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28-6-4624

BEFORE THE UNITED STATES
INTERNATIONAL TRADE COMMISSION

Electric Shavers and Parts Thereof
Investigation No. TA-201-57

POSTHEARING BRIEF BY THE
FEDERAL TRADE COMMISSION

January 23, 1986

TABLE OF CONTENTS

	Page
Argument.....	1
I. Remington's expert adopted the Federal Trade Commission's framework for deciding whether rising imports are a substantial cause of any injury.....	1
II. The public record does not indicate whether rising imports are a substantial cause of whatever injury Remington may have incurred.....	2
III. Remington's expert agreed with the FTC that auctioned quotas are preferable to nonauctioned quotas if imports are restricted.....	4
Conclusion.....	5

Posthearing Brief of the Federal Trade Commission
on the Escape Clause Investigation of Electric Shavers

Argument

- I. Remington's expert adopted the Federal Trade Commission's framework for deciding whether rising imports are a substantial cause of any injury.

In both our prehearing brief in this investigation and our briefs in prior escape clause investigations by the International Trade Commission ("ITC"), the Federal Trade Commission ("FTC") has suggested a framework for deciding whether rising imports are a substantial cause of any injury: balancing the impact on the United States industry of a decline in the price of imports with the impact on the United States industry of either an increase in the industry's costs or changes in domestic demand conditions. Dr. Samuel Rosenblatt, Remington's expert witness, testified "I'm going to adopt the FTC's approach, albeit somewhat modified from the approach they used in this particular hearing, and confine my analysis to the methodology that they put forth before you in the nonrubber footwear case." (tr. at 84). No other expert witness presented an alternative to our method of analyzing the causality issue.¹

¹ Dr. John Reilly, the expert witness for North American Philips Corp., did not address the causality issue at the hearing and said he would discuss it in his posthearing submission (tr. at 239).

II. The public record does not indicate whether rising imports are a substantial cause of whatever injury Remington may have incurred.

Dr. Rosenblatt testified that in analyzing the causality issue he would "review the three variables: demand, domestic demand; domestic supply; and import supply." (tr. at 85). We briefly discuss each of these factors.²

Victor Kiam, Remington's President, testified that he decided, when he bought Remington in 1979, to "stop changing models every year In my opinion [Remington] had the best product on the market. Changes were not necessary." (tr. at 51). It appears that there has been a shift in consumer preferences toward rechargeable shavers (tr. at 296). However, Remington's rechargeable shaver, unlike those of its major rival, cannot be used with a cord if the charge has been depleted (Consumer Reports (November 1984), ex. 24 of Remington's petition), and Remington did not dispute the claim by N.V. Philips that Remington's share of sales of men's rechargeable shavers has declined (ex. 38 of N.V. Philips' prehearing brief). Remington also does not produce either battery operated electric shavers or a "wet-dry" electric shaver (see Remington's price lists, ex. 10 of Remington's petition), both of which are imported by rival firms from Japan (tr. at 265-69, 281-86). Indeed, Mr. Kiam testified that Remington now plans, if it gets

² We intimate no views on two disputed issues that the ITC must decide before addressing the causality issue: the appropriate definition of the industry and whether the industry is being seriously injured, or threatened with serious injury.

relief from imports, to "concentrate on developing and producing a new line of technologically advanced electric shaver models." (tr. at 81). Remington's management decision to de-emphasize the development of new models during the last six years may account for part of whatever injury Remington has incurred or is threatened with.³

Dr. Rosenblatt testified that one should examine changes in Remington's "wage, capital costs, raw material costs, what have you." (tr. at 87). Mr. Kiam testified that Remington's "labor costs, direct labor, is a small percentage of the total cost of producing electric shavers at Remington." (tr. at 79). While admitting, on cross-examination, that he had looked at data for all of Remington's costs (tr. at 181), Dr. Rosenblatt presented evidence to the ITC only on Remington's unit labor costs since 1980 (Remington's ex. N). Thus, at this time the ITC apparently does not have data that would permit it to analyze trends in Remington's total unit costs.

Dr. Rosenblatt testified that he agreed with Dr. Morkre that the import supply curve "is horizontal at this point." (tr. at 89). Dr. Rosenblatt's data indicate that the dollar price of imports of electric shavers (adjusted for inflation in the United

³ Congress indicated that "changes in consumer tastes . . . [or] poor management" would not warrant escape clause relief. S. Rep. No. 1298, 93d Cong., 2d Sess. (1974) at 121.

States but not for changes in the exchange rate⁴) has declined by about 3.5 percent in the first nine months of 1985 as compared to the first nine months in 1984 (Remington's ex. 0).

In sum, shifts in consumer preferences and rising costs at Remington may be more important than declining import prices in explaining injury, if Remington has incurred any injury.

III. Remington's expert agreed with the FTC that auctioned quotas are preferable to nonauctioned quotas if imports are restricted.

In our prehearing brief we argued that the least costly remedy (if the ITC finds that the industry is injured by rising imports) is adjustment assistance to workers. If, however, imports are to be restricted, then we urged that the ITC recommend tariffs rather than import quotas; if import quotas are recommended, then we suggested that they be auctioned. Dr. Rosenblatt testified, on cross-examination, that non-auctioned import quotas would be a less desirable way than an auction quota of restricting imports from the perspective of both the United States economy and Remington (tr. at 183-184).

4 The ITC can examine the impact of exchange rates as part of its investigation of "any factors which in its judgment may be contributing to increased imports of the article under investigation." 19 U.S.C. § 2251(b)(6). Remington now contends that serious injury began in 1985 and that it is threatened with serious injury (tr. at 45). In recent months the dollar has depreciated against most major currencies, and Commissioner Stern took account of the depreciation of the dollar against the yen in finding no threat of injury in Heavyweight Motorcycles, and Engines and Power Train Subassemblies Therefor, TA-201-47 (February 1983)(dissenting opinion) at 77.

Conclusion

For the reasons set forth above and in our prehearing brief, rising imports may not be a substantial cause of any injury incurred by the industry. If the ITC finds that the industry is injured by rising imports, then we urge that the ITC recommend adjustment assistance to workers; if the ITC recommends restrictions on imports, then we suggest that tariffs be recommended rather than quotas; if quotas are recommended, then we urge that they be auctioned.

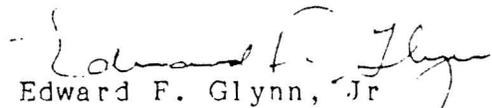
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I hereby certify that on this 23rd day of January 1986, I have served the foregoing Posthearing Brief by causing the original and 14 copies to be hand-delivered to the Secretary of the Commission and by mailing a copy, first class, postage prepaid to counsel for all parties to this proceeding, as follows:

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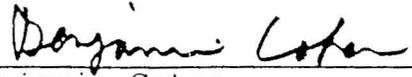
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