



Ottawa, Friday, February 21, 1997

Review No.: RR-96-003

IN THE MATTER OF a review, under subsection 76(2) of the *Special Import Measures Act*, of the order made by the Canadian International Trade Tribunal on February 25, 1992, in Review No. RR-91-003, continuing, without amendment, the review finding of the Canadian Import Tribunal made on February 17, 1987, in Review No. R-6-86, continuing without amendment, the finding of the Anti-dumping Tribunal made on October 7, 1982, in Inquiry No. ADT-8-82, concerning:

**TWISTED POLYPROPYLENE AND NYLON ROPE ORIGINATING IN OR
EXPORTED FROM THE REPUBLIC OF KOREA**

ORDER

The Canadian International Trade Tribunal, under the provisions of subsection 76(2) of the *Special Import Measures Act*, has conducted a review of its order made on February 25, 1992, in Review No. RR-91-003, continuing, without amendment, the review finding of the Canadian Import Tribunal made on February 17, 1987, in Review No. R-6-86, continuing without amendment, the finding of the Anti-dumping Tribunal made on October 7, 1982, in Inquiry No. ADT-8-82.

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

Anthony T. Eyton

Anthony T. Eyton
Presiding Member

Arthur B. Trudeau

Arthur B. Trudeau
Member

Desmond Hallissey

Desmond Hallissey
Member

Susanne Grimes

Susanne Grimes
Acting Secretary

Ottawa, Friday, February 21, 1997

Review No.: RR-96-003

**TWISTED POLYPROPYLENE AND NYLON ROPE ORIGINATING IN OR
EXPORTED FROM THE REPUBLIC OF KOREA**

Special Import Measures Act — Whether to rescind or continue, with or without amendment, the order made by the Canadian International Trade Tribunal on February 25, 1992, in Review No. RR-91-003, continuing, without amendment, the review finding of the Canadian Import Tribunal made on February 17, 1987, in Review No. R-6-86, continuing, without amendment, the finding of the Anti-dumping Tribunal made on October 7, 1982, in Inquiry No. ADT-8-82.

Place of Hearing: Ottawa, Ontario
Date of Hearing: December 16, 1996
Date of Order and Reasons: February 21, 1997

Tribunal Members: Anthony T. Eyton, Presiding Member
Arthur B. Trudeau, Member
Desmond Hallissey, Member

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Canada Cordage Inc.

Jerry Nolin
Poli-Twine, A Division of Tecsyn International Inc.

David Moore
East Coast Rope Ltd.

(Domestic Producers)

Peter Clark
for Dae Sung Rope Mfg. Co., Ltd.
Korea Fishing Net Industrial Association

(Exporter/Industry Association)

Witnesses:

David Moore
Marketing Manager
East Coast Rope Ltd.

Liz M. Burch
Vice-President, Sales
Canada Cordage Inc.

Jerry Nolin
Vice-President and General Manager
Poli-Twine,
A Division of Tecsyn International Inc.

T.C. (Terry) Boyle
Controller
Poli-Twine Canada,
A Division of Tecsyn International Inc.

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Ottawa, Friday, February 21, 1997

Review No.: RR-96-003

IN THE MATTER OF a review, under subsection 76(2) of the *Special Import Measures Act*, of the order made by the Canadian International Trade Tribunal on February 25, 1992, in Review No. RR-91-003, continuing, without amendment, the review finding of the Canadian Import Tribunal made on February 17, 1987, in Review No. R-6-86, continuing, without amendment, the finding of the Anti-dumping Tribunal made on October 7, 1982, in Inquiry No. ADT-8-82, concerning:

TWISTED POLYPROPYLENE AND NYLON ROPE ORIGINATING IN OR EXPORTED FROM THE REPUBLIC OF KOREA

TRIBUNAL: ANTHONY T. EYTON, Presiding Member
ARTHUR B. TRUDEAU, Member
DESMOND HALLISSEY, Member

STATEMENT OF REASONS

BACKGROUND

This is a review, under subsection 76(2) of the *Special Import Measures Act*¹ (SIMA), of the order made by the Canadian International Trade Tribunal (the Tribunal) on February 25, 1992, in Review No. RR-91-003, continuing, without amendment, the review finding of the Canadian Import Tribunal (the CIT) made on February 17, 1987, in Review No. R-6-86, continuing, without amendment, the finding of the Anti-dumping Tribunal (the ADT) made on October 7, 1982, in Inquiry No. ADT-8-82, concerning twisted polypropylene and nylon rope originating in or exported from the Republic of Korea (Korea).

