CANDLES FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination of the Commission in Investigation No. 731-TA-282 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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COMMISSIONERS

Diane J. Mazur, Office of Investigations
Josèphine Spalding, Office of Industries
Elizabeth Henning, Office of Economics
Jerald Tepper, Office of Investigations
Carolyn E. Galbreath, Office of the General Counsel
Robert Eninger, Supervisory Investigator

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

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Note.--Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-282 (Final)

CANDLES FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from the People's Republic of China of candles of petroleum wax, provided for in item 755.25 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective February 19, 1986, following a preliminary determination by the Department of Commerce that imports of petroleum wax candles from the People's Republic of China are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of March 12, 1986 (51 F.R. 8569). The hearing was held in Washington, DC, on July 16, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF COMMISSIONERS PAULA STERN, ALFRED ECKES, SEELEY LODWICK, AND DAVID ROHR

We determine that an industry in the United States is materially injured by reason of imports of petroleum wax candles from the People's Republic of China (China) that are being sold at less than fair value (LTFV). 1/ 2/

Our determination is primarily based on: declining performance and employment in the domestic industry; substantial increases in the volume and value of candles imported from China and sold in all domestic markets; significant margins of underselling by the imported product; and evidence of price suppression.

Like product/domestic industry

In a title VII investigation, the Commission must determine if the domestic industry is materially injured or threatened with material injury by reason of the subject imports. Section 771(4)(A) of the Tariff Act of 1930 defines "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/ "Like product" is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to the

1/ Chairman Susan Liebeler and Vice Chairman Anne Brunsdale determine that an industry in the United States is not materially injured by reason of imports of petroleum wax candles from China. See, supra. Chairman Liebeler and Vice Chairman Brunsdale concur in the like product, domestic industry, and related parties determination.

2/ Material retardation is not an issue in this investigation and will not be discussed.

3/ 19 U.S.C. § 1677(4)(A).

investigation . . . ." The Commission is required to make its "like product" and "domestic industry" determinations on a case-by-case basis. 4/

The imports from China in this investigation are scented and unscented petroleum wax candles having fiber or paper-cored wicks. They are made in various shapes and sizes, including tapers, spirals, straight-sided dinner candles, rounds, columns, pillars, votives, and various wax filled containers as provided for in the Tariff Schedules of the United States (TSUSA) item number 755.25, "Candles and Tapers." 5/

Candles are made by matching wax of various types and chemical compositions with wicking in the appropriate configurations and widths to produce a combustible article giving heat, light and, sometimes, scent. Commercial production of candles generally uses "natural" waxes (paraffins, microcrystallines, stearic acid, and beeswax) in various combinations. Petroleum wax candles are those composed of over 50 percent petroleum wax, and

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4/ Section 771(10); 19 U.S.C. § 1677(10). The legislative history of title VII makes it clear that "the requirement that a product be 'like' the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation." S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979). The Commission has consistently defined "like product" as one having the same intrinsic qualities and essential characteristics and uses as the subject imports.

5/ 50 Fed. Reg. 39,743 (Sept. 30, 1985). On March 20, 1986 the Department of Commerce clarified the scope of products subject to investigation in a communication to all U.S. Customs Service field offices. Not included in the description are birthday, birthday numeral and figurine type candles that are outside the scope of the investigation. Report of the Commission (Report) at A-2.

It is also noteworthy that the TSUSA does not distinguish between petroleum wax and candles of other compositions of wax. There are no reported imports of candles other than petroleum wax from China. Id. at A-35.

may contain other waxes in varying amounts, depending on the size and shape of the candle, to enhance the melt-point, viscosity, and burning power. 6/

In making a like product determination in this investigation, we have considered whether candles made of materials other than petroleum, principally beeswax, should be considered a part of the like product. We have also considered respondent's contention that petroleum wax candles from China are so markedly inferior in quality to domestic candles as to preclude a finding by the Commission that domestic candles are "like" or "most similar in characteristics and uses" to imports of petroleum wax candles from China. 7/

Beeswax candles are composed of more than 50 percent beeswax. They are manufactured by U.S. producers principally for religious and specialty markets, and are priced considerably higher than petroleum wax candles. Ninety-five percent of beeswax candle shipments from 1983 to 1985 were to churches and religious dealers. 8/ The remaining 5 percent were beeswax dinner candles. 9/ Ninety-four percent of the domestic beeswax shipments were for wax-filled glass containers used in religious observances and "other" miscellaneous candles such as straight-sided altar and sanctuary candles. 10/

Major domestic producers of petroleum wax candles who produce a small amount of beeswax candles stated that beeswax candles do not compete with

6/ Id. at A-2-A-4.

7/ The petitioner in this investigation is the National Candle Association, an organization of domestic candle producers. The respondent is the China National Native Produce and Animal By-Products Import Export Corporation (China Native Products Corp.), a firm in China that buys candles from factories owned by local collectives and exports them to the United States.

8/ Report at A-10-A-11.

9/ Id.

10/ Id. While beeswax candles are not required in the Roman Catholic Church, their use is the generally accepted practice. Id.

their petroleum wax candles. 11/ Based upon different characteristics and uses for petroleum and beeswax candles, we determine that beeswax candles should not be included within the domestic like product.

Respondent alleges that domestic petroleum wax candles are of such superior quality as not to be like candles imported from China. They argue that the allegedly inferior characteristics of Chinese candles constitute essential, intrinsic differences and result in different uses from domestic petroleum wax candles. Among the characteristics alleged are: inferior burning qualities, limited range of colors and few imports in "fashion colors," poor color consistency, inferior wicking, low quality scents, and poor packaging. Respondents contend that as a result of inferior characteristics, Chinese candles do not compete with domestic petroleum wax candles in the marketplace and, therefore, are not "like" domestic candles. 12/

There is no domestic industry quality standard for candles. 13/ Although there may be quality differences between different batches or "runs"

11/ Transcript of Commission Hearing (Tr.) held July 16, 1986 at 8. The domestic producers indicated the chief reason why beeswax candles are not used interchangeably with petroleum candles is because of their significantly higher cost of production. Id. The cost of producing beeswax candles is more than three times the cost of producing petroleum wax candles. Report at A-29. The hearing testimony is consistent with responses by eight producers of beeswax candles who were interviewed during the preliminary investigation. Those producers stated that beeswax candles are not "like" or "similar" to petroleum wax candles, primarily because of different uses.

12/ Respondent's Pre-Hearing Brief at Appendix I; Respondent's Post-Hearing Brief, Appendix I at 3; Tr. at 121-28, 134-39. The respondent has also repeatedly requested the Commission to "test" Chinese and domestic candles. Respondent's letter of July 8, 1986.

13/ Tr. at 15.

of candles, the differences are essentially not susceptible of quantification. 14/

In response to a Commission request for test results, the petitioner provided confidential results from tests done within the period of investigation that compare certain domestic and Chinese candles. In addition, the Commission has received the only known independent laboratory analysis of candles, which also was provided in confidence.

The tests showed that neither the domestic candles nor the Chinese imports smoked. In certain tests, the imported candles burned more quickly than the domestic counterparts, and in others they burned at the same rate or more slowly. In certain instances both the domestic and imported candles dripped and faded. In other tests they did not. In many instances Chinese candles had the same ratings for appearance and workmanship as their domestic counterparts. Characteristics such as wicking (including the number of plys), melt point of the wax, manufacturing process, "overdipping" 15/ and the packaging of the candles (including cellophane wrapping), and additives to the wax varied from test-to-test and did not appear dispositive of the overall

14/ Id. Domestic candle producers who testified at the hearing stated that although there are price differences between the candles they sell in department and specialty stores and the candles they sell to mass merchandisers, there is no quality difference between candles sold through different retail outlets. Id. at 61-66.

15/ Overdipping is a finishing process used on certain domestic and imported candles to produce a harder, smoother finish to the candle which producers believe has more eye appeal to candle consumers.

quality rating of the candles. 16/ Moreover, individual variations in the rating factors between different domestic candles appear to be as great as between domestic candles and the Chinese imports.

Respondents argue that purportedly different characteristics (discussed above) result in different uses for domestic candles and Chinese imports and that there is no competition between them. They allege that the differences in product mix, seasonality, and channels of distribution are indicative of lack of competition. 17/

16/ For example, the number of plys of wicking varied between candle types and producers; in certain instances Chinese imports had fewer plys to the wick than the domestic candles and in other instances they had more plys. Other "characteristics" such as wrapping, beveled edges, and boxing are alleged by respondents to be inferior in Chinese imports. Chinese candles are beveled by hand. Three major domestic manufactures submitted affidavits that their candles are also hand-beveled. Petitioner's Post-Hearing Brief at Appendix III. Respondents claim their candles hand-wrapped in cellophane are inferior to domestic "shrink-wrapped" candles. One of the petitioners stated at the hearing that hand-wrapping is preferable to "shrink-wrapping" and that they do the latter only for cost savings. Tr. at 180. With regard to boxing, at the hearing we observed boxing of Chinese votive candles that was virtually indistinguishable from the domestic boxing.

17/ Over three-quarters of domestic candles are non-Christmas shipments, in contrast to Chinese imports of which only one-third are non-Christmas shipments. Report at A-8. Although the greatest domestic production, by volume, is for wax-filled glass containers, in 1985 Chinese imports were reported for all types of candles. The majority of Chinese imports were for tapers and columns and votives which comprise over 85 percent of all imports. Tapers, columns and votives account for just over 50 percent of all domestic candle production. Id. at A-5. Almost all Chinese candle imports are to mass merchandisers, wholesale distributors and department and specialty stores. Id. at A-18. Over 80 percent of domestic shipments are in those same three channels. Moreover, although respondents contend that they do not compete in the "higher end" department and specialty stores, in 1985 over 10 percent of Chinese imports were to such outlets. In the same year domestic shipments to those outlets were slightly over 15 percent. Id.

The Commission has found before that: "[t]he domestic industry is to be defined in terms of the product that it produces, not the distribution channels or marketing techniques it employs." Views of the Commission (Eckes, Stern and Haggart) in Bicycles from Taiwan, Inv. No. 731-TA-111 (Final), USITC Pub. No. 1417 at 6, citing, 19 U.S.C. § 1677(10); S. Rep. No. 249, 96th Cong., 1st. Sess. 90 (1979).

Our investigation revealed that the majority of domestic and imported candles are of the same types, and are sold in the same channels of distribution. We cannot conclude that because there are more Chinese candles shipped for Christmas that they do not compete with domestic candles. Indeed, the contrary conclusion is as easily supportable: that Chinese candles compete best with domestic shipments during the Christmas season and consequently more are shipped then. 18/

Thus, we determine that the domestic like product shall consist only of petroleum wax candles. The domestic industry, therefore, consists of the producers of petroleum wax candles. 19/

Related parties--We also considered whether nine domestic producers of candles who imported candles from China during the period of the investigation should be excluded as related parties. The statute provides for excluding from the domestic industry producers who are also importers or are related to importers or exporters in appropriate circumstances. 20/

18/ Respondents also contend that Chinese candle production methods are antiquated and inferior to high-tech domestic candle production, and that those differences are important to the Commission's "like product" determination. Our definition of like product is based upon the characteristics and uses of the product and not upon production methods. Based upon the evidence presented we do not conclude that Chinese candles are inferior to domestically produced candles. Consequently, we have not found it necessary to reach a conclusion regarding the alleged inferiority of Chinese candle production methods.

19/ Chairman Liebeler and Vice Chairman Brunsdale concur in the like product and domestic industry determination. They find, however, that there is a significant difference in the average quality of Chinese imports and domestic candles that is important to their negative determinations. See Dissenting Views of Chairman Liebeler and Dissenting Views of Vice Chairman Brunsdale, supra.

20/ 19 U.S.C. § 1677(4)(B) provides in pertinent part:

> When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term 'industry' may be applied in appropriate circumstances by excluding such producers from those included in that industry.

Application of the related parties provision is within the discretion of the Commission, after analyzing the facts of each case. The ultimate consideration is whether there is a connection or nexus between a domestic producer and the LTFV imports which, if not accounted for, may result in an inaccurate assessment of material injury or threat of such injury. Domestic producers who substantially benefit from their relation to the subject imports are properly excluded as related producers. 21/ Among the factors considered by the Commission in previous investigations are:

1. the percentage of domestic production attributable to the related producers; 22/

2. the reasons the domestic producers have chosen to import the product under investigation, i.e., to benefit from the dumping or subsidization or in order to enable it to continue production and compete in the domestic market; and 23/

3. the position of the related producers vis-a-vis the rest of the domestic industry. 24/

Thus, if the exclusion of related producers would necessarily exclude or distort economic data of considerable significance to or determinative of an

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21/ See GC-F-280, Frozen Concentrated Orange Juice from Brazil, Inv. No. 701-TA-84 (Preliminary) at 13 (GATT committees have interpreted "related producers" for purposes of antidumping considerations as those for whom the benefit from the dumped imports is so significant that it causes them to behave differently from other producers and confers upon them a substantial advantage inimical to a finding of injury or threat of material injury).

22/ Unlasted Leather Footwear from India, Inv. No. 701-TA-1 (Final), USITC Pub. No. 1045 (1980); Melamine in Crystal Form from Austria and Italy, Invs. Nos. 731-TA-13-14 (Final), USITC Pub. No. 1065 (1980); Motorcycle Batteries from Taiwan, Inv. No. 731-TA-42 (Final), USITC Pub. No. 1228 (1982); Certain Iron-Metal Castings from India, Inv. No. 303-TA-13, USITC Pub. No. 1098 (1980).

23/ Snow Grooming Vehicles, Parts Thereof and Accessories Therefor from the Federal Republic of Germany, Inv. No. 731-TA-36 (Preliminary), USITC Pub. No. 1117 (1980).

24/ Television Receiving Sets from Japan, Inv. No. 751-TA-2, USITC Pub. No. 1153 (1981); Sugars and Sirups from Canada, Inv. No. 731-TA-3 (Final), USITC Pub. No. 1047 (1980).

accurate picture of the domestic industry as a whole, exclusion of the related producer would not be appropriate. 25/

In 1985, the ratio of total imports to domestic shipments by the six importing firms was less than 10 percent. 26/ With the exception of two firms, the majority of related imports were novelty-type household and other miscellaneous candles to supplement other lines of candles. 27/

We particularly examined the position of the one firm whose 1985 imports constituted most of the related imports. Its Chinese imports constituted a small amount of its total domestic shipments by volume and value. 28/ The majority of its shipments were for one type of candle that it also produces domestically. It would appear from the data that the firm imports to supplement its production, rather than to protect itself from injury by dumped candles from China.

We determine that none of the related producers substantially benefit from their imports of Chinese candles so as to be excluded as related producers. We further determine that inclusion of the related producers does not bias the data and that their exclusion would present an incomplete picture of injury to the domestic industry. We, therefore, have not applied section 771(4)(B).

