Ottawa, Monday, September 30, 1991

Review No.: RR-91-001

IN THE MATTER OF a review, under subsection 76(2) of the *Special Import Measures Act*, of the finding of likelihood of material injury made by the Canadian Import Tribunal on October 15, 1986, in Inquiry No. CIT-3-86, respecting:

ACRYLONITRILE-BUTADIENE-STYRENE (ABS) RESINS IN PELLET FORM ORIGINATING IN OR EXPORTED FROM THE REPUBLIC OF KOREA

O R D E R

The Canadian International Trade Tribunal, under subsection 76(2) of the *Special Import Measures Act*, has conducted a review of the finding of likelihood of material injury made by the Canadian Import Tribunal on October 15, 1986, in Inquiry No. CIT-3-86.

Pursuant to subsection 76(4) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby rescinds the above-mentioned finding.

Arthur B. Trudeau
Arthur B. Trudeau
Presiding Member

W. Roy Hines
W. Roy Hines
Member

Sidney A. Fraleigh
Sidney A. Fraleigh
Member

Robert J. Martin
Robert J. Martin
Secretary

CANADIAN INTERNATIONAL TRADE TRIBUNAL
TRIBUNAL CANADIEN DU COMMERCE EXTÉRIEUR

Ottawa, Monday, September 30, 1991

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ACRYLONITRILE-BUTADIENE-STYRENE (ABS) RESINS IN PELLET FORM ORIGINATING IN OR EXPORTED FROM THE REPUBLIC OF KOREA

Special Import Measures Act - Whether to rescind or continue, with or without amendment, the finding of the Canadian Import Tribunal dated October 15, 1986, in Inquiry No. CIT-3-86.

Place of Hearing:	Ottawa, Ontario
Date of Hearing:	August 19, 1991
Date of Order and Reasons:	September 30, 1991
Tribunal Members:	Arthur B. Trudeau, Presiding Member W. Roy Hines, Member Sidney A. Fraleigh, Member
Director of Research:	Réal Roy
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Ottawa, Monday, September 30, 1991

Review No.: RR-91-001

IN THE MATTER OF a review, under subsection 76(2) of the *Special Import Measures Act*, of the finding of likelihood of material injury made by the Canadian Import Tribunal on October 15, 1986, in Inquiry No. CIT-3-86, respecting:

ACRYLONITRILE-BUTADIENE-STYRENE (ABS) RESINS IN PELLET FORM ORIGINATING IN OR EXPORTED FROM THE REPUBLIC OF KOREA

TRIBUNAL: ARTHUR B. TRUDEAU, Presiding Member
W. ROY HINES, Member
SIDNEY A. FRALEIGH, Member

STATEMENT OF REASONS

SUMMARY

The Canadian International Trade Tribunal (the Tribunal) has reviewed the finding of likelihood of material injury to the domestic production of ABS resins in pellet form caused by dumped imports from the Republic of Korea. The finding was issued by the Canadian Import Tribunal (the CIT) on October 15, 1986.

The Tribunal considers the domestic industry for these goods to consist of GE Plastics Canada (GE Plastics) and Monsanto Canada Inc. (Monsanto). Both firms requested that the finding be continued.

In conducting this review, the Tribunal addressed two essential questions - what is the likelihood of dumping in the foreseeable future if the finding is rescinded and the likelihood of that dumping causing material injury to the domestic industry?

With respect to the likelihood of dumping, the Tribunal believes that there is excess capacity to produce ABS resins in pellet form in Korea. However, the Tribunal is not prepared, on this ground alone, to conclude that dumping of this product from Korea is likely to resume in the foreseeable future. The evidence indicates that Taiwan is having a greater effect on price levels in the North American market than the Republic of Korea. The Tribunal also notes that there have not been any recent imports of ABS pellets into Canada from Korea, nor have there been any dumping actions against Korean producers in the United States or elsewhere that would lend any credence to the alleged propensity to dump on the part of Korean producers.