Pursuant to subsection 76(2) of SIMA, the Tribunal initiated a review of its order and issued a notice of review² on September 20, 1996. This notice was forwarded to all known interested parties.

As part of this review, the Tribunal sent questionnaires to Canadian manufacturers, importers and purchasers of twisted rope. From the replies to these questionnaires and other sources, the Tribunal's research staff prepared public and protected pre-hearing staff reports.

The record of this review consists of all relevant documents, including the order in Review No. RR-91-003, the review finding in Review No. R-6-86, the finding in Inquiry No. ADT-8-82, the notice of review and public and confidential replies to the questionnaires for the 1996 review and the public and protected pre-hearing staff reports for the 1991 review. All public exhibits were made available to interested parties, while protected exhibits were provided only to independent counsel who had filed a declaration and confidentiality undertaking with the Tribunal.

1. R.S.C. 1985, c. S-15, as amended by S.C. 1994, c. 47.

2. *Canada Gazette* Part I, Vol. 130, No. 39, September 28, 1996, at 2774-75.

Public and *in camera* hearings were held in Ottawa, Ontario, on December 16, 1996.

The domestic manufacturers, Canada Cordage Inc. (Canada Cordage), Poli-Twine Canada, A Division of Tecsyn International Inc. (Poli-Twine) and East Coast Rope Ltd. (East Coast Rope), were represented by company officials and made arguments in support of continuing the order. Bridgeline Ropes Inc. (Bridgeline), the fourth Canadian producer, chose not to participate in these proceedings.

One of the Korean exporters, Dae Sung Rope Mfg. Co., Ltd. (Dae Sung), and the Korea Fishing Net Industrial Association (the Association) were represented by counsel at the hearing, submitted evidence and made arguments in support of rescinding the order.

PRODUCTS

The products that are the subject of this review are twisted polypropylene and nylon rope originating in or exported from Korea.

Twisted polypropylene rope and twisted nylon rope are manufactured from synthetic fibres. Synthetic rope is available in three different constructions: twisted, braided or plaited. Twisted rope is commonly known as three-strand rope. Braided rope and plaited rope do not generally compete for the same markets as twisted rope because of their higher costs, product specifications and characteristics. The size of the rope produced depends on the number of plies in a strand and the size of yarns. It is manufactured in Canada in diameters ranging from 3/16 in. to 3/4 in. and is generally sold by weight (lbs).

Polypropylene rope is manufactured from resins to which colour pigments are added. The resins are converted from granules or pellets into continuous monofilaments by the extrusion process. The monofilaments are then bundled or twisted together to form rope yarn. A number of filaments are twisted together to form strands, which, in turn, are twisted to form finished rope. Polypropylene rope is light and durable and is less costly than nylon rope. It is suitable for a wide variety of commercial fishing, marine, farm and general-purpose applications. Being a low-cost, multi-purpose rope, it has a wide appeal in the retail hardware market.

Production of nylon rope follows the same manufacturing process as that for polypropylene rope, but the domestic manufacturers do not extrude nylon yarn. Yarn requirements are purchased from domestic suppliers. Nylon rope is stronger than polypropylene rope, is able to absorb greater shock loads and has greater resistance to abrasion. Consequently, it is considered highly suitable for marine applications, such as anchor lines, hawsers and tie-up lines.

DOMESTIC INDUSTRY

The domestic producers in the 1982 inquiry were Canada Cordage, Poli-Twine and NovaStran Ltd. (NovaStran). These firms remained the major players when the 1986 review was conducted. In the period following the 1986 review, the vast majority of twisted rope was produced by two firms, Canada Cordage and Poli-Twine. NovaStran was acquired by Poli-Twine's parent company, Tecsyn International Inc., in 1986 and became an operating division of Poli-Twine. NovaStran, which was a major independent producer of twisted rope at the time of the inquiry, closed in October 1989, and some of its production equipment was moved to a sister company, Poli-Twine Southern in Alabama. Presently, there are four domestic producers of twisted rope: Poli-Twine, Canada Cordage, East Coast Rope and Bridgeline.