25/ See Certain Table Wine from France and Italy, Invs. Nos. 701-TA-210-211 and 731-TA-167-168 (Preliminary), USITC Pub. 1502 at 10-11 (1984); Certain Color Television Receivers from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-134-135 (Final), USITC Pub. 1514 at 9-10 (1984); see also Certain Forged Undercarriage Components from Italy, Inv. No. 701-TA-201 (Final), USITC Pub. 1465 at 5-6 (1983); Frozen Concentrated Orange Juice from Brazil, Inv. No. 751-TA-10, USITC Pub. 1623 (1984); and Rock Salt from Canada, Inv. No. 731-TA-239 (Preliminary), USITC Pub. 1658 at 10-11 (1985).
26/ Report at A-15.
27/ Id. at A-37.
28/ Id. at A-15.

Condition of the domestic industry

In determining the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, inventories, employment, and profitability. 29/

Apparent domestic consumption of petroleum wax candles increased by 12.8 percent from 1983 to 1984 and declined slightly, by less than 1 percent, in 1985. 30/ Apparent domestic consumption declined by 12.8 percent during interim (January to March) 1986 as compared to the previous year's interim period. 31/ Domestic production of candles remained essentially flat during the period of investigation, increasing by less than 1 percent from 1983 to 1985. Domestic shipments also remained flat during 1983-85. The share of apparent consumption accounted for by domestic shipments declined by 7 percentage points from 1983 to 1985. 32/ 33/

The value of domestic shipments of petroleum wax candles also declined during the investigatory period from $144.7 million in 1983 to $136.6 million in 1985, or 5.6 percent. In interim 1986 the decline continued, by an

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29/ 19 U.S.C. § 1677(7)(C)(iii).

30/ Report at A-16.

31/ Id. We note that there is a seasonality in candle shipments. The majority of shipments take place during the last two quarters of the year, for the Christmas season. As a result, although interim data may be useful, they do not provide a sound basis for conclusions or projections concerning whole year 1986. We include them for completeness, but primarily base our determination on the whole year 1983-85 data.

32/ Id. at A-19-A-21. In 1983, domestic producers shipped 90,929,000 pounds of candles and in 1985 they shipped 90,933,000 pounds; interim 1986 shipments for domestic producers increased 300,000 pounds over interim 1985 shipments of 20,067,000 pounds. Id. at A-21.

33/ Id. at A-16. In interim 1986, after the filing of the case, domestic shipments as a share of apparent consumption increased. Importers and purchasers of candles report that their ability to source candle purchases in China has been affected by this investigation.

additional 1.3 percent, when compared to the corresponding 1985 period. 34/

We also analyzed domestic shipments in terms of market share and segment share for U.S. produced candles and imports from China. In terms of the total market for U.S. and Chinese candles, U.S. producers' market share fell by 6.4 points from 1983 to 1985. When considering each segment of the market separately, U.S. producers lost 6.5 points of the mass merchandiser market to Chinese imports from 1983 to 1985, 4.9 points of the wholesale distributor market, and 8.1 points of the department and specialty store market. 35/ 36/

During the 1983 to 1985 investigatory period domestic capacity increased by 6 percent. 37/ In interim 1986, domestic capacity increased by 2.2 percent over the previous corresponding period. 38/ Capacity utilization declined by approximately 3 percentage points from 1983 to 1985, remaining just over 50 percent through March 1986. 39/

The candle inventories of domestic producers increased by 10.9 percent from 1982 to 1985 and by 7.0 percent in interim 1986 as compared to 1985. 40/ At the same time, employment declined. The number of workers producing petroleum wax candles declined 19 percent from 1983 to 1985, and declined by another 3.9 percent in interim 1986. 41/ Worker productivity

34/ Id. at A-20-A-21.

35/ Id. at A-17, A-19. In the same period Chinese candle imports gained both market and segment shares in each of the three markets.

36/ Domestic exports also declined 54 percent by volume and 49 percent by value from 1983 to 1985. Id. at A-22.

37/ Id. at A-20. Domestic capacity increased by 12 million pounds, or 7 percent in 1984 because of the addition of capacity by two firms. In 1985, capacity decreased mainly as a result of the closing of production by one domestic producer.

38/ Id.

39/ Id.

40/ Id. at A-23.

41/ Id. at A-23-A-24.

increased by 4.2 percentage points from 1983 to 1985, and by 4.9 percentage points in interim 1986 over the corresponding period in 1985. 42/

Candles are produced commercially by over 100 domestic firms. 43/ Of those firms, 18 who accounted for over three-fourths of known domestic production in 1985 provided income-and-loss data. 44/ The financial indicators declined in all areas during the investigatory period.

Net sales on operations producing petroleum wax candles declined by 7.6 percent from 1983 to 1985 and declined by another 3.4 percent in interim 1986 as compared to 1985. 45/ Operating income declined 42.1 percent from 1983 to 1985. As a ratio to net sales, operating income fell 4.3 percentage points between 1983 and 1985, and fell 2.3 percentage points in the interim comparison. Operating margins declined from 11.6 percent in 1983 to 7.3 percent in 1985 and 5.6 percent in the 1986 interim. In 1983, two firms reported operating losses from candle production, in 1984 three firms reported losses, in 1985 four firms reported losses, and in interim 1986 five firms reported operating losses compared to three firms who reported losses in the previous comparable 1985 period. 46/ 47/

42/ Id.
43/ Id. at A-12.
44/ Id. at A-25.
45/ Id. at A-28, Table 16.
46/ Id. at A-27.
47/ Because the industry producing candles consists of so many different types of firms, we considered data for different types of firms in order to assess overall profitability. For example, when data for firms which market their products through franchises is taken into account, the overall profitability of the domestic industry declines further. Id. at A-31. We also looked at profit-and-loss data for candle production by conglomerates as compared to firms with sales of less than $5 million. Although the conglomerates have a higher ratio of operating income to net sales, the ratio for both declined during the period of investigation, with that for conglomerates declining by greater percentages than the smaller firms. Id. When the profit-and-loss picture for petitioners in support of the petition was compared to that of nonpetitioners, the financial indicators are virtually identical. Id.

On the basis of the data discussed above, we determine that the domestic industry in the United States producing petroleum wax candles is materially injured. 48/ 49/

Material injury by reason of LTFV imports

In determining whether material injury to the domestic industry is "by reason" of LTFV imports of petroleum wax candles from China, we considered, the volume of imports, the effect of imports on prices in the United States for the domestic like product, and the impact of the relevant imports on the domestic industry. 50/ 51/

From 1983 to 1985 imports of candles from China increased from 16.5 million pounds to 28.9 million pounds or over 75 percent. 52/ The value of candle imports from China more than doubled during the investigatory period, from $7.2 million in 1983 to $14.7 million in 1985. 53/ As a percentage of the total quantity of candle imports from all countries, Chinese imports increased by 10 percentage points, from 36.2 percent in 1983 to 46.2 percent

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48/ Commissioner Stern does not regard it as analytically useful or appropriate to consider the question of material injury completely separate from the question of causation. See Additional Views of Chairwoman Stern in Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. No. 1786 at 18-19 (Dec. 1985).

49/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. See Cellular Mobile Telephones and Subassemblies Thereof, Inv. No. 731-TA-207 (Final), USITC Pub. No. 1786 at 20-21 (Dec. 1985).

50/ 19 U.S.C. § 1677(7).

51/ In the preliminary investigation we noted the paucity of data concerning the Chinese candle industry and the problem that we had in gathering data. Although we were somewhat more successful in this final investigation, certain of the data which are not from official Customs statistics are of questionable value to the Commission. Report at A-33-A-34.

52/ Id. at A-36-A-37. Nearly all Chinese candle exports to the United States are exported by the China Native Products Corp., respondent. Id. at A-33.

53/ Id. at A-36.

in 1985. 54/ Although the value and volume of imports declined in the most recent interim period, we do not find those declines significant in light of evidence that the declines resulted, at least in part, from this investigation. 55/

As a share of apparent domestic consumption, candle imports from China increased from 11.7 percent in 1983 to 18.0 percent in 1985. 56/ Imports from China gained both market share and segment share for each of the three marketing channels (mass merchandisers, wholesale distributors, and department and specialty stores) that comprise nearly all of their U.S. sales. 57/

Candles from China were consistently priced lower than the comparable domestic product. Pricing data for Chinese candles reflect large margins of underselling for all candle varieties examined during the period of investigation. 58/ 59/ There is evidence of domestic price suppression or

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54/ *Id*.

55/ *Id*. at A-37.

56/ *Id*. at A-38.

57/ *Id*. at A-17–A-19. Notwithstanding increases in all marketing channels, the majority of Chinese candles were sold to mass merchandisers rather than specialty and department stores. Domestic manufacturers produce candles in more sizes, shapes, colors and fragrances than the Chinese, who tend to concentrate production on fewer colors and styles which are sold in greater quantities to mass merchandisers. Nonetheless, Chinese candles were not absent from department and specialty stores. Chinese tapers and columns (representing more than 70 percent of total Chinese candle imports) were sold more often to department and specialty stores than to mass merchandisers. Votives (representing approximately 15 to 17 percent of Chinese candle imports) were sold principally to mass merchandisers. *Id*. at A-42.

58/ *Id*. at A-44–A-45.

59/ Commissioner Stern notes that while there are reported differences in quality between the domestic and the imported products, it should be noted that this product is a consumer good and not subject to rigid specifications by the buyers. *Id*. at A-47. Consequently, the substantial margins of underselling more than compensate for the relatively lower quality of the imported candles. Commissioner Stern further notes that the weighted average LTFV margins of 54.21 percent account in large part for the Chinese product's ability to undersell the domestic product and establish an unfair price advantage that has resulted in material injury.

depression for various types of candles in the marketing channel most affected by imports. [60/] In general, domestic prices to mass merchandisers decreased during the period. Prices to department and specialty stores, on the other hand, increased very slightly. The trend for Chinese imports is just the opposite. Prices to mass merchandisers generally increased, while prices to department and specialty stores decreased. The greater margins of underselling by imports to department and specialty stores suggest that the domestic product may be priced more competitively in mass merchandising outlets as a result of greater market penetration by Chinese imports in those outlets. [61/] Lower prices of Chinese candles may have allowed the Chinese imports to gain market share in the department store market.

Based upon significant increases in imports, both in volume and as a share of domestic consumption, substantial margins of underselling, and evidence of price suppression as a result of Chinese candle imports, we determine that the domestic industry is materially injured by reason of imports of petroleum wax candles from China.

60/ *Id*. at A-42-A-46.
61/ *Id*. at A-47.

VIEWS OF CHAIRMAN LIEBELER

Inv. No. 731-TA-282 (Final)

I determine that an industry in the United States is not materially injured, or threatened with material injury, by reason of imports of candles from the Peoples Republic of China (PRC) which the Department of Commerce has determined are being sold at less than fair value.[1] I concur with the determination of the majority with respect to like product,[2] domestic industry, and related parties.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a final investigation, the Commission must determine that

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1 Material retardation is not an issue because the industry is well established.

2 The majority found that domestically produced petroleum wax candles are most similar in characteristics and uses to the imported article. I agree. I do not concur, however, with their conclusion that there are only insignificant quality differences between the imported and domestic product. These quality differences are relevant for purposes of my causation discussion. <u>See</u> text accompanying note __, <u>infra</u>.

the dumped or subsidized imports cause or threaten to cause material injury to the domestic industry producing the like product. First, the Commission must determine whether the domestic industry producing the like product is materially injured or is threatened with material injury. Second, the Commission must determine whether any injury or threat thereof is by reason of the dumped or subsidized imports. Only if the Commission answers both questions in the affirmative, will it make an affirmative determination in the investigation.

Before analyzing the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of the antidumping law. The accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.[3]

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[3] Sands, Sutherland Statutory Construction Sec. 45.02 (4th Ed.)

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant."[4] This definition leaves unclear what is meant by harm. As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the increase in supply, *ceteris paribus*, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy finding and a Commission finding that financial indicators were down were all that were required for an affirmative

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[4] 19 U.S.C. sec. 1977(7)(A)(1980).

determination, there would be no need to inquire further into causation.

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Acts of 1979, Congress stated:

> [T]he ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports.[5]

The Finance Committee emphasized the need for an extensive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."[6]

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current law, and will be, under section 735, complex and

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5 Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

6 Id.

difficult, and is matter for the judgment of the ITC."[7] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

In the legislative history to the 1974 Act, the Senate Finance Committee stated that the law was designed to prevent unfair price discrimination:

> This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. * * * The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry.[8]

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm results therefrom:

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7 Id.

8 Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price.[9]

This "difficult and complex" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt to maximize profits.[10] Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."[11]

An assertion of unfair price discrimination should be accompanied by a factual record that can support such a conclusion. In accord with economic theory and the

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9 Id.

10 See, e.g., P. Samuelson & W. Nordhaus, Economics 42-45 (12th ed. 1985); W. Nicholson, Intermediate Microeconomics and Its Application 7 (3d ed. 1983).

11 Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

legislative history, foreign firms should be presumed to behave rationally. Therefore, if the factual setting in which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any injury or threat of injury to the domestic industry is not "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."[12]

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[12] Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit an affirmative finding under the law interpreted in light of the cited legislative history.[13]

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).[14]

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[15] The legislative history provides some guidance for applying these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn. But first I will discuss the condition of the domestic industry.

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[13] Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebeler).

[14] Id. at 16.

[15] 19 U.S.C. 1677(7)(B)-(C) (1980 & cum. supp. 1985).

Condition of the Industry

It is by no means clear that the domestic producers of petroleum wax candles are suffering financial difficulty. Net sales are down since 1983. The ratio of operating income to net sales is also down. It should be noted, however, that despite this decline, the operating income margin still exceeded 7 percent in 1985.[16]

The non-financial indicators are also mixed. For instance, production has been almost constant since 1983. Total capacity has increased slightly. Capacity utilization has declined slightly to 52 percent.[17] Inventories as a percentage of total shipments were also relatively constant during 1983-85.[18] The number of hours worked has declined approximately 13 percent but output per worker and hourly wages both increased by more than 15 percent.[19]

Even if we assume arguendo that the domestic industry is experiencing financial difficulty, it is not by reason

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16 Report at A-28, Tables 16. The exclusion of beeswax candles lowers the financial indicators, although not significantly. Therefore, the problem of allocating costs between the two product lines will not be considered.

17 Report at A-20, Table 10.

18 Report at A-23.

19 Report at A-24 Table 13.

of imports of candles from the PRC.

Causation analysis

Let us start with import penetration data. A large market share is a necessary condition for a seller to obtain or enhance market power through unfair price discrimination. Import penetration for the PRC increased from 11.7 percent in 1983, to 16.8 percent in 1984, and then to 18.0 percent in 1985.[20] Thus, PRC market share is increasing and moderately high.