Turning to the question of industry vulnerability to a possible resumption of dumping, the Tribunal notes that recent reductions in Canadian production of ABS pellets, sales revenue and profitability were taking place against a background of market downturn and softening of prices. With respect to pricing, the Tribunal is of the view that low-priced competition from the United States and Taiwan will continue to put downward pressure on prices, regardless of whether the finding against Korea remains in place. There is insufficient evidence to support the conclusion that there will be a resumption of injurious dumping of ABS resins in pellet form from Korea in the foreseeable future.

In light of the foregoing, the Tribunal hereby rescinds the finding under review.

BACKGROUND

This is a review, under subsection 76(2) of the *Special Import Measures Act* (SIMA), of the finding of likelihood of material injury made by the Canadian Import Tribunal on October 15, 1986, in Inquiry No. CIT-3-86, concerning acrylonitrile-butadiene-styrene (ABS) resins in pellet form originating in or exported from the Republic of Korea.

In Notice of Expiry No. LE-90-009, dated February 25, 1991, the Tribunal informed interested parties of the finding's scheduled expiry date and asked for submissions from interested parties requesting or opposing the initiation of a review. On May 6, 1991, the Tribunal decided to review the finding and a notice of review was forwarded to all known interested parties. The notice was published in Part I of the May 18, 1991, edition of the Canada Gazette.

On May 28, 1991, the Secretary of the Tribunal, as a result of a letter dated May 13, 1991, from legal counsel representing an importer and an exporter of ABS resins in powder form, confirmed that since subsection 76(2) of SIMA gives the Tribunal jurisdiction to review "... an order or finding described in any of sections 3 to 6 ..." of that Act and because the finding in Inquiry No. CIT-3-86 applied only to ABS resins in pellet form, as reflected in the notice of review, the scope of the finding in the review would be limited to the same product.

As part of this review, the Tribunal sent questionnaires to known manufacturers and major importers of ABS resins. From the replies to these questionnaires and other sources, the Tribunal's research staff prepared public and confidential pre-hearing staff reports relative to the review. Tribunal members and staff visited the facilities of GE Plastics in Cobourg, Ontario, to view the manufacturing process. Tribunal staff also visited the other domestic producer of ABS resins in pellet form, Monsanto of LaSalle, Quebec, as well as two importers of ABS resins, namely Canron Pipe Inc. of Montréal, Quebec, and Albis Canada Inc. of Pickering, Ontario.

The record of this review consists of all relevant documents, including the original finding, the notice of review, public and confidential sections of the replies to questionnaires, staff reports prepared for the review and all evidence and testimony given during public and *in camera* sessions held in Ottawa, Ontario, on August 19, 1991. All public exhibits were made available to interested parties.

PRODUCT

ABS resins are thermoplastic materials. The three components, which are combined to produce ABS resins, each contribute specific properties to the final product. Acrylonitrile (A) produces resistance to heat, chemicals and aging. Butadiene (B), which is a rubber-like substance, provides flexibility and impact strength. Styrene (S) provides lustre, mouldability and rigidity. Variations in the ratio of these components permit the manufacturer to emphasize particular properties desired by the end user and to produce a number of different grades of ABS resins. Canadian manufacturers produce a wide range of ABS grades and colours, ranging from high-impact general purpose moulding and extrusion grades to specialty, flame-resistant, UV-stabilized, high-heat, high-tensile, high-flow and plating grades.

Two manufacturing processes are employed in Canada for the production of ABS resins: the emulsion process used by GE Plastics at its Cobourg, Ontario, facility and the suspension process used by Monsanto at its plant in LaSalle, Quebec. Monsanto's process does not result in the production of ABS powder suitable for sale to end users.

