Mason, Secretary
United States International Trade Commission
701 E Street, N.W.
Washington, D.C. 20436

Re: Radial Ply Tires For Passenger Cars From The Republic Of Korea, Investigation No. 731-TA-200 (Preliminary)

Dear Mr. Mason:

Moments ago I received a copy of a letter from Thomas B. Wilner, Esq., to you, enclosing a copy of a letter dated August 21, 1984, from Mr. Un-Suh Park, Director-General, International Trade Promotion Bureau of the Korean Ministry of Trade and Industry. Mr. Park's letter states:

> As I indicated in my letter to Mr. Brotzman of the RMA, our government has decided to extend for an additional year (October 1984 - September 1985) the self-restraint currently in effect on radial tire exports. The restraint level for the second year will be the same as that for the first year, i.e. 3.8 million tires.

Mr. Wilner, counsel for the Korean interests, interprets Mr. Park's announcements as "further proof that there is no possible indication of threat of injury to the domestic tire industry from Korean radial tire exports."

We disagree and offer the following comments.

In our various filings in this case, we indicated that the 3.8 million figure referred to P-metric rather than all passenger tires. In their Post-Conference Brief (at 7, footnote *), the Korean respondents took issue with us and stated that the 3.8 million unit restraint "applies to all exports of Korean passenger car radial tires, both metric and P-metric."

So that the record may be clear on this point, we too are submitting a letter from Deputy Director-General Un-Suh Park. The letter, a copy of which is enclosed, is dated November 5, 1983, is addressed to Mr. Brotzman of the Rubber Manufacturers Association, and states with crystal clarity: "[T]he Korean government has decided to voluntarily limit exports to the United States of Korean-made P-metric radial tire to 3.8 million for the period of October 1983 through September 1984."

The respondents' witness, Mr. Jong G. Kahng, Executive Vice President of Kumho USA, indicated at the conference that 75 percent of the radial passenger car tires imported from Korea were of the P-metric type (Transcript, page 136.) Thus, looking at the most recent 12-month period for which import data are available (July 1983-June 1984), we estimate that 2,678,449 P-metric radial tires were imported from Korea (75 percent of 3,571,625). An increase to a 3.8 million level would entail a sizeable gain of 42 percent.

Two additional points warrant mention. First, the Korean interests' discussion of restraint levels misses the point with respect to the material injury that has been caused, and is threatened, by the Korean tire producers' aggressive and unfair pricing in this market. Second, the implication of the Korean Government's message, as transmitted to the Commission by respondents' counsel, constitutes nothing less than an invitation to ignore totally the carefully defined and articulated statutory plan — replete with safeguards and divisions of jurisdiction — providing for "Agreements to eliminate completely sales at less than fair value or to cease exports of merchandise" and "Agreements eliminating injurious effect." See 19 U.S.C. § 1673c. Stated differently, it would be wholly inconsistent with our statute for the Commission, during the preliminary injury phase of an antidumping investigation, to "accept" a unilateral undertaking by a foreign government and thereby terminate the proceeding.

In view of all the foregoing, Mr. Park's most recent letter should in no way be viewed as a rebuttal, in whole or in part, to the substantial allegations of material injury and threat thereof which we have presented in this proceeding.

Sincerely,

Frederick L. Ikenson

Frederick L. Ikenson
Attorney for Petitioners

FLI/md

Enclosures

cc: Thomas B. Wilner, Esq.

CERTIFICATE OF SERVICE

August 22, 1984

I certify that a copy of the foregoing letter (with enclosures) was deposited in the United States mail, first class, postage prepaid on the date specified above to the attorney listed below, at the address shown:

William D. Rogers, Esq.
Arnold & Porter
1200 New Hampshire Avenue, N.W.
Washington, D.C. 20036

Frederick L. Ikenson

FREDERICK L. IKENSON

MINISTRY OF COMMERCE AND INDUSTRY
UNIFIED GOVERNMENT BUILDING · SEOUL

November 5, 1983

Mr. Donald G. Brotzman
President
Rubber Manufacturers Association
1901 Pennsylvania Ave., N.W.
Washington, D.C. 20006

Dear Mr. Brotzman:

Let me thank you for taking time out of your busy schedule to meet with me during my recent visit to Washington. I think our discussion was very helpful in clarifying a number of important issues facing the U.S. and Korean tire industries.

As you may know, the Korean government has decided to voluntarily limit exports to the United States of Korean-made P-metric radial tire to 3.8 million for the period of October 1983 through September 1984.

In addition to the self restraint, the Korean government has persuaded domestic tire manufacturers to raise export prices by a minimum of 3% starting this month. U.S. importers and dealers have already been duly informed of this decision.

I hope these measures will serve to convince your members of our sincere desire not to make any market disruption in the United States.

I am confident that whatever issues may arise from time to time between Korean and American tire manufacturers can and should be resolved within the overall framework of cooperation that has traditionally governed relations between our two countries.

Thank you again.

Sincerely yours

Un-Suh Park
Deputy Director-General
Trade Promotion Bureau

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

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