The second factor is a high margin of dumping or subsidy. The higher the margin, ceteris paribus, the more likely it is that the product is being sold below the competitive price[21] and the more likely it is that the domestic producers will be adversely affected. The weighted-average margin calculated by the Department of Commerce is 54.21 percent ad valorem.[22] This is a high dumping margin.

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[20] Report at A-38.

[21] See text accompanying note __, supra.

[22] Foreign market value was based on the weighted-average price of candles imported into the U.S. from Malaysia. Report at A-2.

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the effect of any allegedly unfair practice on domestic producers. This case was characterized by assertions by Respondents that their product was of a lower quality than the domestic like product.[23]

This is consistent with the results of the one independent laboratory analysis submitted to the Commission. The results, presented only in the confidential version of this opinion, are as follows:

* * * *[24]

Moreover, these claims seem meritorious on their face. Candles from the PRC have sold for consistently less than domestic candles. Over the period of investigation, the price for 12-inch tapers paid by department stores and specialty stores has been five times

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23 Respondent's Pre-Hearing Brief at Appendix 1 (July 11, 1986)(characteristics of PRC candles: burn too quickly and unevenly, limited color range, poor color consistency, inferior wicks, no brand name, rough surface, low quality scents, hand wrapping, poor packaging, and inferior service package).

24 Report at A-8 & Appendix D

higher for domestic candles than those from the PRC. Similar ratios exist for other candle categories.[25]

At the same time, purchases of domestic candles still occurred. If the products are homogeneous, I find it difficult to understand why either the store buyers or the ultimate consumer would pay such disparate prices for the same product for so long.[26]

Counsel for Respondent was quite persuasive on this point during the hearing. In an one exchange with the President of Lenox Candles, counsel presented the following the hypothetical:

> Mr. Horlick: Would you be willing to swap, even up, one million pounds of tapers -- you would take Chinese; you would give the Chinese your candles and you would send them to your customers with your label on them.
>
> Mr. Kreilick: That is irrelevant.

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[25] Report at A-44, Table 25.

[26] This is a classic case where the presence of "underselling" can lead to the wrong conclusion. <u>See</u> Certain Table Wine from the Federal Republic of Gernamy, France, and Italy, Inv. Nos. 701-TA-258-260 & 731-TA-283-285 (Preliminaries), USITC Pub. 1771 (1985) at 36-38 (Views of Vice Chairman Liebeler on underselling).

Mr. Horlick: Yes or no. If they are fungible, you would be willing to.[27]

While the President of Lenox was certainly not required to anser this question, The point made by Respondent's counsel is indeed relevant. If products are closely substitutable, then _ceteris paribus_ the purchaser will be indifferent between them. The seller would not care which product he sold because the sale of either product would have an equal effect on his reputation. If there are two products that are identical in all respects except for price, only the lower priced article will be bought.[28] The fact that sales of domestic and PRC candles persist despite the price differential indicates that the two are differentiated.

As to the fourth factor, declining domestic prices could indicate that domestic producers are lowering their prices to maintain market share. Price information was gathered for petroleum wax candles sold to department and specialty stores and mass merchandisers. Domestic prices showed little change between the first quarter of 1983 and

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27 Transcript at 103. _See also_ _id_. at 102.

28 This abstracts from search costs and will be the equilibrium solution over time.

the first quarter of 1986.[29]

The fifth factor is barriers to entry (foreign supply elasticity). If there are barriers to entry (or low foreign elasticity of supply) it is more likely that a producer can gain market power. Imports of candles from countries other than the PRC decreased from 64 to 54 percent of the total quantity of imports between 1983 and 1985.[30] During this same period, however, total imports from these countries not under investigation increased by more than 15 percent. Moreover, the value of imports from these other countries increased by approximately 40 percent.[31] There do not appear to be any barriers to entry in this industry. This is what one would expect given the low capital intensity in this industry.

These factors must be balanced in each case to reach a sound determination. Import penetration by PRC candles has increased to a moderate level. The dumping margin is large. The last three factors, however, are not

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[29] Report at A-44 and A-45. Tables 25-26.

[30] Report at A-36, Table 20.

[31] _Id_.

consistent with a finding of unfair price discrimination. The products are heterogeneous, domestic prices are stable, and there is no evidence to indicate that the elasiticity of foreign supply is low. Thus, the factors when viewed together are inconsistent with a finding of unfair price discrimination.

Conclusion

Therefore, I conclude that an industry in the United States is not materially injured or threatened with material injury by reason of imports of candles from the Peoples Republic of China.

DISSENTING VIEWS OF VICE CHAIRMAN BRUNSDALE

Candles from the Peoples' Republic of China

Investigation No. 731-TA-282 (Final)

Based on the record in this case, I determine that the domestic industry in the United States is not materially injured, or threatened with material injury, by reason of the imports of candles from the Peoples' Republic of China (PRC) that the Department of Commerce has found to have been sold at less-than-fair-value (dumped). Material retardation of the establishment of an industry in the United States is not an issue in this case and will not be discussed.

Although I dissent from the affirmative decision reached by my colleagues in the majority, I concur with three of their findings. Specifically, I agree on (1) like product -- the like product is petroleum wax candles;[1] (2) domestic industry -- the domestic

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1 However, I have serious reservations about this definition. In particular, I believe that Respondent has made persuasive arguments for including beeswax candles in the definition of like product. Prehearing Brief by the China Native Products Corp., at Appendix 1. By adopting the definition of the majority I am granting Petitioners the benefit of the doubt on this issue. Posthearing Brief of the National Candle Assn., at 2.

industry consists of the domestic producers of petroleum wax candles; and (3) related parties -- it is not appropriate to exclude from the domestic industry any of the U.S. companies that import PRC candles.

In order for a domestic industry to prevail in a final investigation, the Commission must determine that the dumped imports cause or threaten to cause material injury to the domestic industry producing the like product.[2] In making this determination, the Commission typically follows a two-stage procedure.[3] It first addresses the question of injury. If it does not find material injury or threat thereof, it summarily makes a negative determination.[4] If, however, it finds material injury, it proceeds to the second stage

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2 19 U.S.C. sec 1673.

3 "The ITC determination of injury basically involves a two-prong inquiry: first, with respect to the fact of material injury, and second, with respect to the causation of such material injury." Subcomm. on Trade, House Ways & Means Comm., 98th Cong., 2d Sess., Overview of Current Provisions of U.S. Trade Law, at 51 (Comm. Print 1984).

4 See, e.g., Certain Fresh Atlantic Groundfish from Canada, Inv. No. 701-TA-257 (Final), USITC Pub. No. 1844 at 17-19 (May 1986), in which the Commission made a negative determination for subsidized fresh Atlantic groundfish fillets because material injury or threat thereof was not found. See also my views (together with Vice Chairman Liebeler) in Certain Unfinished Mirrors from Belgium, the Federal Republic of Germany, Italy, Japan, Portugal, Turkey, and the United Kingdom, Inv. No. 701-TA-273 (Preliminary), USITC Pub. No. 1850 at 16-17 (May 1986), in which I made a negative determination for allegedly dumped imports of certain unfinished mirrors because I did not find a reasonable indication that a domestic industry was materially injured or threatened with material injury.

and decides whether the subject imports are a cause of that injury. Thus only if the Commission answers both questions in the affirmative will it make an affirmative determination.[5]

In this case I find that the domestic industry is not materially injured or threatened with material injury. Consequently I do not consider the issue of causation. My determination on material injury is based primarily on the following evidence:[6]

o the average price (or unit value) of domestic candles has not changed significantly;

o domestic production and shipments have remained steady;

o imports from the PRC account for only a small portion of total U.S. consumption;

Material Injury

I do not question that the domestic candle industry has been

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5 I note that Commissioner Stern does not adopt this two stage procedure. She does not regard it as analytically useful or appropriate to consider the question of material injury separate from the question of causation. While I do not use Commissioner Stern's approach in this case I believe it raises important issues and deserves careful study. See Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 at 18-19 (Dec. 1985) (Additional Views of Chairwoman Stern).

6 In making its determination of material injury, the Commission is directed by statute to consider, among other factors: (1) the volume of the subject imports; (2) the effect of such imports on prices for the domestic like product; and (3) the impact of the subject imports on domestic producers of the like product. 19 U.S.C. sec. 1677(7).

harmed. One possible sign of harm would be a decline in the average price of domestic candles. Looking at the record, that price fell from $1.59 a pound in 1983 to $1.50 a pound in 1985, a drop of only 5.7 percent.[7] When considered with other evidence in this case, a drop of that small magnitude does not support a conclusion of material injury. The statute does not state that any harm, no matter how small, entitles a domestic industry to succeed in a Title VII investigation. Indeed, Congress specifically rejected a de minimis injury standard and instead established the definition that material injury "means harm which is not inconsequential, immaterial, or unimportant."[8]

The condition of the domestic candle industry is not that of an industry experiencing material injury. For example, domestic shipments and production were almost level in the 1983-85 period, and both increased slightly in interim 1986 compared with interim 1985. Domestic shipments were 90,929 thousand pounds in 1983, 90,933 thousand pounds in 1985 and, for interim 1986, 20,367

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7 Report at A-21 and A-25.

8 19 U.S.C. sec. 1677(7). "[T]he term 'de minimis' in antidumping cases has a long and contentious history. Use of that term was specifically rejected by the Committee. Rather it was agreed that the statute should define 'material injury' to mean 'harm which is not inconsequential, immaterial, or unimportant.'" H. Rep. 96-317 at 46 (1979).

thousand pounds compared to 20,067 thousand in interim 1985.[9] Similarly, production was 94,427 thousand pounds in 1983, 94,708 thousand in 1985 and, for interim 1986, 24,745 thousand compared to 22,234 thousand in interim 1985.[10] In addition, domestic inventories, which were essentially unchanged between 1983 and 1985, do not give the impression of an industry experiencing material injury.[11]

Furthermore, if a domestic industry is materially injured I would normally expect to see some sign that its size had contracted and its investment prospects had faltered. But this is not the case here. Industry capacity went up from 171.6 million pounds a year in 1983 to 181.7 million pounds in 1985.[12] Spending on R&D and on capital equipment increased steadily between 1983 and 1985, the former rising from $629,000 to $795,000,[13] and the latter from $3,455,000 to $4,835,000.[14]

Finally, although the financial condition of the industry weakened over the period of the investigation, the industry as a

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9 Report at A-21.

10 Id. at A-20.

11 Id. at A-23.

12 Id. at A-20.

13 Id. at A-32.

14 Id.

whole was profitable throughout and much of the weakening was due to nonrecurring costs at three large firms. The figures for operating income were $18,593,000 in 1983, $10,771,000 in 1985 and, for the interim period, $2,081,000 in 1986 compared to $3,009,000 in 1985.[15] It is important to note that most of the drop in operating income between 1983 and 1985, more than 60 percent, is explained by special factors (including relocating and startup expenses) experienced by just three firms. Moreover, the vast majority of firms were profitable over the period. Positive operating income was reported by sixteen out of eighteen firms in 1983 and by thirteen out of seventeen firms in 1985.[16]

This condition of stability for the industry is consistent with the fact that imports of PRC candles, when measured properly, have been relatively small. In 1985, the PRC supplied about 18 percent of total quantity (in pounds) of all candles consumed in the United States but only 8 percent of the total value (in dollars).[17][18] The latter measure is the

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15 Report at A-28.

16 Id. at A-27.

17 Memorandum by the Director, Office of Investigations, INV-J-132 (Aug. 12, 1986).

18 Report at A-38.

appropriate one to use here. This is because not all pounds of candles, or candlepounds, are the same. In particular, I find that the quality of PRC candles is significantly lower on average than that of domestic candles.[19] Under these conditions it is important to use dollar spending to compare PRC imports and domestic consumption. Ultimately, consumer budgets limit candle consumption, domestic and foreign firms essentially compete for

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19 The issue of quality was sharply contested in this case. Based on the record, however, it is clear that there is a significant difference between PRC and domestic candles. But this is not to say that these two products are not close substitutes or that the domestic product is not "like" the PRC candles. I believe that they are close substitutes. What is relevant for a like product finding is that the relevant domestic product and the article subject to investigation be close substitutes.

I base my finding on the quality issue on two points. First, the Commission has received the results of a comparison of domestic and PRC candles performed by an independent laboratory, apparently the only independent laboratory to make such a test. The Staff Report (at A-12) summarized the results as follows. *********.

Second, a substantial quality gap between domestic and PRC candles is revealed most directly by public data on average prices. Between 1983 and 1985 the average price of domestic candles was consistently more than 2.9 times that of PRC candles. (This is based on average price data for domestic and PRC candles, Report at A-21 and A-36). In ordinary markets such substantial price differences indicate differences in quality. I have no reason to suspect that we do not have ordinary markets in this case.

shares of these budgets, and budgets are normally set in terms of dollar spending, not in terms of candlepounds.

Threat of Material Injury

The principal factors relevant to my analysis of threat are the low import penetration and the evidence on PRC candle capacity and capacity utilization, both of which suggest that imports of PRC candles do not pose a real threat of material injury.[20] Unfortunately, information in the Report on the capacity and capacity utilization of the PRC candle industry is confidential.[21] However, there are indications that the PRC industry faces important constraints that would limit or at least delay significant expansions in candlemaking capacity. These constraints include a shortage of electrical generating capacity, an inability to produce new molds or beveling machines quickly, and a poorly developed transportation system that poses obstacles for obtaining delivery of important raw materials.[22] The

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20 19 U.S.C. sec. 1677(F)(ii) (1986).

21 Report at A-34. Capacity utilization for PRC candle export factories was reported to be *** in 1984 and *** percent in 1985.

22 Posthearing Brief of the China Native Products Corp., at 9.

combination of these points leads me to conclude that there is no threat of material injury.[23]

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[23] I note that at the end of this investigation, after the post-hearing briefs had been filed, a submission by the Petitioner raised questions about several important issues, including the number of candle factories in the PRC, their degree of modernity, and their capacities to produce candles. However since the Commission chose not to give Respondent an opportunity to respond to these issues, I believe it is inappropriate to consider Petitioner's last submission and do not do so here.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 4, 1985, an antidumping petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by the National Candle Association, Arlington, VA. The petition alleged that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from the People's Republic of China (China) of candles of petroleum wax, provided for in item 755.25 of the Tariff Schedules of the United States (TSUS), which are being sold in the United States at less than fair value (LTFV).

Accordingly, the Commission instituted antidumping investigation No. 731-TA-282 (Preliminary) under section 733(a) of the Tariff Act of 1930 to determine whether there was 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 China of candles of petroleum wax that were allegedly being sold in the United States at LTFV. On October 21, 1985, the Commission determined that there was a reasonable indication that an industry in the United States is materially injured by reason of such imports.