Under the emulsion process used by GE Plastics, quantities of polybutadiene latex (purchased from GE Plastics U.S.) are added to acrylonitrile and styrene monomers, along with other catalysts and additives, and then polymerized in a reactor. The resulting reacted polymer is then isolated from the water emulsion through filters and eventually dried in a rotary steam heated dryer. At this stage in the process, the ABS product resembles a fine powder which is ready for sale as ABS powder or for further processing or compounding into pellets. If compounded, the ABS powder is mixed with lubricants, stabilizers and/or pigments in a dry blender referred to as a Henschel mixer. The blend is typically 95 percent ABS and 5 percent additives. This mixture is fed through a screw type extruder that melts the blend by means of heat supplied through heater bands. At the end of the extruder, a die causes the melted plastic to flow into several strands that are cooled in a water bath and subsequently chopped in a pelletizer to their final cylindrical form.

The suspension process used by Monsanto involves the polymerization of two intermediates (ABS and SAN [styrene-acrylonitrile]) on separate production lines. The intermediates are subsequently blended and compounded to produce ABS pellets. Polymerization of the ABS intermediate is a three-phased process. Firstly, polybutadiene (rubber) is dissolved in styrene monomer. Secondly, the solution is transferred to a reactor where acrylonitrile monomer is added and initial polymerization occurs. Thirdly, the "syrup" resulting from phase two is transferred to a reactor, where it is dispersed in water and polymerized in the form of suspended droplets. Beads are formed by drying and then held in storage silos. To produce the SAN intermediate in a second line, styrene and acrylonitrile are dispersed in water in a single stage reactor, polymerized as suspended droplets, dried to form beads and held in storage silos. SAN contains no rubber (butadiene).

There is no substantial difference in the essential properties of ABS powder and pellets, and both are sold for end-use applications. In the case of powder, there is a small number of grades and a single application, namely drain waste and vent (DWV) pipe for the construction industry. Canron Pipe Inc. of Montréal, Quebec, and Royal Plastics Limited of Weston, Ontario, are the two major DWV pipe manufacturers in Canada that have the technology to use the powder directly in the injection or extrusion process. As for pellets, there is a wide choice of grades and many different applications, including DWV pipe, pipe fittings, automotive parts, housings for telephone and electronic equipment as well as home appliances and numerous consumer products such as chairs and toys.

GE Plastics and Monsanto package ABS pellets in bags or boxes or transfer the finished goods to storage silos for subsequent bulk shipment by rail or truck.

In the industry, there is also an intermediate trade level known as custom compounders. Generally, these firms add pigment and other additives to ABS pellets and then recompound them in accordance with their customers' specifications. A few compounders, such as Aclo Compounders Inc. of Cambridge, Ontario, and A. Shulman Inc. of St. Thomas, Ontario, also have the technology to process powder into pellets.

DOMESTIC INDUSTRY

GE Plastics and Monsanto are the only domestic producers of ABS resins in powder or pellet form.

In September 1988, General Electric Company finalized a transaction to purchase Borg-Warner's worldwide chemical business. As a result, Borg-Warner's ABS resin operation in Canada became known as GE Plastics Canada Ltd. The Canadian company, with corporate offices located in Mississauga, Ontario, is now a wholly owned subsidiary of GE Chemicals Inc., a Delaware registered corporation. GE Chemicals Inc. is, in turn, a wholly owned subsidiary of the General Electric Company. GE Plastics produces ABS powder and pellets, as well as Lexan sheet, at its plant in Cobourg, Ontario. This plant was established in 1966. It is the only producer manufacturing ABS resins in both powder and pellet forms. The firm markets ABS pellets directly through its own sales force, supported by its customer services group. Sales offices are located in Mississauga, Ontario, and Saint-Laurent, Quebec. Published price lists are available and discounts are offered, depending upon volume purchased, package type, bulk container and grade of ABS. GE Plastics markets a different grade for virtually any product requirement and custom grades to meet special needs.