In 1982, Poli-Twine was a wholly owned subsidiary of Imperial Oil Ltd. In April 1984, Imperial Oil Ltd. sold the firm to Tecsyn International Inc. of St. Catharines, Ontario. From 1985 to 1993, Poli-Twine attempted to expand rope operations in four other locations, but was unsuccessful. Since 1993, Poli-Twine has resumed its original position with one production facility located in Belleville, Ontario, producing three-strand polypropylene rope and other twine products, including baler twine. Baler twine comprises the largest proportion of the firm's total production. Polypropylene rope ranges from 3/16 in. to 2 in. in diameter and is marketed nationally, primarily through distributors to the commercial fishing and industrial markets. Retail grade rope is marketed through buying groups and retail wholesalers. Poli-Twine does not produce twisted nylon rope.

Canada Cordage was formed in February 1979, through the amalgamation of the manufacturing capabilities of two companies, Canada Western Cordage Ltd. and Doon Twines Ltd. Canada Cordage was under the control of Doon Twines, and production was consolidated in Kitchener, Ontario. On January 1, 1989, Canada Cordage was amalgamated with its parent Doon Twines and continued operations under the name Canada Cordage Inc. At the present time, the company is owned by The H. Krug Furniture Co. Ltd. Canada Cordage produces both twisted natural fibre and synthetic rope and cord in various descriptions and applications. Three-strand polypropylene rope and three-strand nylon rope range from 3/16 in. to 3/4 in. in diameter. Twisted rope is marketed through distributors to the commercial fisheries and to industrial customers and directly to large distributor retailers through their warehouses and to large OEM manufacturers. This marketing effort is supported by distribution centres in Montréal, Quebec, and Vancouver, British Columbia.

East Coast Rope, a privately owned company, began producing polypropylene rope in mid-1993 by reopening the plant that was previously owned by Scotia Twines Ltd. in North Sydney, Nova Scotia. The firm produces three-strand copolymer rope under the "POLYSTEEL" trademark ranging from 1/4 in. to 1 5/8 in. in diameter. The twisted polypropylene rope produced by East Coast Rope possesses higher tensile strength and more abrasion resistance than regular polypropylene rope. Sales are made to a network of dealers in the Maritimes, in New England and on the west coast of Canada. East Coast Rope does not produce twisted nylon rope.

Bridgeline began production of small rope and cord for the craft industry 19 years ago. Production³ of polypropylene and nylon rope commenced in 1987. It produces polypropylene rope up to 3/4 in. in diameter, while nylon rope is produced up to 1 1/4 in. in diameter. Its products are sold through distributors of marine and hardware goods. It sells to national retailers on a direct basis, and its plant is in Trenton, Ontario.

SUMMARY OF FINDINGS AND ORDER

Inquiry No. ADT-8-82⁴

On October 7, 1982, the ADT found that the dumping of twisted polypropylene rope and twisted nylon rope from Korea was causing material injury to domestic production, but found no material injury respecting the dumping of twisted polyethylene rope.

3. During the time frame covered by the 1991 review, Bridgeline was a small producer of twisted rope.
4. Portuguese imports formed part of the original complaint to the Department of National Revenue in 1982. As negligible dumping was found, the Deputy Minister of National Revenue terminated his investigation.

In reaching its decision in this case, the ADT considered the separate effects of dumping on each of the three kinds of twisted synthetic rope.

With respect to polypropylene rope, which accounted for about 85 percent of the combined volume of twisted rope sales, it was apparent that, in 1979 and 1980, the market outlook was promising. The industry expanded production capacity, sales volume increased, and profitability improved. The turning point occurred in 1981. Korean prices began to fall and continued to drop into 1982. While NovaStran and Canada Cordage suffered injury to a limited degree, it was Poli-Twine's production that was particularly hard hit. The ADT found that Poli-Twine had suffered substantial price erosion and a deterioration in its financial performance with respect to polypropylene rope.