On February 19, 1986, Commerce published notice in the Federal Register (51 F.R. 6016) of its preliminary determination that petroleum wax candles from China are being, or are likely to be, sold in the United States at LTFV. Accordingly, effective February 19, 1986, the Commission instituted investigation No. 731-TA-282 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of such merchandise. Notice of the institution of the Commission's final investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of March 12, 1986 (51 F.R. 8569). 1/

On March 19, 1986, Commerce published a notice in the Federal Register (51 F.R. 9490) postponing its final antidumping duty determination. Accordingly, the Commission published a notice in the Federal Register of April 17, 1986 (51 F.R. 13111) revising the schedule for the conduct of its investigation. On July 10, 1986, Commerce issued its final determination that imports of petroleum wax candles from China are being, or are likely to be, sold in the United States at LTFV.

A public hearing was held by the Commission in connection with this final investigation on July 16, 1986, in Washington, DC. 2/ The briefing and vote was held on August 13, 1986. The statutory deadline for notifying Commerce of the Commission's determination is August 21, 1986.

The Commission has not conducted previous investigations concerning candles.

1/ A chronology for the subject investigation and copies of the Commission's and Commerce's notices are presented in app. A.
2/ A list of witnesses appearing at the hearing is presented in app. B.

Nature and Extent of Sales at LTFV

On July 10, 1986, Commerce issued its final determination that petroleum wax candles from China are being, or are likely to be, sold in the United States at a weighted-average margin of 54.21 percent ad valorem. In making its decision of sales at LTFV, Commerce compared the U.S. price with the foreign market value. The U.S. price was represented by the purchase price of the subject merchandise on the basis of c.i.f. prices with deductions, when applicable, for ocean freight and marine insurance. Commerce concluded that China is a state-controlled economy, so the foreign-market value was based on the weighted-average price of candles imported into the United States from Malaysia.

In responding to petitioner's allegation that imports of petroleum wax candles from China present "critical circumstances", Commerce found that import levels of the subject merchandise for equal periods immediately preceding and following the filing of the petition were not massive; this analysis also took seasonal factors into consideration. Therefore, Commerce determined that critical circumstances within the meaning of section 735(a)(3) of the Tariff Act of 1930 (19 U.S.C. 1673d(a)(3)) do not exist for imports of candles from China.

On March 20, 1986, Commerce clarified the scope of products subject to investigation in a communication to all customs field offices. Commerce specified that the products under investigation are certain scented or unscented petroleum wax candles sold as tapers, spirals, straight-sided dinner candles, rounds, columns, pillars, votives, and various wax-filled containers. Candles not described, such as birthday, birthday numeral, and figurine type candles, are outside the scope of the investigation.

The Products

Description and uses

A candle is made of solid, fusible, combustible waxes or fatty substances surrounding and saturating a combustible wick. Candles are used to give light, heat, or scent, or are used for celebration or votive purposes.

As a candle burns, its flame is fed by a supply of melted wax that flows up the wick as a result of capillary action. Wax is melted as the flame runs down the wick, and a cup of melted wax forms as the outside layer of the candle is cooled by the upward current of air produced from the heat of the candle. A candle burning properly is the result of interactions among candle diameter, wax, wick, air movements, drafts, and other factors. 1/

History.--Candles were among the earliest inventions, as shown by candlesticks from Egypt and Crete dating back to 3000 B.C. By the 13th century, tallow candles were in wide use, with 71 candle makers named in a 1292 Paris tax list. 2/

1/ Coggshall & Morse, Beeswax, Ithaca, NY, 1984, p. 127.
2/ New Encyclopedia Britannica, vol. 2-Micropaedia, 1985, p. 798.

Through the years, candles have developed from pine torches, rope strands covered with resin or pitch, and pitch coated with beeswax. In the early dipping process, strands or yarn were coated by repeated dipping in molten tallow or wax and then cooled. Introduction of molds in the 15th century by Sieur de Brez marked the beginning of the modern candle. 1/

In the 19th century, paraffin wax from petroleum was first introduced into candle-making. Stearic acid was produced by separating the fatty acid from the glycerin of fat, and made a superior candle because of its hardness. A composite of paraffin and roughly 5 to 10 percent stearic acid as a hardening agent became the basic candle stock for U.S. manufacturers. 2/

Domestic product

Waxes.--There are two broad categories of wax used for commercial purposes: natural and synthetic. The bulk of candle manufacturing utilizes natural waxes, principally paraffins, microcrystallines, stearic acid, and beeswax. However, specialty candle making operations do have requirements for the more "exotic" types of waxes, such as hydrogenated vegetable oil or jojoba. Selection of wax for candle making takes into consideration a number of characteristics of wax, such as melting point, viscosity, and burning power. Typically, U.S. manufacturers will use higher melt-point waxes (130 to 150 degrees F.) for tapers, columns, and votives, and use lower melt-point or slack waxes for wax-filled containers. U.S. manufacturers use both refined and semi refined waxes in candle production.

The U.S. petroleum wax market, based on U.S. Department of Energy (DOE) statistics for domestic production, is estimated to be 1.5 billion pounds of wax annually. Candle manufacturing accounts for approximately 10 percent of petroleum wax usage. In terms of a typical barrel of oil, wax represents 1 percent, with wax used in the candle industry accounting for approximately one-tenth of 1 percent of a barrel. Other commercial applications for wax include adhesives, coatings, cosmetics, pharmaceutical preparations, plastics, polishes, and rubber.

Wicks.--There are almost 100 different sizes and types of wicking available for candle manufacturing. Wicks may be flat braid, square braid, stranded, twisted, metal core, glass fiber, or hollow. Wick sizing depends upon the number of threads used, such as a 30-ply wick that consists of a 3-strand braid of 10 threads each. The size of the wick must be adjusted to the diameter of the candle for proper burn. For example, a candle of lower melting-point wax should have a wick of looser plait than one with a higher melting point and less ready combustion. 3/

An important characteristic of wicking is braiding. Braided wicking tends to bend slightly at the tip during burning, which reduces "afterglow". A wick standing straight up will accumulate a carbon cap, and when extinguished the afterglow would destroy the wick down to the bottom of the

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1/ Warth. The Chemistry & Technology of Waxes, Reinhold Publishing Corp., NY, 1947, p. 359.
2/ A detailed listing of wax properties is presented in app. C.
3/ Bennett, Industrial Waxes, NY, 1975, p. 211.

cup, making relighting difficult. In addition to braiding, a wicking characteristic that causes a candle to burn properly is "pickling". A wick is pickled with chemicals, which keeps the candle from smoking and allows the wick tip to burn to an ash that falls off. 1/

Industry sources indicate that there is only one major supplier of wicking for the domestic industry--Atkinson & Pearce Mfg. Co., Cincinnati, OH. Although no major concerns have been raised about quality or supply from this sole source, one major manufacturer * * * has established its own wicking operation for greater quality control.

Other raw materials.--In addition to wax and wick, scents, dyes, labeling and packaging are other components in the production of candles. Scents added to wax are created by the same companies that produce expensive perfumes, and they are specially compounded for use in petroleum wax; scents as a share of production costs can range from 0 for unscented candles to 60 percent for scented votives. Special wax soluble dyes are used in color formulations, which are controlled in order to produce color consistency. Labeling and packaging as costs of production may be provided at the request of purchasers (e.g., private labeling and UPC labels) or may be required (e.g., warning labels).

Foreign product

Waxes.--Chinese candle factories that manufacture for export reportedly use only semi refined petroleum waxes. 2/ In addition, stearic acid or plastic wax as a hardening agent accounts for approximately 1 percent of the composition of a Chinese manufactured candle. 3/ Candle export factories in China use high melt-point wax in the range of 133 to 140 degrees F. 4/

Wicks.--Candles from China are reported to use 18-, 21-, or 27-ply wicks; Chinese wicks are often not braided. 5/ In addition, a representative from the China Native Products Corp. indicated that Chinese wicks are not chemically treated, and so the candles may smoke and burn quickly. 6/

Other raw materials.--When the scent is provided by the Chinese factory, candles from China may be scented with variations of spices or flavorings (e.g., cinnamon or vanilla). 7/ However, Chinese contracts with U.S. importers often require that scents, dyes, and labels will be provided by the purchaser. 8/

1/ Coggshall, op. cit., pp. 128-129.
2/ Transcript of the hearing (TR), p. 122. However, petitioners in their posthearing brief (app. IV, sec. B, exhibit 3) provided pictures of bags of fully refined petroleum wax waiting to be used at an export factory in China.
3/ Respondents' prehearing brief, app. I, p. 3.
4/ Commerce verification report for the Jikou Candle Factory, July 3, 1986, p. 2.
5/ Respondents' prehearing brief, app. I, p. 3.
6/ TR, p. 123.
7/ Respondents' prehearing brief, app. I, p. 9.
8/ Commerce verification report for sales of the Beijing branch, July 3, 1986, p. 2.

Product types.--Many varieties of candles are sold in the U.S. market; they come in different sizes and fragrances, and all come in a range of colors. Typically, a major U.S. manufacturer will offer 2,000 to 3,000 types of candles in its product line. Questionnaire responses have provided useful data with which to compare the types of products offered by both U.S. manufacturers and importers of candles from China; such data are presented in tables 1 and 2.

Table 1.--Petroleum wax candles: Domestic shipments by U.S. producers and importers of merchandise from China, by types, 1983-85

Item	1983 Quantity	1983 Share	1984 Quantity	1984 Share	1985 Quantity	1985 Share
	1,000 pounds	Percent	1,000 pounds	Percent	1,000 pounds	Percent
U.S. produced candles:						
Wax filled containers..	30,893	33.5	32,844	34.7	31,388	34.0
Votives.................	18,125	19.7	18,280	19.3	19,343	21.0
Tapers..................	17,858	19.4	17,543	18.5	16,903	18.3
Columns/pillars.........	11,428	12.4	11,618	12.3	10,317	11.2
Straight-sided dinner..	2,941	3.2	3,295	3.5	3,990	4.3
Spirals.................	1,495	1.6	1,201	1.3	1,333	1.4
Novelties...............	1,700	1.8	1,945	2.0	977	1.1
Other...................	7,653	8.3	7,936	8.4	7,977	8.6
Total 1/............	92,093	100.0	94,662	100.0	92,228	100.0
Imports from China:						
Wax-filled containers..	102	0.7	124	0.6	75	0.3
Votives.................	2,359	15.7	3,410	17.1	4,087	17.3
Tapers..................	5,482	36.6	6,969	34.9	7,754	32.9
Columns/pillars.........	5,562	37.1	7,421	37.1	8,520	36.1
Straight-sided dinner..	0	-	0	-	150	.6
Spirals.................	671	4.5	594	3.0	594	2.5
Novelties...............	584	3.9	693	3.5	1,328	5.6
Other...................	222	1.5	776	3.9	1,092	4.6
Total...............	14,982	100.0	19,987	100.0	23,600	100.0

1/ Total shipments are overstated by approximately 1.5 percent compared with totals for domestic shipments of petroleum wax candles in tables 7 and 11, as several reporting companies included inventories and/or intracompany or intercompany transfers in the distribution breakout.

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

Product mix.--In 1985, the line of candles imported from China consisted principally of tapers, columns, and votives, which together represented 86 percent of total shipments of imports (table 1). In that same year, half of the shipments of domestic products were in these popular categories. From 1983 to 1985, the domestic product lines remained relatively stable, with decreases of about 1.2 percentage points in shipments of tapers and columns and an increase in shipments of votives of approximately

Table 2.--Petroleum wax candles: Market share and segment share for domestic shipments by U.S. producers and importers of candles from China, by types, 1983-85

Item	Shipments by U.S. producers			Shipments by importers		
	1983	1984	1985	1983	1984	1985
	Market share (percent)					
Type of candle:						
Wax filled containers..	28.9	28.6	27.1	0.1	0.1	0.1
Votives................	16.9	15.9	16.7	2.2	3.0	3.5
Tapers.................	16.7	15.3	14.6	5.1	6.1	6.7
Columns/pillars........	10.7	10.1	8.9	5.2	6.5	7.4
Straight-sided dinner..	2.7	2.9	3.4	0	0	.1
Spirals................	1.4	1.0	1.2	.6	.5	.5
Novelties..............	1.6	1.7	0.8	.5	.6	1.1
Other..................	7.1	6.9	6.9	.2	.7	.9
Total 1/.............	86.0	82.6	79.6	14.0	17.4	20.4
Seasonal nature:						
Christmas..............	17.9	17.7	15.3	8.8	10.8	13.5
Non-Christmas..........	68.2	65.0	64.5	5.2	6.6	6.9
Total................	86.0	82.6	79.6	14.0	17.4	20.4
	Segment share (percent)					
Type of candle:						
Wax filled containers..	99.7	99.6	99.8	0.3	0.4	0.2
Votives................	88.5	84.3	82.6	11.5	15.7	17.4
Tapers.................	76.5	71.6	68.6	23.5	28.4	31.4
Columns/pillars........	67.3	61.0	54.8	32.7	39.0	45.2
Straight-sided dinner..	100.0	100.0	96.4	0	0	3.6
Spirals................	69.0	66.9	69.2	31.0	33.1	30.8
Novelties..............	74.4	73.7	42.4	25.6	26.3	57.6
Other..................	97.2	91.1	88.0	2.8	8.9	12.0
Seasonal nature:						
Christmas..............	67.0	61.9	53.0	33.0	38.1	47.0
Non-Christmas..........	92.9	90.8	90.4	7.1	9.2	9.6

1/ Total shipments are overstated by approximately 1.5 percent compared with totals for domestic shipments of petroleum wax candles in tables 7 and 11, as several reporting companies included inventories and/or intracompany or intercompany transfers in the distribution breakout.

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

1.3 percentage points. Shipments of imports from China decreased by roughly 4 percentage points for tapers and 1 point for columns, and shipments of votives and novelties increased by 1.6 points and 1.7 points, respectively.

Market share.--When considered from the standpoint of the total market for U.S.-produced candles and imports of candles from China, the U.S.

producers' share of the total market was substantial but decreased steadily during the period of investigation, from 86.0 percent in 1983 to 82.6 percent in 1984 and 79.6 percent in 1985 (table 2). On the other hand, imports of candles from China rose steadily from 14.0 percent of the market in 1983 to 17.4 percent in 1984 and 20.4 percent in 1985.

Segment share.--Table 2 also provides a breakdown of the markets for each type of candle. In almost all segments of the market, U.S. producers lost market share; the exceptions were wax-filled containers and spirals, segments in which U.S. producers gained 0.1 and 0.2 percentage points, respectively. Conversely, imports of Chinese candles gained segment share in six of the eight product types.

Seasonality.--Many of the purchasers contacted in the course of this investigation indicated that they only purchase Chinese candles in red, white, and green for the Christmas season, and that they primarily rely on domestic candles for their everyday displays of many candle colors. Findings from questionnaire responses, as reflected in tables 2 and 3, clarify the question of seasonality. 1/

Product mix.--From 1983 to 1985, U.S. producers maintained a steady product mix of approximately 20 percent Christmas candles and 80 percent non-Christmas candles (table 3). Shipments of imports from China over the same period show that Christmas candles accounted for the majority of shipments of such imported candles, at 63 percent in 1983 and rising to 66 percent in 1985.