Monsanto is a wholly owned subsidiary of Monsanto Company, which is located in St. Louis, Missouri. Since 1965, Monsanto has been producing ABS resins in pellet form only at a plant in LaSalle, Quebec. Monsanto sells the subject goods directly to the end user or through licensed distributors. The firm has sales offices in LaSalle, Quebec, and Meadowvale, Ontario. Price lists are published for standard items and individual quotes are made for special orders. Volume discounts are available and premiums are charged for non-standard colours to cover higher pigment costs.

SUMMARY OF THE 1986 FINDING

On October 15, 1986, in Inquiry No. CIT-3-86, the CIT found that the dumping of ABS resins in powder or pellet form from the Republic of Korea had not caused and was not causing material injury to the production in Canada of like goods, and that the dumping of ABS resins in powder form was not likely to cause material injury to the production in Canada of like goods, but that the dumping of ABS resins in pellet form was likely to cause material injury to the production in Canada of like goods.

In its consideration of past and present injury, the CIT noted the robust performance of the industry in 1985, during which sales tonnage rose and market share from sales from domestic production remained unchanged at over 90 percent. Any market share lost to Korean imports in that year was borne by the industry's sales of imports from their U.S. affiliates. The CIT also noted that, in 1985, the Canadian industry enjoyed a repeat of its previous year's financial gains: net sales in both dollars and tonnage were up and gross margins as well as net incomes in both dollars and percentage terms increased. In the first quarter of 1986, the effects of Lucky Ltd.'s (Lucky) supply arrangement[1] with Canron became evident. Imports of Korean pellets fell sharply in volume while powder imports remained at the higher plateau that had been achieved in the fourth quarter of 1985. Although Borg-Warner did experience a decline in powder sales tonnage, this was more than offset by its volume gains in pellets. Monsanto, the other domestic producer of ABS pellets, actually improved on its 1985 performance. Consequently, the evidence did not establish, to the satisfaction of the CIT, that dumping constituted a material measure of injury in the past or at present.

Regarding the likelihood of material injury, the majority opinion was that there was no likelihood of material injury from imports of Korean ABS powder. Although Canron had decided to place a substantial percentage of its purchases of powder with Lucky, it reserved the major portion of its requirements for Borg-Warner. The volume of imported powder involved represented, at a maximum, 5 percent of the total Canadian market for powder and pellets combined. Since the market was expected to enjoy an average annual growth rate of about 4 percent over the next five years, it was felt that the Canadian industry was able to sustain an influx of this size.

In addition, the majority of the CIT's panel was satisfied that it was in Canron's self-interest not to exploit the differential between the Korean price and Borg-Warner's price, and to adhere to the limitations on volumes of imports set by the exclusive supply arrangement between Canron and Lucky, which had been found not to be injurious to the Canadian industry. Accordingly, the majority concluded that the evidence supported a finding of no likelihood of material injury respecting ABS in powder form.

In considering the likelihood of material injury from the dumping of pellets, the majority concluded that the presence of a second exporter, Hannam, which was not a party to any exclusive supply arrangement, would, in the absence of anti-dumping duties, pursue Canadian business and would likely act as a catalyst, drawing Lucky into participation in the pellet market as well. It was also noted that Korean producers had production capacity that greatly exceeded their domestic needs as well as the combined capacity of both Monsanto and Borg-Warner in Canada.

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1. Because of a concern about exclusive reliance on a sole Canadian supplier of ABS powder, Canron Pipe, a division of Canron Inc., the largest Canadian producer of DWV pipe and the largest end user of ABS resins in Canada, established a sourcing agreement in September 1985 with Lucky Ltd., a Korean exporter.

Of particular concern was Lucky's stated position that it would not sell pellets required for the production of pipe fittings to anyone else but Canron. If Lucky only supplied Canron, the latter would be in a position to improve its market share in the pipe fitting market through the much lower cost of the dumped product. As a result, Monsanto and Borg-Warner would likely match Korean prices or agree to compensatory concessions, thereby creating injury.

For these reasons, the CIT concluded that continued dumping of ABS resins in pellet form from Korea was likely to cause material injury to the production in Canada of like goods.