In considering material injury regarding twisted nylon rope, the ADT noted that, until 1981, competition in the domestic market occurred exclusively between Canada Cordage and the Korean product. It was not until that year that NovaStran and, to a lesser extent, Poli-Twine became significant suppliers of twisted nylon rope. By 1982, Korean prices had narrowed the complainant's margins on nylon rope and, while the dumped imports were not the only cause of the deterioration in the producers' financial performance, the dumping was sufficient to cause material injury.

In finding no material injury to domestic production of twisted polyethylene rope, the ADT noted that the twisted polyethylene market was small (it did not exceed 4 percent of the combined twisted rope market during the period 1979-82); that domestic production had been relatively insignificant; that polyethylene rope, while functionally substitutable, had not been able to make inroads into the polypropylene rope market; and that Portugal, not Korea, had been the dominant supplier of polyethylene rope.

Review No. R-6-86

On February 17, 1987, the CIT decided to continue the ADT's finding without amendment. The CIT observed that, despite the introduction of anti-dumping measures against the subject rope from Korea, the Canadian industry had enjoyed no respite from low-priced twisted rope offerings from Korea and Portugal. The conditions of price suppression and unsatisfactory financial performance that afflicted the industry prior to the ADT's finding of injury had continued without letup.

The CIT noted that the dumping of Korean rope had continued throughout the period since the finding of 1982. It also noted a shift in Korean rope exports to the non-subject polyethylene rope. This rope was being sold in Canada at prices that made it competitive with the subject polypropylene rope, even though polyethylene rope was a higher-cost rope. In the circumstances, the CIT was persuaded that a rescission of the finding would have serious consequences for the domestic industry.

Review No. RR-91-003

On February 25, 1992, the majority of the Tribunal continued the CIT's finding without amendment. The Tribunal noted that, since the 1986 review, Korean producers had been assessed anti-dumping duties based on ministerial specifications, as they had decided not to cooperate with the Department of National Revenue. However, these high duties did not prevent them from maintaining a presence in the Canadian market. The majority of imports from Korea attracted duty drawbacks, since this rope was manufactured into slings and reexported. Although this low pricing had been restricted to the sling market, the Tribunal considered that it might well represent what could happen in the broader domestic market if the finding were rescinded.

With regard to the likelihood of material injury, the majority of the Tribunal noted that, if the finding were rescinded, the Koreans would likely compete in both the East Coast and the West Coast markets, driving prices lower than their present unprofitable levels. This likelihood was magnified by the severe slump which was affecting the fishing industry and which was not expected to abate in the future.

POSITION OF PARTIES

Domestic Industry

The domestic industry argued that the order against Korea should be continued without amendment. It was submitted that, if the order were rescinded, the Koreans would return to the domestic market and dump their products in order to capture market share.

The witness for East Coast Rope submitted that, at the present time, the commercial fishing market for smaller diameter rope is dominated by foreign sources, such as Portugal, the People's Republic of China (China) and India, because these imports enter Canada without any duty. Rescinding the order would result in Korea reentering this market, resulting in prices being driven below their already depressed levels.

It was also submitted that allowing the Koreans reentry into the Canadian market without anti-dumping protection would disrupt East Coast Rope's expansion plans. As a consequence, the witness for East Coast Rope indicated that the company would have to reevaluate its position.

It was alleged that Korea is well known throughout the world as a country which permits predatory pricing on export shipments. If Korean companies are allowed to ship the subject rope to Canada without anti-dumping duty protection, this will have a major impact on all domestic manufacturers.

The representative for Poli-Twine submitted that, if the order were rescinded, Korean suppliers would selectively target volumes in coastal areas, primarily with the larger diameter rope, as well as specialty rope. This, in turn, would drive the domestic industry to compete head to head with Korean suppliers of the smaller diameter rope used by the commercial fishing industry, such rope not being subject to any import duties whatsoever because of the end-use exemption.