Market share.--The majority of the U.S. candle market is comprised of non-Christmas candles shipped by U.S. producers, which accounted for 68 percent of domestic shipments in 1983 and decreased to approximately 64 percent of shipments by 1985 (table 2). From 1983 to 1985, imports of candles from China gained 1.7 percentage points of the market for non-Christmas candles, while U.S. producers lost 3.7 points of market share for such candles. With respect to Christmas candles, whereas U.S. producers' shipments of such candles represented a 2.6 point decrease in market share, shipments of imports of Chinese Christmas candles increased by 4.7 points during 1983-85.

Segment share.--In the Christmas market, U.S. producers accounted for 67.0 percent of the total domestic shipments by U.S. producers and importers of candles from China in 1983 (table 2). The U.S. producers' share then fell by 5.1 percentage points in 1984, and they lost another 8.9 points in 1985, so that U.S. producers' shipments of candles for the Christmas market represented a little more than half (53.0 percent) of shipments of Christmas candles in 1985. Conversely, imports of Chinese candles for the Christmas season gained 14.0 percentage points from 1983 to 1985. U.S. producers continued to dominate the non-Christmas market, although their share of this market fell slightly from 92.9 percent in 1983 to 90.4 percent in 1985.

1/ Data on seasonality should be used with caution, as no clear definition of "Christmas candle" has been offered. Some reporting companies indicated that all red, white, and green candles were reported as Christmas candles, whereas other companies indicated that they sell Christmas colors year round and reported sales for October through December as Christmas candles.

Table 3.--Petroleum wax candles: Domestic shipments by U.S. producers and importers of merchandise from China, by seasonal nature, 1983-85

Type	1983 Quantity	1983 Share	1984 Quantity	1984 Share	1985 Quantity	1985 Share
	1,000 pounds	Percent	1,000 pounds	Percent	1,000 pounds	Percent
Shipments of U.S.-produced candles:						
Christmas	19,184	20.8	20,239	21.4	17,690	19.2
Non-Christmas	72,909	79.2	74,423	78.6	74,538	80.8
Total 1/	92,093	100.0	94,662	100.0	92,228	100.0
Shipments of imports from China:						
Christmas	9,443	63.0	12,431	62.2	15,676	66.4
Non-Christmas	5,539	37.0	7,556	37.8	7,924	33.6
Total 1/	14,982	100.0	19,987	100.0	23,600	100.0

1/ Total shipments are overstated by approximately 1.5 percent compared with totals for domestic shipments of petroleum wax candles in tables 7 and 11, as several reporting companies included inventories and/or intracompany or inter-company transfers in the seasonal breakout.

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

Characteristics.--Physical characteristics, including content and packaging, for both U.S.-produced candles and candles imported from China were discussed in the "Description and Uses" section of the report. A candle also has performance characteristics, and information has been received from all parties relating to the laboratory testing of candles based on performance standards.

The Commission's staff received the results of the only known independent laboratory analysis of U.S. produced candles and candles imported from China.

* * * * * * *

Manufacturing processes

U.S. process.--Candle manufacturing has evolved over the years from hand dipping at a few dozen candles per hour to the automatic rotary molding machines that produce at the rate of 6,000 per hour. At one time, all candles were produced from hot liquid wax, but technology has created a cold process that allows wax to be compressed into various candle shapes and forms. In the hot wax process, wax is shipped and stored in liquid form. Steam-heated storage tanks and remote-controlled pumping systems permit custom blending of each batch of candle wax in its individual steam kettle. Cold wax processes take hot liquid wax and freeze the liquid in towers or through rotating drums to a powdered form, which is then supplied through tanks into compression and extrusion machines. Manufacturing techniques currently in use by U.S. manufacturers include dipping, molding, pouring, extrusion, and compression. 1/ A discussion of the principal manufacturing techniques is presented below.

Pouring.--U.S. candle manufacturers employ hand-poured processes for certain types of candles, when unusual shapes or dimensions impose physical or cost restrictions on the method of production.

Dipping.--The repeated dipping process is a hot process. It consists of the following procedures: free-hanging wicks are attached to candle dipping boards or cages; dipping stations containing liquid wax are positioned along the path, either straight line or circular; candles are cooled and cut or melted to the desired length, then tapered, including any reverse taper at the base; two final dips in microcrystalline or high melt-point wax are applied as a color over dip, and to harden the candle exterior for better burning; and the candles are cut down from the dipping board, inspected, and packaged.

Molding.--Machine molding techniques are also a hot process and may be semi automated or fully automated. The procedures for semi automated machine molding include the following: wicks are tended (made taut or straight, and centered); the molding machine is heated; liquid wax stored in steam kettles is poured into the molds encased in the machine; the machine is water cooled and the candles are ejected from the molds; wicks are cut for the removal of the set (group of candles) in the rack; and the set of candles is removed, inspected, and packaged.

Extrusion.--Extrusion can be a hot or cold process, in which formulated wax is supplied to an extruder and the wax is then forced through an orifice with a selected metal die for the shape of the candle (dies can be changed in 10 minutes). Long strips of extruded candles are then cut to length and tipped. This is the principal manufacturing method used in the production of beeswax candles.

Chinese process.--Candle manufacturing in China is reportedly highly labor intensive and utilizes primitive manufacturing techniques. Wax slabs are melted in vats that are heated when steam from a boiler is piped through the hollow walls of the vats. 2/ Wax is blended manually with scents and dyes and hand poured into molds. Candle molds in one particular Chinese factory were cut and welded from 55-gallon scrap drums. 3/ The molds are water cooled

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1/ Candle making machinery is no longer manufactured in the United States; the principal source of machinery is West Germany. However, major domestic manufacturers maintain a staff of in-house engineers to adapt the machinery for a variety of tooling purposes.
2/ Commerce verification report for the Fengtai Candle Factory, July 3, 1986, p. 2.
3/ TR, p. 145. However, petitioners presented photographs of more elaborate molding machines from the Taiping Export Candle Factory in China (Petitioners' posthearing brief, app. IV, sec. B, exhibit 30.

to set the candles, which are then individually removed from the mold by hand, polished, beveled, hand wrapped in cellophane, and packaged. 1/

Like products

In making its determination of likelihood of material injury during the preliminary phase of this investigation, the Commission requested that data be gathered in the final investigation concerning the extent to which domestically produced beeswax candles are fungible with petroleum wax candles. Information on petroleum wax candles and beeswax candles is presented separately in this report wherever possible in order to facilitate analysis. Should Commissioners wish to include beeswax candles in the scope of investigation, the impact on key indicators is presented in appendix E.

Beeswax candles are manufactured by U.S. producers for religious and specialty markets. The use of beeswax in the Roman Catholic Church is not required, but is generally accepted practice. Since 1969, the Church's General Instruction of the Roman Missal "makes no determination regarding the material of composition of candles, except in the case of the sanctuary lamp, the fuel for which must be oil or wax." 2/

As indicated in table 4, approximately 95 percent of domestic shipments of beeswax candles during 1983-85 were made to churches and religious goods dealers. Most beeswax candles, representing about 94 percent of domestic shipments in 1985, were wax-filled containers and "other" types of miscellaneous candles such as straight-sided altar and sanctuary lights. Beeswax dinner candles accounted for approximately 5 percent of domestic shipments of beeswax candles during 1983-85; they were sold through department and specialty stores. 3/

U.S. tariff treatment

U.S. imports of candles are classified in item 755.25 of the TSUS. This tariff item provides for candles and tapers. The current column 1 rate of duty 4/ is 6.3 percent ad valorem; this rate is scheduled to be reduced to 5.8 percent on January 1, 1987. The United States extended column 1 duty

1/ Respondents' prehearing brief, app. I, p. 2.
2/ National Conference of Catholic Bishops, Bishops' Committee on the Liturgy, Newsletter, Washington, DC, November 1984.
3/ The specialty market, as a share of the total beeswax candle shipments, is understated because only 1 of 4 known beeswax candle manufacturers that produce for the specialty market responded to the Commission's questionnaire.
4/ The rates of duty in col. 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. China, Hungary, Romania, and Yugoslavia are the only Communist countries eligible for MFN treatment.

Table 4.--Beeswax candles: Domestic shipments by U.S. producers, by type of candle, sales outlet, and seasonal nature, 1983-85

Item	1983		1984		1985	
	Quantity	Share	Quantity	Share	Quantity	Share
	1,000 pounds	Percent	1,000 pounds	Percent	1,000 pounds	Percent
Type of candle:						
Columns................	20	1.6	16	1.3	10	0.8
Straight-sided dinner..	67	5.4	60	5.0	58	4.9
Votives................	3	.2	4	.3	3	.3
Wax-filled containers..	163	13.2	164	13.8	158	13.2
Other..................	983	79.5	946	79.5	966	80.8
Total................	1,236	100.0	1,190	100.0	1,195	100.0
Type of sales outlet:						
Churches and religious goods dealers........	1,169	94.6	1,128	94.8	1,135	95.0
Department and specialty stores.....	65	5.3	61	5.1	59	4.9
Wholesale distributors.	2	.1	1	.1	1	.1
Total................	1,236	100.0	1,190	100.0	1,195	100.0
Seasonal nature:						
Christmas..............	163	13.2	151	12.7	154	12.9
Non-Christmas..........	1,073	86.8	1,039	87.3	1,041	87.1
Total................	1,236	100.0	1,190	100.0	1,195	100.0

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

treatment to China effective February 1, 1980. 1/ Prior to that date, imports from China were dutiable at the higher column 2 rates. 2/

The petitioner has alleged that significant quantities of candles produced in China are being transshipped through Hong Kong and are entering the United States as products of Hong Kong. The rate of duty currently applicable to U.S. imports of candles from Hong Kong is the column 1 rate of duty. Because imports of candles from Hong Kong exceeded the competitive-need limits, as of March 30, 1980, Hong Kong is no longer accorded duty-free

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1/ In Proclamation No. 4697, dated Oct. 23, 1979, the President, acting under authority of the Trade Act of 1974, amended general headnote 3(f) (now redesignated 3(d)) of the TSUS by deleting "China (any part of which may be under Communist domination or control)" and "Tibet," effective Feb. 1, 1980, the date on which written notices of acceptances were exchanged, following adoption by the Congress on Jan. 24, 1980, of a concurrent resolution of approval extending nondiscriminatory treatment to products of China.
2/ The col. 2 rates of duty apply to imported products from those Communist countries and areas enumerated in general headnote 3(d) of the TSUS.

treatment on candles under the Generalized System of Preferences (GSP). 1/ Also, on March 31, 1982, Hong Kong was graduated from GSP eligibility for candles. Accordingly, since March 30, 1980, there has been no duty rate differential between candles from Hong Kong and those from China.

The Domestic Market

U.S. producers

There are over 100 known producers of candles for commercial sale in the United States, not to mention the many small craft producers for local, noncommercial use. The Commission sent questionnaires to 47 firms believed to produce candles in the United States for commercial sale. These firms consisted of all the known major producers of candles and a number of medium-size and small producers. It is estimated that the 47 firms to which questionnaires were sent account for approximately 95 percent of U.S.-produced candles.

Completed responses to the questionnaire were received from 22 firms, including nearly all of the largest candle producers. 2/ It is estimated that the responding firms account for most (approximately 75 percent) of the total U.S. production of candles. Table 5 shows the responding producers, subsidiary companies included in the questionnaire responses, the location of production facilities, production levels in 1985, and each producer's share of known production.

1/ The GSP affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 and renewed in the Trade and Tariff Act of 1984, applies to merchandise imported on or after Jan. 1, 1976, and before July 4, 1993. It provides duty-free entry to eligible articles imported directly from designated beneficiary developing countries.

2/ Commission staff did not receive usable data from * * * and * * *; these companies accounted for a combined total of approximately *** percent of known production in 1985, which is an estimate based on the limited information provided by company officials.

Table 5.--Candles: U.S. producers, location of production facilities, and production in 1985, by types of wax

Producer	Location	Production Petroleum	Beeswax	Total	Share
		-------1,000 pounds-------			Percent
American Greetings.......	Corbin, KY	***	***	***	***
Candle Corp. of America..	Chicago, IL ***	***	***	***	***
Candle Artisans..........	Washington, NJ	***	***	***	***
Candle-Lite..............	Leesburg, OH	***	***	***	***
Caribe Candle............	Penuelas, PR	***	***	***	***
Colonial Candle of Cape Cod....................	Hyannis, MA				
Dadant & Sons............	Kahoka, MO	***	***	***	***
General Wax & Candle Co..	No. Hollywood, CA	***	***	***	***
Hallmark Cards...........	Leavenworth, KS	***	***	***	***
Lenox Candles............	Elkin, NC	***	***	***	***
Subsidiaries:					
Columbia Wax Product					
Carolina Soap & Candle					
Meunch-Kreuzer Candle Co.	Syracuse, NY	***	***	***	***
WNS, Inc.................	Houston, TX	***	***	***	***
Will & Baumer............	Syracuse, NY	***	***	***	***
All others 1/............		4,864	299	5,163	5.5
Total.................		93,630	1,078	94,708	100.0

1/ Data are included for 8 firms, none of which accounted for more than 1.1 percent of total U.S. production in 1985.

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

Industry sources indicate that prior to the 1970's the major candle-making factories were privately held, family-owned, single-product concerns. During the 1970's and 1980's, many of the major companies were taken over by larger conglomerates and candles became one in a line of many, diversified products. An analysis of the industry today reveals that seven of the candle producers, which represent approximately 40 percent of total production, are owned by conglomerates. As the following tabulation shows, the candle operations of these seven companies accounted for an average of approximately 2 percent of their consolidated net sales of *** in 1985:

*   *   *   *   *   *   *

Sixteen of the reporting producers, representing 69 percent of reported production, are in support of the petition in this investigation. Of the eight major producers, six are in support, and two * * * are in opposition. Each of the known major producers is discussed on the following pages.

*   *   *   *   *   *   *

U.S. importers

Information provided by the U.S. Customs Service identified over 175 importers of candles from China during fiscal years 1983-85 and January-March 1986. Most of the importers imported only small quantities. The Commission sent questionnaires to 62 importers, including all the known major importers of candles and also a number of medium and small importers. The 62 importers are believed to account for approximately 90 percent of total imports of candles from China during the period covered by the investigation.

Thirty-three importers, accounting for approximately 85 percent of total imports in 1985, provided usable data on their imports of candles from China. Table 6 presents information from the largest responding importers, including several U.S. producers that import. In 1985, approximately 48 percent of the imports of candles from China were purchased by importers for sale in their own retail outlets, 28 percent by importers that purchase for wholesale distribution, and *** percent by importers that are also U.S. producers. On the average, candle imports accounted for approximately 4 percent of the value of total import business for importers responding to the Commission's questionnaire.