POSITION OF PARTIES

The Industry

In its submission to the Tribunal, GE Plastics took the position that the finding should be continued. Although the firm recognized that a degree of internal competition exists between ABS pellets and ABS powder because of certain factors, including technology, economics and safety considerations, it indicated that this competition does not warrant their division into separate and distinct product markets. Since substitution is nearly always an option, it believes that ABS resins, in whatever form, remain "like" goods. The company argued that one ABS product segment cannot be kept insulated from the price and competitive pressures occurring in another segment.

GE Plastics explained that the Canadian market for ABS resins can be divided between end markets (pipe and pipe fittings, automotive, injection moulding other than automotive and sheet extrusion) and the intermediate market where compounders occupy a trade level as both customers of, and competitors to, resin manufacturers.

In particular, the firm noted that the pipe and pipe fittings, as well as the automotive market segments, are the two largest purchasers of ABS resins. It pointed out that the pipe portion of the DWV segment was the first to convert from ABS pellets to powder in order to exploit the cost savings that can be realized by in-house blending of natural ABS powder with the black pigment and other additives required to meet CSA specifications on DWV extruded pipe. The company added that, given the prominence of this market segment along with its purchasing patterns, it was the first end-use segment directly approached by offshore suppliers.

GE Plastics stated that the injection moulding segment of the market has been less price sensitive because the parts being moulded (e.g., computer housings, keyboards and telephone covers) represent a very small portion of the total cost of the final product. With respect to the automotive segment, GE Plastics indicated that rigorous specifications for characteristics such as appearance, strength and processing requirements have so far impeded offshore penetration. As for the extrusion segment, GE Plastics mentioned that customers purchase ABS pellets with tightly specified characteristics and at relatively low volumes.

With respect to the intermediate market, the company indicated that prior to the 1986 finding, compounders sought to improve their competitive position in the end market by purchasing dumped ABS pellets in natural form and adding value through the addition of pigments, lubricants, flame retardants, etc.

On the question of the likelihood of resumed dumping, GE Plastics stated that total Korean manufacturing capacity is far in excess of domestic demand. It pointed out that Lucky, by itself, has greater production capacity than the total Korean consumption of ABS resins. Four other Korean manufacturers, three of which have commenced production since the 1986 finding, have an additional 150,000 tonnes of capacity between them. The firm also argued that Korean producers rely heavily on exports. In this connection, it mentioned that Canada was the second largest export market for Korean ABS resins in 1990.

GE Plastics submitted that the industry is particularly vulnerable to renewed dumping of ABS resins in pellet form, as demonstrated by, firstly, a decline in the sales volume of the subject goods in the first quarter of 1991; secondly, a decrease in the prices for ABS pellets; thirdly, lower capacity utilization in early 1991; and, finally, a decline in overall profitability. With respect to pricing, the firm's witnesses drew attention to evidence that average selling prices had declined significantly as a result of competition from Asian producers.

Although Monsanto did not file a submission with the Tribunal, it stated in its reply to the Tribunal's questionnaire that the 1986 finding was initially beneficial to the company's overall performance from 1986 to 1988. It pointed out, however, that since 1989, imports of ABS pellets from other areas (e.g., Taiwan) have contributed to a downward movement in pricing. It noted that market demand has been relatively flat over the past four years and is likely to remain as such. The firm concluded that the finding should be continued because it will send a signal to other offshore producers that products should not be offered for sale in Canada at prices lower than in their own domestic market.