The witness for Canada Cordage submitted that, with respect to smaller diameter rope, the domestic industry is required to compete with pricing with which Korea states it cannot compete. As a consequence, the only rope that the domestic industry is able to sell at profitable levels is the larger diameter rope. It is this volume market that Koreans are planning to penetrate.

It was also submitted that large diameter rope sold to the fishing industry on the West Coast is the only remaining profitable market sector. Allowing the Koreans access to this market would render the domestic industry uncompetitive and would lead to serious damage to the domestic industry.

Finally, the witness for Canada Cordage argued that, although the Korean industry is presently operating at 95 percent capacity, the remaining 5 percent is huge when compared to the size of the Canadian market. If this excess volume were shipped to Canada, it would cause severe harm to the domestic industry.

Exporter

Counsel for Dae Sung and the Association argued in favour of a rescission of the order. It was submitted that the evidence had not shown that there was a likelihood of resumed dumping by Korean exporters or that resumed dumping would cause material injury to production in Canada.

Counsel for Dae Sung and the Association submitted that anti-dumping measures have been in place since 1982 and that things have changed since that time. Korean capacity to produce the subject rope has been reduced, wages have risen, and the Korean industry's focus has been to generate profits. As well, the emphasis has been placed on higher-quality rope products. Smaller diameter rope is no longer a major part of the industry's product line. This rope is sold in diameters of ½ in. and less to the commercial fishing industry. If the order is rescinded, the Koreans intend to sell high-quality rope in the Canadian market. However, they do not expect to generate any major volumes.

It was also submitted that, contrary to the allegations of the domestic industry stating that Korea is an unfair trader, there has been no evidence that the Koreans have been dumping in other markets. While there was a petition lodged in the United States in 1992 concerning cordage products, including rope, this petition was withdrawn before a decision to initiate an investigation was made. Furthermore, Korean producers have abandoned a number of export markets since they were not willing to reduce prices to the level required to compete with other low-priced imports.

Counsel for Dae Sung and the Association also argued that the factors which are influencing the state of the Canadian market and the status of investment plans have nothing to do with dumping. Korea has not been a participant in the Canadian market in a significant way for many years, as the evidence shows.

ECONOMIC INDICATORS

The total apparent domestic market for twisted polypropylene rope and twisted nylon rope surged by 25 percent between 1993 and 1994 and remained at about the same level in 1995. During the first half of 1996, the market fell by 12 percent compared to the first half of 1995.

During the period from 1993 to 1995, the domestic industry's market share declined from 74 to 71 percent. The market share gains recorded by imports between 1993 and 1995 were attributable to US imports, which increased their market share from 5 to 15 percent. These imports captured market share from the domestic industry, as well as from other import sources, including Portugal and other countries. During the first half of 1996, when the market was contracting, the domestic industry's market share surged by 10 percentage points to 81 percent. This gain resulted in market share losses for each of the above-mentioned foreign sources. During the present review period, imports of the subject rope from Korea into this market were minimal.

The consolidated income statement⁵ for the domestic industry indicated that combined net sales surged during the period from 1992 to 1995. Net income improved in 1993, despite a run-up in general selling and administrative expenses. Net income peaked in 1994, but fell off in 1995 due to rising material costs, general selling and administrative expenses and financial expenses.

5. Financial results reflect different year ends. Bridgeline's results are not included.

Total domestic plant capacity increased by 14 percent between 1993 and 1995. During the first half of 1996, total capacity was 5 percent higher than it was during the same period in 1995. During the review period, total plant capacity far exceeded the market for twisted rope. For example, in 1995, total capacity stood at just over 7,500 tonnes, which exceeded total domestic market demand by about 2,500 tonnes. This excess capacity resulted in a low utilization rate on a total industry basis of 58 percent.

REASONS FOR DECISION

Section 76 of SIMA provides that, on completion of a review, the Tribunal shall rescind or continue an order or a finding, with or without amendment. In making its decision in a review under section 76 of SIMA, the Tribunal must address two fundamental questions. First, it must determine whether there is a likelihood of resumed dumping of the subject rope from Korea, if the order is rescinded. If the Tribunal determines that there is such a likelihood, it must then decide whether such dumping is likely to cause material injury.