Table 6.--Importers of candles from China and imports, by types of purchasers, 1985

Importer	Location	Imports in 1985 Quantity	Share
		1,000 pounds	Percent
Importers that are also U.S. producers:			
* * *	*	* *	*
Importers that purchase for sale in their own retail outlets:			
* * *	*	* *	*
		13,959	48.2
Importers that purchase for wholesale distribution:			
* * *	*	* *	*
		8,123	28.1
Total imports by reporting companies.....		***	***
Imports not identified........		***	***
Total imports 1/..........		28,949	100.0

1/ Official import statistics of the U.S. Department of Commerce.

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

For the six U.S. producers that imported candles from China in 1985, the following tabulation presents information on their domestic shipments and imports in that year:

Producer	Domestic shipments (1,000 pounds)	Imports (1,000 pounds)	Ratio of imports to Shipments (Percent)

* * * * * * *

In 1985, candle imports by the six U.S. producers accounted for * * * percent of total domestic shipments for those companies. The highest ratios to domestic shipments were registered by * * *. 1/

1/ The impact on key indicators of excluding * * * as a related party is presented in app. E.

Apparent U.S. consumption

The data on apparent U.S. consumption of candles presented in table 7 are composed of the sum of (1) reported domestic shipments of U.S.-produced candles by producers responding to the Commission's questionnaire, and (2) imports of candles as reported in official statistics of the U.S. Department of Commerce. Apparent U.S. consumption of petroleum wax candles increased from 135.9 million pounds in 1983 to 153.4 million pounds in 1984, or by 12.8 percent, and then decreased slightly to 152.0 million pounds in 1985, or by 0.9 percent. Apparent consumption of such candles was 26.3 million pounds during January-March 1986, or 12.8 percent less than consumption in the corresponding period of 1985.

Table 7.--Candles: U.S. producers' domestic shipments, imports, and apparent consumption, by types, 1983-85, January-March 1985, and January-March 1986

Item	1983	1984	1985	January-March-- 1985	1986
U.S. producers' domestic shipments:					
Petroleum wax candles 1/ 1,000 pounds..	90,929	93,179	90,933	20,067	20,367
Beeswax candles......do....	1,236	1,190	1,195	333	352
Total..............do....	92,165	94,369	92,128	20,400	20,719
U.S. imports 2/........do....	45,015	60,226	61,056	10,082	5,930
Total apparent consumption:					
Petroleum wax candles 1,000 pounds..	135,944	153,405	151,989	30,149	26,297
Beeswax candles......do....	1,236	1,190	1,195	333	352
Total..............do....	137,180	154,595	153,184	30,482	26,649
Ratio of U.S. producers' domestic shipments to apparent consumption:					
Petroleum wax candles percent..	66.9	60.7	59.8	66.6	77.4
Beeswax candles......do....	100.0	100.0	100.0	100.0	100.0
Average............do....	67.2	61.0	60.1	66.9	77.7

1/ Includes captive consumption (intracompany and intercompany transfers), which accounted for less than 1.5 percent of total domestic shipments in all periods.
2/ All known imports are petroleum wax candles. Adjusted for the exclusion of novelty items imported from China.

Source: U.S producers' domestic shipments, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports, compiled from official statistics of the U.S. Department of Commerce.

Channels of distribution

Domestic producers and importers sell candles directly to department and specialty (gift) stores 1/ or mass merchandisers (chain, variety, drug, and discount stores), or to wholesale distributors that later distribute the candles to various retail outlets and end users. Department stores and specialty stores are generally considered the "high" end of the market, since they tend to carry a wider selection of candles in a large assortment of sizes and colors especially formulated to match the latest home furnishings. Mass merchandisers--which include drugstore chains, discount stores, and supermarkets--carry a more limited selection of candles (mostly dinner candles), although they frequently introduce a Christmas line (including novelties and other types of candles in seasonal colors).

Table 8 presents comparative share of sales information (based on thousands of pounds of wax) for both U.S. producers and importers during 1983-85. U.S. producers typically sell through all channels, but the bulk of sales (approximately 81 percent in 1985) are to mass merchandisers, wholesale distributors, and department and specialty stores. During 1983-85, the share of U.S. producers' shipments to mass merchandisers increased by 2.9 percentage points, and the share to department and specialty stores decreased by 2.5 points.

Sales of imports from China are heavily concentrated in the mass merchandiser sales outlet, which represented 74.5 percent of total shipments of candles from China in 1985. However, during the period 1983-85, the share of sales to mass merchandisers decreased by 5.2 percentage points, and the share of sales to department and specialty stores increased by 2.8 points.

Market share.--In 1985, U.S. producers accounted for 27.9 percent of the aggregate market for U.S. and Chinese candles through sales to mass merchandisers, and this share held relatively constant from 1983 (table 9). The U.S. producers' share of the market to wholesale distributors dropped by 1.5 percentage points from 1983 to 1985, and 3.2 points of market share was lost in the department and specialty store channel during the same period. On the other hand, imports of candles from China gained 4.0 points of market share in the mass merchandiser channel, 1.3 points in the wholesale distributor channel, and 1.1 points of market share in the department and specialty store channel.

Segment share.--In analyzing the total market for U.S. and Chinese candles on a segment basis, U.S. producers lost 6.5 points of the share of the mass merchandiser market to imports from 1983 to 1985; 4.9 points of the wholesale distributor market was lost to imports; and 8.1 points of the department and specialty store market was lost to imports during the same period.

1/ Through telephone calls to reporting companies, the staff has verified that the category "department and specialty stores" includes non-discount mass merchandisers such as Sears and J.C. Penney, and is comparable with the data presented in the pricing section of this report.

Table 8.--Petroleum wax candles: Shipments of candles by U.S. producers and importers of merchandise from China, by types of sales outlets, 1983-85

Outlet	1983 Quantity	1983 Share	1984 Quantity	1984 Share	1985 Quantity	1985 Share
	1,000 pounds	Percent	1,000 pounds	Percent	1,000 pounds	Percent
Shipments of U.S. produced candles:						
Mass merchandisers......	29,676	32.2	31,788	33.6	32,334	35.1
Wholesale distributors..	28,086	30.5	29,541	31.2	28,624	31.0
Department and specialty stores......	16,430	17.8	15,789	16.7	14,112	15.3
Religious outlets.......	14,018	15.2	14,293	15.1	14,481	15.7
Restaurants............	2,598	2.8	2,079	2.2	1,881	2.0
Other..................	1,285	1.4	1,172	1.2	796	0.9
Total 1/..............	92,093	100.0	94,662	100.0	92,228	100.0
Shipments of imports from China:						
Mass merchandisers......	11,943	79.7	16,107	80.6	17,573	74.5
Wholesale distributors..	1,930	12.9	2,578	12.9	3,641	15.4
Department and specialty stores......	1,101	7.3	1,293	6.5	2,382	10.1
Religious outlets.......	4	2/	5	2/	2	2/
Restaurants............	4	2/	4	2/	2	2/
Other..................	0	-	0	-	0	-
Total.................	14,982	100.0	19,987	100.0	23,600	100.0

1/ Total shipments are overstated by approximately 1.5 percent compared with totals for domestic shipments of petroleum wax candles in tables 7 and 11, as several reporting companies included inventories and/or intracompany or inter-company transfers in the sales outlet breakout.
2/ Less than 0.05 percent.

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

Note 1.--Shipments of candles from China were reported by U.S. firms that are listed as being importers of record on official U.S. Customs Net Import Files. Purchases of candles from China by firms that were not importers of record (e.g., * * * buying Chinese candles from a wholesaler) were reported separately in the questionnaire and are not included in the channels of distribution breakout.

Note 2.--The category "Private Label" has been removed from the channels of distribution analysis since the prehearing report. Telephone calls were made to both producers and importers, and revised information was received on the redistribution of private label shipments through the other available channels.

Table 9.--Petroleum wax candles: Market and segment shares for domestic shipments of U.S.-produced candles and imports of candles from China, 1983-85

(In percent)

Outlet	Shipments by U.S. producers			Shipments by importers		
	1983	1984	1985	1983	1984	1985
	Market share					
Mass merchandisers........	27.7	27.7	27.9	11.2	14.0	15.2
Wholesale distributors....	26.2	25.8	24.7	1.8	2.2	3.1
Department, jewelry, and specialty stores........	15.4	13.8	12.2	1.0	1.1	2.1
Religious outlets.........	13.1	12.5	12.5	-	-	-
Restaurants...............	2.4	1.8	1.6	-	-	-
Other.....................	1.2	1.0	.7	-	-	-
Total 1/............	86.0	82.6	79.6	14.0	17.4	20.4
	Segment share					
Mass merchandisers........	71.3	66.4	64.8	28.7	33.6	35.2
Wholesale distributors....	93.6	92.0	88.7	6.4	8.0	11.3
Department, jewelry, and specialty stores........	93.7	92.4	85.6	6.3	7.6	14.4
Religious outlets.........	100.0	100.0	100.0	-	-	-
Restaurants...............	99.8	99.8	99.9	.2	.2	.1
Other.....................	100.0	100.0	100.0	-	-	-

1/ Total shipments are overstated by approximately 1.5 percent compared with totals for domestic shipments of petroleum wax candles in tables 7 and 11, as several reporting companies included inventories and/or intracompany or intercompany transfers in the sales outlet breakout.

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

Consideration of Alleged Material Injury

The information in this section of the report was compiled from responses to questionnaires of the U.S. International Trade Commission. The 22 producers that provided questionnaire responses are believed to account for approximately 75 percent of total U.S. production of candles.

U.S. production, capacity, and capacity utilization

Data on known U.S. production, end-of-period capacity, and capacity utilization of candles are presented in table 10. Production of all candles increased from 94.4 million pounds of wax in 1983 to 95.8 million pounds in 1984, or by 1.4 percent. Production decreased in 1985 to 94.7 million pounds, or by 1.1 percent. Production during January-March 1986 amounted to 24.7 million pounds, an increase of 11.3 percent compared with the level of production in the corresponding period of 1985.

Table 10.--Candles: U.S. production, end-of-period capacity, and capacity utilization, 1983-85, January-March 1985, and January-March 1986

Item	1983	1984	1985	January-March-- 1985	1986
Production.....1,000 pounds..	94,427	95,769	94,708	22,234	24,745
End-of-period capacity 1,000 pounds..	171,596	183,554	181,709	47,093	48,112
Capacity utilization percent..	55.0	52.2	52.1	47.2	51.4

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

Capacity to produce candles increased from 171.6 million pounds of wax in 1983 to 183.6 million pounds in 1984, or by 7.0 percent, chiefly because of a *** pound capacity increase for * * * and a *** pound capacity increase for * * *. Capacity decreased in 1985 to 181.7 million pounds, or by 1.0 percent, mainly because of the closing of Wheaton Candles *** pound manufacturing capacity. Capacity during January-March 1986 amounted to 48.1 million pounds, representing a 2.2-percent increase from that in the corresponding period of 1985.

End-of-period capacity utilization was 55.0 percent in 1983, 52.2 percent in 1984, and remained steady at 52.1 percent in 1985. Capacity utilization during January-March 1986 was 51.4 percent, representing an increase from the 47.2 percent capacity utilization rate in the corresponding period of 1985.

U.S. producers' domestic shipments

Data on U.S. producers' domestic shipments of candles are presented in table 11. U.S. producers' domestic shipments of petroleum wax candles increased from 90.9 million pounds of wax in 1983 to 93.2 million pounds in 1984, or by 2.5 percent. Shipments decreased by 2.4 percent in 1985 to 90.9 million pounds, down to the level of 1983. 1/ Shipments during January-March 1986 amounted to 20.4 million pounds, an increase of 1.5 percent compared with the level of domestic shipments in the corresponding period of 1985.

The value of U.S. producers' domestic shipments of petroleum wax candles decreased slightly from $144.7 million in 1983 to $144.4 million in 1984, or by 0.2 percent. The value of shipments decreased at a greater rate in 1985, to $136.6 million, or by 5.4 percent. The value of U.S. producers' shipments in January-March 1986 amounted to $28.9 million, a decrease of 1.3 percent compared with the level in the corresponding period of 1985.

1/ The data reflect the closing of Wheaton Candle and the relocation of Lenox Candles Manufacturing from Wisconsin to Kentucky.

Table 11.--Candles: U.S. producers' domestic shipments, by types, 1983-85, January-March 1985, and January-March 1986

Item	1983	1984	1985	January-March-- 1985	1986
Petroleum wax candles:					
Quantity:					
Amount........1,000 pounds..	90,929	93,179	90,933	20,067	20,367
Percentage change...........	1/	2.5	-2.4	1/	1.5
Value:					
Amount.......1,000 dollars..	144,746	144,445	136,617	29,251	28,865
Percentage change...........	1/	-0.2	-5.4	1/	-1.3
Unit value.........per pound..	$1.59	$1.55	$1.50	$1.46	$1.42
Beeswax candles:					
Quantity:					
Amount........1,000 pounds..	1,236	1,190	1,195	333	352
Percentage change...........	1/	-3.7	0.4	1/	5.5
Value:					
Amount.......1,000 dollars..	6,424	6,398	6,835	1,978	1,934
Percentage change...........	1/	-0.4	6.8	1/	-2.2
Unit value.........per pound..	$5.20	$5.38	$5.72	$5.94	$5.49
Total:					
Quantity:					
Amount........1,000 pounds..	92,165	94,369	92,128	20,400	20,719
Percentage change...........	1/	2.4	-2.4	1/	1.6
Value:					
Amount.......1,000 dollars..	151,170	150,843	143,452	31,229	30,799
Percentage change...........	1/	-1.0	-5.1	1/	-1.4
Unit value.........per pound..	$1.64	$1.60	$1.56	$1.53	$1.49

1/ Not available.

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

The unit values of U.S. producers' domestic shipments of petroleum wax candles declined from $1.59 per pound in 1983 to $1.55 per pound in 1984 and $1.50 per pound in 1985. The unit value of domestic shipments of candles in January-March 1986 was $1.42, a further decrease compared with the unit value of $1.46 in the corresponding period of 1985.

As shown in table 11, the unit value of U.S. shipments of beeswax candles is higher than that of petroleum wax candles and the difference between the two widened during the period covered. The ratio of the unit value of beeswax candles to the unit value of petroleum wax candles was 3.3 to 1 in 1983, 3.5 to 1 in 1984, 3.8 to 1 in 1985, and 3.9 to 1 during January-March 1986. The higher unit value for beeswax candles is partially explained by the higher price of beeswax compared with petroleum wax. Industry sources have quoted a range of 20 to 40 cents per pound for petroleum wax, whereas the price of beeswax ranged from 90 cents to $1.10 per pound during January-March 1986.