Importers/Exporters

These parties did not make submissions to the Tribunal on this review nor did they attend the August 19 hearing. Most of the importers (Albis Canada Inc., BASF Canada Inc., Bayer Canada Inc., Dow Chemical Canada Inc., Shuman Plastics Inc. and A. Shulman Inc.) indicated, in response to the Tribunal's questionnaire, that the 1986 finding had no impact on their overall performance. Bayer Canada Inc. added that its presence was insignificant in the North American market because of low prices. On the other hand, Canron Pipe Inc. noted that, in general, the 1986 finding stabilized the ABS resin market, which in turn provided a more stable environment for the DWV pipe market, even though this market has been severely depressed by the poor housing market. It pointed out, however, that imports of ABS pellets from Taiwan have, in certain instances, forced domestic suppliers to lower their prices. Canron indicated that ABS resin prices in Canada are capped by the availability of cheap resin from the United States and the fact that it could switch to producing polyvinyl chloride (PVC) pipe should ABS prices climb. It stated that the rescission of the 1986 finding would lead to lower prices and force DWV pipe producers to seek the best possible price for their ABS pellets.

ECONOMIC INDICATORS

Market demand for ABS resins in both powder and pellet forms tends to fluctuate with general economic activity. The construction industry, specifically the DWV pipe and pipe fitting sector, is the largest market for ABS resins in Canada. During the proceedings, the Tribunal heard evidence that the Canadian market for ABS resins grew until 1988-89, then declined due to a slide in the number of housing starts. However, as economic activity gains momentum, some recovery in the housing market is anticipated in the next six months with the result that domestic demand for ABS resins is expected to increase by about 10 percent from recessionary levels in the next twelve months.

Domestic production volumes for ABS resins (powder and pellets) followed the same general trend as the overall market, rising from levels recorded in 1985 to higher levels in 1989, before falling in 1990.

After peaking in 1987, the total demand for ABS resins in pellet form declined between 1988 and the first quarter of 1991. Since the 1986 finding, Korean producers have shipped no ABS resins in pellet form to Canada. Imports of ABS pellets from all other countries rose by 14 percent from 1987 to 1988, followed by a slight decline (4 percent) in 1989 and an increase (12 percent) in 1990. Import levels of these goods in the first quarter of 1991 were lower than those recorded for the same period a year earlier. The rise in imports of ABS pellets, from about 13,000 tonnes in 1987 to over 15,500 tonnes in 1990, is generally attributable to increases of the subject goods brought in by importers from the United States and Taiwan. The United States remains by far the largest single foreign source for ABS pellets.

On pricing, evidence submitted by the industry indicated that average prices for ABS resins in Canada have decreased significantly since 1990 as a result of strong competition from Asian exporters. A downward trend in the cost of the constituent monomers over the last six to nine months has allowed Asian producers to be more aggressive in the Canadian market. Specifically, the Tribunal heard evidence that although the Koreans are not a major player in the U.S. market, they have contributed to a dramatic decline in prices. Also, it was pointed out that Chi Mei Industrial Co., Ltd. of Taiwan, the largest Asian manufacturer of ABS resins in pellet form, has made inroads in the U.S. market due to low pricing. This, in turn, has put downward pressure on prices in Canada.

With respect to other economic indicators, it is noted that Canadian exports of ABS pellets have increased steadily during the 1987-90 period, while no significant changes have been recorded in employment levels for GE Plastics and Monsanto. The industry earned profits on sales of the subject goods before the 1990-91 recessionary period; however, a decline in the activity of the two largest end markets (housing construction and motor vehicle production) for ABS resins, coupled with price erosion, has resulted in a significant decline in the overall profitability of the industry.

REASONS FOR DECISION

In a review of an injury finding, the Tribunal usually considers two basic questions. Firstly, if the finding is rescinded, is dumping likely to resume in the foreseeable future? Secondly, if the dumping resumes, is it likely to cause material injury to the production in Canada of like goods? In answering these questions, it must be borne in mind that the scope of this review is limited to ABS resins in pellet form.

<u>Likelihood of Dumping</u>

Witnesses representing both domestic producers submitted that dumping by the Republic of Korea is likely to recur if the finding is rescinded.

Firstly, it was argued that the total Korean manufacturing capacity is far in excess of domestic demand for ABS resins and that Korean producers are export driven. On these issues, GE Plastics presented general information regarding Korean capacity to produce ABS pellets as well as ABS powder (non-subject goods), and extracts from a publication called the <u>ABS Trader</u> concerning exports of ABS resins from Korea.