Likelihood of Resumed Dumping

Based on the evidence adduced during this review, the Tribunal considers that a rescission of the order will not lead to a resumption of dumping of the subject rope from Korea.

In reaching its decision in this review, the Tribunal placed significant importance on several major areas: developments in the Korean rope industry since the review in 1991; the conduct of the Korean industry in export markets; the intentions of Korean producers as potential ongoing suppliers to the domestic market; the state of the domestic industry, the restructuring which has occurred in recent years, as well as intra-industry competition; and the length of time that anti-dumping measures have been in place.

The evidence indicates that the Korean rope industry has continued to rationalize its operations since the review in 1991. In this regard, total Korean rope capacity fell by close to 50 percent between 1991 and 1995.⁶ A significant proportion of the reduction in capacity was related to the Korean industry's decision to discontinue production of commodity-type smaller diameter rope because sales had been unprofitable.⁷ The decision to abandon this product line meant the removal of production equipment from plant facilities. Testimony indicated that a significant proportion of this production equipment was sold to China, Bangladesh and Thailand, while most of the remaining equipment was sold as scrap.⁸ As a consequence, there remains little capability to produce smaller diameter rope.⁹

In examining export activities, the Tribunal notes that the Koreans have withdrawn from some markets in Asia, the Middle East and Africa, since they were unwilling to lower prices to the level required to compete with low-priced imports from Portugal, India and China.¹⁰ Instead, the Koreans have concentrated on export markets and size ranges where profits could be achieved.¹¹

6. *Public Pre-Hearing Staff Report*, November 22, 1996, Tribunal Exhibit RR-96-003-5, Administrative Record, Vol. 1 at 159.

7. *Transcript of Public Hearing*, December 16, 1996, at 81.

8. *Ibid.* at 84.

9. *Ibid.* at 80.

10. Exporter's Exhibit D-1 at 2, Administrative Record, Vol. 11.

11. *Transcript of Public Hearing*, December 16, 1996, at 98.

At the present time, the Koreans ship the subject rope to four major export markets: the United States, Japan, Australia and Singapore. The evidence regarding price levels to their largest export market, the United States, was inconclusive. The domestic industry claimed that Korean selling prices in the Seattle market were especially low, but, under cross-examination from opposing counsel, it was acknowledged that there was no evidence that Korean rope was being dumped in the United States, particularly in the Seattle market.¹²

With respect to the domestic industry's allegations that Korean producers of the subject rope are unfair traders, the Tribunal notes that Korean producers have not been involved in any dumping investigations in other countries since 1982. The only related matter pertained to a petition received by the US Department of Commerce in 1992 requesting an investigation into imports of cordage products, including rope. The petition requesting an investigation was subsequently withdrawn.

Witnesses for the domestic industry provided no evidence to demonstrate that Korean producers have been a disruptive force in the domestic market. It appears to the Tribunal that the domestic industry contends that, since Korean producers have been shown to have dumped in the past, this establishes that they will likely have the tendency to resume dumping and cause material injury in the future. While the Tribunal acknowledges that past performance can, in some instances, provide an indication of future intentions, the dumping of the subject rope by the Koreans occurred many years ago. In this review, the Tribunal considers it more appropriate to draw conclusions based on the Koreans' behaviour in the more recent past.

The fact is that, over the past 10 years, the Koreans have been a minor participant in the Canadian market for twisted rope. Traditional foreign suppliers, such as the United States and Portugal, have continued to be very price competitive in the market sectors that they service. The domestic industry alleged that, despite the Koreans' small share of the Canadian market, they would seek out volume business in the commercial fishing market where smaller diameter rope enters Canada on a duty-free basis, if the order were rescinded. Allowing this to happen would only add to the already intense competition in this market. In this regard, the Tribunal has already noted the significant decline in Korean production of smaller diameter rope. It was submitted that they would also focus their attention on the volume business in the commercial fishing market in larger diameter rope. The Tribunal also notes that the Canadian fishing industry has been devastated in recent years,¹³ making it more price conscious and, thus, less attractive as a profitable market sector for both domestic and foreign suppliers.