U.S. exports

Data on U.S. exports, obtained from official statistics of the U.S. Department of Commerce, are presented in table 12. Exports of candles decreased from 3.2 million pounds of wax in 1983 to 2.3 million pounds in 1984, or by 27.0 percent. Exports decreased further in 1985 to 1.4 million pounds, or by 37.6 percent. Exports during January-March 1986 amounted to 500,000 pounds, an increase of 42.5 percent compared with the level of exports in the corresponding period of 1985.

Table 12.--Candles: U.S. exports, by markets, 1983-85, January-March 1985, and January-March 1986

Market	1983	1984	1985	January-March-- 1985	January-March-- 1986
	Quantity (1,000 pounds)				
Canada	807	1,039	657	134	295
Sweden	512	308	189	36	28
United Kingdom	320	221	131	35	47
Australia	134	109	123	30	2
All other	1,384	627	337	116	129
Total	3,157	2,304	1,437	351	500
	Value (1,000 dollars)				
Canada	1,190	1,558	899	206	298
Sweden	305	201	175	34	15
United Kingdom	409	331	185	61	76
Australia	76	77	51	13	3
All other	1,548	1,040	497	158	234
Total	3,528	3,207	1,807	472	626
	Unit value (per pound)				
Canada	$1.47	$1.50	$1.37	$1.54	$1.01
Sweden	.60	.65	.93	.94	.54
United Kingdom	1.28	1.50	1.41	1.72	1.64
Australia	.56	.70	.42	.41	1.40
All other	1.12	1.66	1.47	1.38	1.81
Average	1.12	1.39	1.26	1.35	1.25

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

Data on U.S. producers' exports of candles, obtained from responses to the Commission's questionnaire, are presented in the following tabulation (in thousands of pounds of wax):

* * * * * * *

The export data in the tabulation above are significantly lower than official export statistics, owing to the incomplete industry response to the Commission's questionnaire, and to the possibility that firms other than producers may be exporting.

U.S. producers' inventories

U.S. producers' inventories of petroleum wax candles increased from 18.8 million pounds as of December 31, 1982, to 20.4 million pounds as of December 31, 1983, or by 8.0 percent. Inventories decreased slightly to 20.2 million pounds as of December 31, 1984, or by 0.8 percent, then increased to 20.9 million pounds as of December 31, 1985, or by 3.5 percent. Inventories on March 31, 1986, amounted to 24.0 million pounds, representing an increase of 7.0 percent compared with the level of inventories on March 31, 1985.

As a share of U.S. producers' total domestic shipments during the preceding year, inventories decreased from 22.4 percent as of December 31, 1983, to 21.7 percent as of December 31, 1984, and increased to 23.0 percent as of December 31, 1985. On the basis of annualized shipments, the ratio was 28.0 percent as of March 31, 1985, and 29.5 percent as of March 31, 1986, as shown in the following tabulation:

Date	Inventories (1,000 pounds)	Percent of total shipments
As of Dec. 31--		
1982-------------------	18,839	1/
1983-------------------	20,353	22.4
1984-------------------	20,190	21.7
1985-------------------	20,890	23.0
As of Mar. 31--		
1985-------------------	22,466	2/ 28.0
1986-------------------	24,037	2/ 29.5

1/ Not available.
2/ Based on annualized shipment data, which tends to understate shipments because first quarter shipments are traditionally lower due to the seasonal nature of the industry.

U.S. producers' employment and wages

The average number of production and related workers producing petroleum wax candles for the 20 producers that provided employment data decreased from 1,794 in 1983 to 1,663 in 1984, or by 7.3 percent, and decreased again in 1985 to 1,453, or by 12.6 percent (table 13). The number of workers during January-March 1986 was 1,411, representing a decrease of 3.9 percent from the 1,469 workers in the corresponding period of 1985. The average number of production and related workers producing beeswax candles decreased during the period of investigation from 40 employees in 1983 to 38 employees during January-March 1986. The number of hours worked by production and related

Table 13.--Employment statistics for U.S. establishments in which candles are produced: Average number of employees, hours worked, wages, hourly wages, and labor productivity, 1983-85, January-March 1985, and January-March 1986

Item	1983	1984	1985	January-March-- 1985	1986
Production and related workers producing:					
All products	3,272	3,191	2,875	2,988	2,837
Percent change	1/	-2.5	-9.9	1/	-5.1
Petroleum wax candles	1,794	1,663	1,453	1,469	1,411
Percent change	1/	-7.3	-12.6	1/	-3.9
Beeswax candles	40	37	39	38	38
Percent change	1/	-7.5	+5.4	1/	0
Hours worked by production and related workers producing:					
Petroleum wax candles: 1,000 hours	3,358	3,229	2,928	755	719
Beeswax candles.........do	85	76	80	25	26
Wages paid to production and related workers producing:					
Petroleum wax candles: 1,000 dollars	19,980	20,961	20,562	5,192	5,026
Beeswax candles.........do	446	466	476	141	154
Hourly wages for production and related workers producing:					
Petroleum wax candles	$5.95	$6.49	$7.02	$6.88	$6.99
Beeswax candles	$5.25	$6.13	$5.95	$5.64	$5.92
Labor productivity:					
Petroleum wax candles pounds per hour	27.8	29.3	32.0	29.1	34.0
Beeswax candles.........do	13.0	13.9	13.5	11.7	11.8

1/ Not available.

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

workers producing petroleum wax candles decreased from 3.4 million to 2.9 during 1983-85. The number of hours worked during January-March 1986 was 719,000, representing a decrease of 4.8 percent from the number worked in the corresponding period of 1985.

The number of production and related workers producing all products in establishments in which candles are produced decreased from 3,272 in 1983 to 3,191 in 1984, or by 2.5 percent, and decreased again to 2,875 in 1985, or by 9.9 percent. The number of workers during January-March 1986 was 2,837, or 5.1 percent less than the 2,988 workers in the corresponding period of 1985. Personnel reductions were attributable to declining sales, plant closings or relocations, and increased productivity.

The production and related workers producing candles at most of the reporting producers are not represented by a union. Workers at American Greetings Corp. and Candle Corp.'s Chicago facility are represented by the Teamsters Union. Workers at Candle Corp.'s Brooklyn, NY, facility are represented by the Production, Services, and Sales Workmen's Union. Workers at Cathedral Candle Co. and Meunch-Kreuzer are represented by the United Steelworkers of America. Workers at Will & Baumer, Inc., are represented by the International Union of Electrical Workers.

Financial experience of U.S. producers

Eighteen U.S. producers, accounting for 77 percent of known candle production in 1985, supplied usable income-and-loss data for both their overall establishment and candle operations. These data are discussed separately below.

Overall establishment operations.--Net sales declined 8.5 percent from $168.0 million in 1983 to $153.8 million in 1985 (table 14). Interim 1986 sales were $37.6 million, a decline of 4.5 percent from the $39.4 million in net sales in the 1985 interim period. Operating income was $18.8 million in 1983, or 11.2 percent of sales; $8.8 million in 1984, or 5.4 percent of sales; and $9.9 million in 1985, or 6.4 percent of sales. Operating income was $2.0 million, or 5.1 percent of sales, in interim 1985 and $2.1 million, or 5.5 percent of sales, in interim 1986. Two firms reported an operating loss in 1983, three firms in 1984 and 1985, two firms in interim 1985, and four firms in interim 1986.

Operations producing candles.--The income-and-loss experience of the 18 producers on their operations manufacturing candles is presented in table 15. The financial data were affected by companies with varying fiscal years. In addition, relocations, factory closings, and capital expenditures affected the results. Additional segmented income-and-loss data that isolate some of the previously mentioned factors are presented later in the report. These supplemental data may be useful in assessing the performance of the U.S. industry.

Net sales declined 7.3 percent from *** in 1983 to *** in 1985. Interim 1986 sales were ***, a decline of 3.6 percent from the *** net sales in the interim period of 1985. Operating income was ***, or 11.8 percent of sales, in 1983; ***, or 6.7 percent of sales, in 1984; and ***, or 7.7 percent of sales, in 1985. An operating income of ***, or 8.3 percent of sales, was achieved in the interim period of 1985, and in the interim period of 1986, the operating income was ***, or 6.1 percent of sales. Two firms reported an operating loss in 1983, three firms in 1984, four firms in 1985, three firms in interim 1985, and five firms in interim 1986.

Table 14.--Income-and-loss experience of 18 U.S. producers on the overall operations of their establishments within which candles are produced, accounting years 1983-85 and interim periods ended March 31, 1985, and March 31, 1986 1/

Item	1983	1984	1985	Interim period ended March 31-- 1985	1986
Net sales......1,000 dollars..	168,010	162,110	153,814	39,406	37,625
Cost of goods sold......do....	104,047	105,529	98,095	27,575	26,089
Gross profit............do....	63,963	56,581	55,719	11,831	11,536
General, selling, and administrative expenses 1,000 dollars..	45,159	47,827	45,831	9,810	9,482
Operating income........do....	18,804	8,754	9,888	2,021	2,054
All other income or (expense)....1,000 dollars..	(7,440)	(7,333)	(12,439)	(2,200)	(635)
Net income or (loss) before income taxes 1,000 dollars..	11,364	1,421	(2,551)	(179)	1,419
Depreciation and amortization expense......1,000 dollars..	2,592	3,844	4,196	1,164	1,256
Cash flow from operations 1,000 dollars..	13,956	5,265	1,645	985	2,675
Ratio to net sales of--					
Cost of goods sold percent..	61.9	65.1	63.8	70.0	69.3
Gross profit..........do....	38.1	34.9	36.2	30.0	30.7
General, selling, and administrative expenses percent..	26.9	29.5	29.8	24.9	25.2
Operating income......do....	11.2	5.4	6.4	5.1	5.5
Net income or (loss) before income taxes.....percent..	6.8	.9	(1.7)	(.5)	3.8
Number of firms reporting--					
Operating losses...........	2	3	3	2	4
Net losses.................	3	5	4	2	4
Data.......................	18	18	17	10	10

1/ Fiscal years ending in the following months are represented in the data: January (3 companies), February (2), April (2), June (3), July (1), August (1), and December (6).

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

Table 15.--Income-and-loss experience of 18 U.S. producers on their operations producing candles, accounting years 1983-85, and interim periods ended Mar. 31, 1985, and Mar. 31, 1986 1/

Item	1983	1984	1985	Interim period ended Mar. 31--2/ 1985	1986
Net sales......1,000 dollars..	***	***	***	***	***
Cost of goods sold......do....	***	***	***	***	***
Gross profit............do....	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars..	***	***	***	***	***
Operating income........do....	***	***	***	***	***
All other income or (expense)....1,000 dollars..	***	***	***	***	***
Net income before income taxes........1,000 dollars..	***	***	***	***	***
Depreciation and amortization expense......1,000 dollars..	***	***	***	***	***
Cash flow from operations 1,000 dollars..	***	***	***	***	***
Ratio to net sales of--					
Cost of goods sold percent..	***	***	***	***	***
Gross profit..........do....	***	***	***	***	***
General, selling, and administrative expenses percent..	***	***	***	***	***
Operating income......do....	***	***	***	***	***
Net income before income taxes............percent..	***	***	***	***	***
Number of firms reporting--					
Operating losses............	2	3	4	3	3/ 5
Net losses..................	2	6	5	3	5
Data........................	18	18	17	10	4/ 10

1/ Fiscal years ending in the following months are represented in the data: January (3 companies), February (2), April (2), June (3), July (1), August (1), and December (6).
2/ * * * did not provide interim data.
3/ These 5 firms accounted for 15.7 percent of total reported production in 1985.
4/ These 10 firms accounted for 51.9 percent of total reported production in 1985.

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

Separate income-and-loss experience of the 18 firms in producing petroleum wax candles and beeswax candles are presented in table 16. Beeswax candle sales represent a small portion of total candle sales, but they are a highly profitable item for the candle industry. Information on the proportion of beeswax candle sales and petroleum wax candle sales to total candle sales is presented in the following tabulation (in percent):

Period	Beeswax	Petroleum wax
1983	***	***
1984	***	***
1985	***	***
Interim period ended Mar. 31--		
1985	***	***
1986	***	***

Table 16.--Income-and-loss experience of 18 U.S. producers on their operations producing beeswax candles and petroleum wax candles, by types, accounting years 1983-85, and interim periods ended Mar. 31, 1985, and Mar. 31, 1986

Item	1983	1984	1985	Interim period ended March 31-- 1985	1986
	Value (1,000 dollars)				
Net sales:					
Petroleum wax	160,384	156,504	148,203	38,310	36,999
Beeswax	***	***	***	***	***
Total	***	***	***	***	***
Gross profit:					
Petroleum wax	61,304	56,238	54,781	12,305	11,269
Beeswax	***	***	***	***	***
Total	***	***	***	***	***
Operating income:					
Petroleum wax	18,593	9,930	10,771	3,009	2,081
Beeswax	***	***	***	***	***
Total	***	***	***	***	***
	Percent of net sales				
Gross profit:					
Petroleum wax	38.2	35.9	37.0	32.1	30.5
Beeswax	***	***	***	***	***
Total	***	***	***	***	***
Operating income:					
Petroleum wax	11.6	6.3	7.3	7.9	5.6
Beeswax	***	***	***	***	***
Total	***	***	***	***	***

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

Only 3 of the 18 producers reported beeswax sales, and 1 producer * * * accounted for more than *** percent of beeswax sales throughout the reporting period. The cost of producing beeswax products is more than three times the cost of petroleum wax products. The much higher profit margin is mainly due to a selling price that is more than seven times that of petroleum wax products.

Analysis of cost of goods sold and general, selling, and administrative expenses.--Eleven firms, accounting for 62 percent of reported production of petroleum wax candles, provided detailed breakdowns of the components of cost of goods sold and general, selling, and administrative expenses. The results are presented in table 17.

Table 17.--Petroleum wax candles: Components of cost of goods sold and general, selling, and administrative expenses, 1983-85, January-March 1985, and January-March 1986

(In percent)

Item	1983	1984	1985	January-March-- 1985	January-March-- 1986
As a share of net sales:					
Wax	19.9	19.8	19.9	22.5	22.6
Other raw materials	15.9	17.3	15.4	16.6	16.1
Direct labor	9.4	10.2	9.2	8.4	8.6
Other factory expenses	14.1	15.9	17.5	20.4	22.3
Total cost of good sold	59.3	63.2	62.0	67.9	69.5
General and administrative expenses	11.8	14.2	13.1	12.5	12.7
Selling expenses	13.4	13.9	14.6	11.7	12.1
Total general, selling, and administrative expenses	25.2	28.1	27.7	24.3	24.8
Operating income	15.6	8.7	10.3	7.9	5.6

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

Despite decreases in the prices of crude oil of 7 percent from 1983 to 1985 and 13 percent during the first quarter of 1986, 1/ the average cost of petroleum wax for the 11 reporting producers showed a stable pricing trend of approximately 20 percent of net sales. 2/ Likewise, other raw material costs as a percent of net sales fluctuated during 1983-85 but leveled off at approximately 15 percent in 1985. Direct labor costs as a percent of net

1/ Department of Energy, Monthly Energy Reviews, various issues.