The Tribunal accepts that there is excess capacity to produce ABS resins in pellet form in Korea, given the estimates of the Korean demand for ABS resins and the soft market conditions in many foreign markets, including North America. However, even if such excess capacity exists, the Tribunal is not prepared, on this ground alone, to conclude that dumping from Korea is likely, especially in light of import statistics and Revenue Canada enforcement information which show that Korean ABS pellets have been absent from the Canadian market since the 1986 finding.

Furthermore, the evidence submitted on Korean exports for the year 1990 indicates that the U.S. market accounted for a small portion (about 2,900 tonnes) of the total exports of ABS resins from Korea and that such import penetration represented less than 1 percent of the U.S. domestic market.

With respect to pricing, the evidence presented by GE Plastics focussed on the effects that Korean exports to the United States were having on Canadian prices. On the other hand, the witness for Monsanto alleged that low prices in the U.S. market were driven by Chi Mei Industrial Co., Ltd. of Taiwan, and that this situation was creating downward pressure on prices in Canada. In considering this matter, the Tribunal notes that the rise (about 22 percent) in ABS pellets entering Canada between 1987 and 1990 is mostly attributable to increases in imports from the United States and Taiwan. The Tribunal, therefore, believes that Taiwan is having a greater effect on price levels in the North American market than the Republic of Korea.

The witness for Monsanto indicated that Korean producers have a significant presence in Canada because of ABS powder and that there is reason to believe that this would not be any different for ABS pellets should the finding be rescinded. In this connection, he stated that "... at least two Korean producers have been offering, or at least sounding out the Canadian market for their products." It is unclear from the evidence whether these contacts with potential customers involved dumped prices of ABS pellets. A judgment that there exists a likelihood of dumping must be based on persuasive evidence. In the present case, the evidence has not established, to the satisfaction of the Tribunal, that dumping by Korean exporters is likely to recur in the foreseeable future if the finding is rescinded.

Finally, the Tribunal notes that witnesses testified that they were unaware of any recent dumping actions against Korean producers in the United States or elsewhere that would lend any credence to the alleged propensity to dump on the part of those producers.

Likelihood of Material Injury

In examining whether a resumption of dumping of ABS pellets from Korea was likely to cause material injury to domestic producers, the Tribunal focussed on the possible volumes and the impact these imports would have on prices in the Canadian market.

During the proceedings, the Tribunal heard evidence that prices have fallen significantly in the Canadian market due to a sharp drop in demand, especially in the DWV segment of the construction industry, and because of the availability of low prices from both domestic producers and non-subject countries (the United States and Taiwan). It is evident that this market is price sensitive and that customers will gravitate to the source of the lowest price while taking into account quality concerns and existing business relationships.

While it is difficult for the Tribunal to assess the possible volumes of Korean imports, Korea's small presence in the U.S. market during 1990 leads us to believe that Korean exporters will not ship a considerable volume of the subject goods to Canada in the near future. Furthermore, the facts show that between 1987 and 1989, production tonnage, sales revenue, export sales and profitability levels for the Canadian industry were healthy, but that since 1990, the market downturn and softening of prices have generally had a negative effect on these factors. Although the industry could not predict the exact duration of the current soft market for ABS pellets, the Tribunal is of the view that low-priced competition from the United States and Taiwan will continue to be the principal factor putting downward pressure on prices, regardless of whether the finding against Korea remains in place.

In light of the foregoing, the Tribunal concludes that other low-priced imports and recessionary conditions have been and will likely continue to be the major source of price pressure for the domestic industry.

CONCLUSION

Based on the evidence before it, the Tribunal concludes that the injurious dumping of ABS resins in pellet form from the Republic of Korea is not likely to resume in the foreseeable future. Accordingly, the Tribunal hereby rescinds the finding under review.

Arthur B. Trudeau
Arthur B. Trudeau
Presiding Member

W. Roy Hines
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