The testimony shows that Korean producers are not interested in the small diameter rope market in Canada. Rather, the Koreans intend to sell high-quality rope at prices which will generate a profit. The witness for the Korean industry clearly indicated that Korean producers intend to concentrate on selling rope in larger diameters¹⁴ and to pursue niche markets, such as rope used in cruise ships in diameters from 4 in. to 6 in.¹⁵ This size range is beyond the production capability of the domestic industry.

The Tribunal notes that Korean producers have no cost advantage over the domestic producers. Korean labour rates are comparable to most of the domestic producers' labour rates.¹⁶ As well, the Korean

12. *Ibid.* at 22-23.

13. *Ibid.* at 39-40.

14. *Ibid.* at 86.

15. *Ibid.* at 103.

16. *Ibid.* at 87.

industry's raw material costs showed the same wide fluctuations that Canadian producers experienced during the review period.¹⁷ In the Tribunal's view, these similar cost structures and the tariff of close to 20 percent applicable on Korean imports of larger diameter rope into Canada should allow adequate protection for the domestic industry. The witness for the Korean industry acknowledged that it would be very difficult to compete in the domestic market due to the level of tariff protection.

In summary, the evidence shows that there has been a sharp reduction in the Koreans' rope production capacity. In reducing capacity, the Koreans have virtually abandoned the small diameter market. In terms of the Korean producers' conduct in export markets, it is clear that they have conducted themselves in a responsible manner, withdrawing from markets where prices were low and, instead, pursuing markets offering high-quality rope at fair prices. No trade actions have been launched against Korea on the subject rope. The Tribunal accepts that it is their intention, with respect to the Canadian market, to sell high-quality rope in larger diameters at profitable levels.

The Tribunal would now like to address the present state of the domestic industry. During the 1991 review, the Tribunal noted that the domestic industry had been restructuring its operations through plant closures, mergers and cost-cutting measures and by investing in new plant facilities and production processes. It was also indicated that this restructuring was scheduled to continue. In the Tribunal's view, the domestic industry has made considerable progress in this area. As part of this restructuring, two producers have come on the scene and have quickly established themselves as competitive forces in the marketplace.

In terms of performance, the domestic industry's market share in 1996¹⁸ was the highest that it has been during the past 10 years. Gross margin¹⁹ was significantly higher than it was in 1990. While the industry has been able to reverse the substantial losses reported in 1990, net income recorded in 1995 remained low. The evidence suggests that raw material costs are expected to stabilize in 1997,²⁰ which could help lift net profits to more acceptable levels. Additional expansion plans are being seriously considered by some domestic producers.

The Tribunal notes that the market for twisted rope continues to be very competitive. During the course of the present review period, there has been significant intra-industry competition. In addition, foreign competition has come from US imports, which have managed to increase their market share due, in part, to the tariff reduction from 14 to 4 percent since 1991. The small diameter rope sector of the commercial fishing industry continues to be dominated by imports from Portugal, China and India due to the duty-free status on imports of this rope. As a consequence of this ongoing competition, the domestic industry has indicated that it plans to continue developing new market niches for twisted rope in both domestic and export markets.

In light of the foregoing, the Tribunal concludes, based on the evidence, that there is no likelihood of resumed dumping by Korean exporters of the subject rope. Given this conclusion, the matter of likelihood of material injury caused by a resumption of dumping is not an issue.

17. Tribunal Exhibit RR-96-003-26.1B, Administrative Record, Vol. 5.3 at 29.

18. *Protected Pre-Hearing Staff Report*, November 22, 1996, Tribunal Exhibit RR-96-003-6 (protected), Administrative Record, Vol. 2 at 57 and 59.

19. Financial results reflect different year ends. Bridgeline's results are not included.

20. *Transcript of In Camera Hearing*, December 16, 1996, at 44.

CONCLUSION

For the foregoing reasons, the Tribunal hereby rescinds its order in respect of twisted polypropylene and nylon rope originating in or exported from Korea.

Anthony T. Eyton

Anthony T. Eyton
Presiding Member

Arthur B. Trudeau

Arthur B. Trudeau
Member

Desmond Hallissey

Desmond Hallissey
Member