2/ In a July 29, 1986, telephone conversation with the Commission's staff, Robert Stewart of Sun Oil indicated that petroleum wax has its own market and does not necessarily follow other raw material costs. Petroleum wax is a byproduct of lube oil refining, and as the demand for lube oil has changed to lighter weights, the resulting wax byproduct has a lower melting point. A shortage of the premium higher melting-point waxes has occurred, but the impact of petroleum wax imports has helped to hold down the price of wax.

sales decreased slightly from 9.4 percent in 1983 to 9.2 percent in 1985. Other factory costs as a percent of net sales increased from 14.1 percent in 1983 to 17.5 percent in 1985 and were 20.4 percent and 22.3 percent in interim 1985 and 1986, respectively. Thus, other factory costs were the major source of the increase in the total cost of goods sold; this increase was the result of increased depreciation expenses for new plant and equipment purchased by * * *.

General, selling, and administrative expenses increased for the 11 firms, from 25.2 percent in 1983 to 27.7 percent in 1985. This overall increase reflects roughly equal increases of 1.3 percentage points for general and administrative expenses and 1.2 points for selling expenses.

Industry financial analysis.--The staff searched for but was unable to obtain a reliable measure for comparing income-and-loss data from candle operations with other appropriate industries. Therefore, this section of the report will discuss segmented profitability data for the 18 firms responding to the financial portion of the Commission's questionnaire.

As previously mentioned individual company circumstances affected the aggregate financial results of the candle producers. A summary of some of these factors follows:

* * * * * * *

The segmented income-and-loss data for the producers of petroleum wax candles presented in table 18 include the following:

Segment A--Excludes operating income/loss from operations producing beeswax candles.

Segment B--Excludes * * * as a producer/importer that may be considered a related party.

Segment C--Excludes those firms whose data do not reflect normal operating conditions, * * * and * * *.

Segment D--Excludes firms in segment C, as well as * * *.

Segment E--Excludes firms in segment C, as well as * * *.

Segment F--Examines firms with sales less than $5 million, and excludes * * *. Although operating results for firms in the rest of the industry are mixed, firms whose sales are less than $5 million have the lowest level of profitability.

Segment G--Examines those firms that are subsidiaries or divisions of larger parent companies (see p. A-14).

Segment H--Examines firms that are independently owned and operated.

Table 18.--Segmented income-and-loss experience of 19 U.S. producers on their operations producing petroleum wax candles, accounting years 1983-85, and interim periods ended Mar. 31, 1985, and Mar. 31, 1986 1/

(In percent)

	Ratio of operating income to net sales					Share of
				Jan.-Mar.--		1985 pro-
Segment	1983	1984	1985	1985	1986	duction 2/
A: Petroleum wax only.......	11.6	6.3	7.3	7.9	5.6	3/ 98.9
B: * * *	***	***	***	***	***	***
C: * * *	***	***	***	***	***	***
D: * * *	***	***	***	***	***	***
E: * * *	***	***	***	***	***	***
F: Companies w/sales less than $5 million...	5.8	4.9	2.2	-4.0	-11.3	15.2
G: Conglomerates	16.3	8.2	9.4	11.5	8.7	40.6
H: Non-conglomerates........	5.3	4.0	4.6	2.8	1.5	59.4
I: Petitioners..............	11.6	6.0	7.6	8.4	6.1	34.5
J: Non-petitioners..........	11.6	6.6	7.0	3.5	1.6	65.5

1/ * * *.
2/ Based on production of petroleum wax candles.
3/ Based on production of the total of petroleum wax and beeswax candles.

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

Segment I--Examines the operating condition of five petitioning firms and includes * * *.

Segment J--Examines the operating condition of 12 firms that are not petitioners in this investigation.

Investment in productive facilities.--Eleven U.S. producers supplied data concerning their investment in productive facilities employed in the production of candles. Their investment in such facilities, valued at cost, rose from $23.6 million as of the end of 1983 to $33.9 million as of the end of 1985. The book value of such assets was $21.7 million as of yearend 1985. Ten firms furnished interim data. The original investment cost was $33.0 million for interim 1986 and the book value was $20.8 million for the same period. These data are shown in the following tabulation (in thousands of dollars):

Period	Original cost	Book value
1983...............	23,567	11,697
1984...............	31,206	20,951
1985...............	33,874	21,678
January-March--		
1985.............	29,821	19,733
1986.............	32,987	20,849

Research and development expenses.--Spending for research and development by 11 producers was $629,000 in 1983, $770,000 in 1984, and $795,000 in 1985. Nine companies reported research and development expenses of $360,000 in interim 1985 and $408,000 in the corresponding period of 1986 .

Capital expenditures.--Thirteen U.S. producers supplied information on their capital expenditures used in the production of candles. Capital expenditures increased from $5.6 million in 1983 to $7.9 million in 1984 and $8.0 million in 1985 (table 19). Nine companies reported expenditures of $4.7 million in interim 1985 and $1.3 million in the corresponding period of 1986. Two companies (* * * and * * *) accounted for most of the expenditures.

Table 19.-- U.S. producers' capital expenditures for facilities used in the production of candles, 1983-85, January-March 1985, and January-March 1986

(In thousands of dollars)

Item	1983	1984	1985	January-March-- 1985	January-March-- 1986
Land and land improvements......	200	265	10	***	0
Buildings......................	1,989	3,242	3,113	***	182
Machinery and equipment.........	3,455	4,398	4,835	***	1,126
Total......................	5,644	7,905	7,958	4,734	1,308

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

Capital and investment.--Several U.S. producers provided questionnaire comments as to the actual and potential negative effects of imports of candles from China on their firm's growth, investment, and ability to raise capital. Their verbatim comments follow:

* * * * * * *

Consideration of Alleged Threat of Material Injury

Among the relevant economic factors that may contribute to the threat of material injury to the domestic industry are (1) any increase in production capacity or existing unused or underutilized capacity in China likely to result in a significant increase in exports of candles to the United States, (2) any substantial increase in inventories of Chinese candles in the United States, (3) any rapid increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level, and (4) the probability that imports of LTFV candles will enter the United States at prices that will have a depressing or suppressing effect on U.S. prices of candles. The available information on China's production and exports of candles and U.S. importers' inventories of such merchandise is presented below. The issues of import penetration and price suppression/depression are discussed in subsequent sections.

Ability of China to generate exports

Information in this section of the report was received by the Commission principally from O'Melveny & Myers, counsel for the China National Native Produce and Animal By-Products Import and Export Corp., respondents in the investigation. 1/ It should be noted that petitioners have taken exception to many of the points made by respondents, and an effort has been made to note these exceptions in the report. 2/ The United States embassy in Beijing was unable to provide any data on Chinese production and exports.

Approximately *** percent of U.S. imports of candles from China are exported by the China Native Products Corp. The corporation is an import/export entity, with candles accounting for 0.05 percent of its business. When the Corporation receives an order for candles, it contacts one of its branch offices, located in Beijing, Tianjin, Shijiazhuang, Dalian, Shanghai, Fuzhou, Hangzhou, Qingdao, Guangzhou, and Nanning. The branch office then makes arrangements with local factory managers to fill the order. The Corporation buys candles from factories that are primarily devoted to export production. Candle sales to foreigners take place primarily at the annual Canton Fair. However, industry sources indicate that at least two U.S. producers of candles have established direct ties for importing certain Chinese candles.

Chinese candles produced for the domestic market are reported to be different in size and quality than those produced for the export market. The Chinese Government apparently has no centralized data system that would provide aggregate data on the nature of the Chinese candle industry.

Most of the candles exported from China to the United States are allegedly shipped through Hong Kong. 3/ U.S. importers claim that transshipping occurs via Hong Kong because it is cheaper to ship by rail to Hong Kong, transload on board a freighter, and ship to the west coast of the United States, than it is to ship directly from Shanghai or Canton. Also, U.S. importers of candles use Hong Kong agents with established contacts in China, thereby avoiding language, cultural, and governmental problems associated with importing from China.

Chinese production capacity and capacity utilization.--Counsel for respondents is unaware of any statistics compiled by the Chinese Government, or any other party, regarding total candle production in China. Capacity for the export factories from which China Native Products Corp. sources candles was approximately *** pounds in 1984. China Native Products Corp.'s export volume was *** pounds, which represents *** of China's export volume of candles. The 1984 capacity utilization rate for Chinese export factories was

1/ Includes the written submission of June 16, 1986, and testimony and briefs.
2/ For example, a list of the China Native Products export factories was submitted by respondents to the Commerce Department for Commerce's verification work in the field; the list, obtained by Commission staff from Commerce, consists of 11 factories (memorandum to Michael Ready, Nov. 19, 1985), while petitioners have listed 44 known export factories that produce for the China Native Products Corp. (petitioners' posthearing brief, app. V, sec. B).
3/ Counsel for respondents has reported that the China Native Products Corp. does not know the final destination of its exports to Hong Kong.

estimated to be about ***; the rate decreased to *** in 1985. However, these capacity utilization rates are based on operation of China export factories for one shift of 8 hours per day, 6 days a week. 1/ Respondents report that a shortage of electrical generating capacity limits both the number of new factories that can be built and the hours that existing factories can operate. 2/

Counsel for respondents reports that, in late 1985, two Chinese candle factories with a total annual production of *** pounds ceased production. 3/ Counsel is not aware of any new export candle factories that opened in 1985. However, petitioners have presented photographs of the construction of a three-story addition to the Tai Ping Export Candle Factory in China. 4/

Some information is available on the Chinese petroleum industry and it may serve as an indicator of Chinese candle manufacturing capacity. According to a U.S. industry newsletter, 5/ the Chinese produced approximately 1.75 billion pounds of wax in 1984 and it has internal uses for only about 25 percent of that total. Chinese production was slightly higher than U.S. production of 1.5 billion pounds of wax in that same year. Much of the Chinese wax is said to be of poor quality and unsuitable for export, but less than 1 percent of total wax production would be needed to equal current levels of U.S. wax consumption for candle making. Chinese petroleum is reported to have a 22 percent wax content, compared with U.S. domestic crude oil that ranges from 3 to 12 percent in wax content.

<u>Chinese candle exports</u>.--The China Native Products Corp. provided Chinese customs statistics for 1983-85 on candle exports from China, and a comparison with U.S. official import statistics is presented below (in thousands of pounds):

	1983	1984	1985
U.S. imports from China	16,539	26,705	28,949
Chinese exports to--			
United States	8,549	9,074	1,544
Hong Kong	24,985	35,893	34,985
Third countries	27,126	19,902	19,622
Total exports	60,660	64,869	56,151

Counsel for the respondents has indicated that the decline in exports to the United States from 1984 to 1985 is attributable to declining orders due to the following: price increases, Wal-Mart's "Buy America" program that phased out overseas purchases, and the rumor that the tallow in Chinese candles was carcinogenic. In addition, the China Native Product Corp. does not know the final destination of candles exported to Hong Kong.

1/ Respondents' prehearing brief, p. 37.
2/ Ibid., p. 9.
3/ Commission staff has learned that these two factories reopened in June or July of 1986.
4/ Petitioners' posthearing brief, app. IV, sec. B, exhibit 6.
5/ <u>Wax Data</u>, Flight Data Corp., Jaffrey, NH, Aug. 29, 1985.

Export diversion.--Counsel for the petitioner provided the Commission with a copy of an Australian dumping order relating to 10-inch and 12-inch dinner tapers from China; the order took effect in March 1985. Australia's Department of Industry, Technology, and Commerce concluded that dining candles had been imported from China at less than the assessed normal values, that material injury had been caused, and that there is a threat of material injury from future imports at dumping prices. The Commission's staff is aware of no other dumping case pending against China with respect to petroleum wax candles.

Importers' inventories

The available data on U.S. importers' inventories of candles from China, as reported by 13 importers in response to the Commission's questionnaires, are presented in the following tabulation:

Date	Inventories (1,000 pounds)
As of Dec. 31--	
1983	1,219
1984	2,661
1985	3,466
As of Mar. 31--	
1985	3,172
1986	3,234

U.S importers' reported inventories of Chinese candles increased from 1.2 million pounds on December 31, 1983, to 2.7 million pounds on December 31, 1984, or by 118 percent, and increased further to 3.5 million pounds on December 31, 1985, or by 30 percent. Inventories on March 31, 1986, amounted to 3.2 million pounds, representing an increase of 2 percent compared with the level of inventories on March 31, 1985.

Consideration of the Causal Relationship Between LTFV Imports and the Alleged Material Injury or Threat Thereof

U.S. imports

Data on U.S. imports of candles from China are presented in table 20. For reference purposes, the table also shows imports of candles from Hong Kong, since an undetermined portion of such candles may in actuality have been produced in China. 1/ None of the 27 importers responding to the Commission's questionnaires reported imports of beeswax candles, and the Commission's staff is aware of no evidence that China exports such candles.

1/ The allegation by the petitioner that substantial amounts of candles from China are entering the United States improperly marked with Hong Kong as the country of origin is discussed in a later section of this report.

Table 20.--Candles: U.S. imports, by principal sources, 1983-85, January-March 1985, and January-March 1986

Source	1983	1984	1985	January-March-- 1985	January-March-- 1986
	Quantity (1,000 pounds)				
China	16,539	26,705	28,949	3,552	1,814
Hong Kong	18,125	20,766	19,174	3,807	1,655
South Korea	2,100	2,075	2,438	602	457
Israel	1,627	2,892	2,565	425	465
Malaysia	1,518	1,243	602	8	64
Brazil	1/	55	948	226	296
All other	5,750	7,426	8,000	1,660	1,281
Total	45,660	61,161	62,677	10,281	6,032
	Value (1,000 dollars)				
China	7,207	12,885	14,692	1,811	1,122
Hong Kong	12,444	14,946	17,161	4,358	1,690
South Korea	2,179	2,393	2,928	647	511
Israel	1,000	1,540	1,634	221	286
Malaysia	1,279	960	376	8	51
Brazil	2	19	376	81	86
All other	6,382	7,969	9,645	1,839	1,728
Total	30,493	40,711	46,812	8,964	5,474
	Unit value (per pound)				
China	$0.44	$0.48	$0.51	$0.51	$0.62
Hong Kong	.69	.72	.90	1.14	1.02
South Korea	1.04	1.15	1.20	1.07	1.11
Israel	.61	.53	.64	.52	.61
Malaysia	.84	.77	.62	.99	.79
Brazil	-	.35	.40	.36	.29
All other	1.11	1.07	1.21	1.11	1.35
Average	.67	.67	.75	.87	.91
	Percent of total quantity				
China	36.2	43.7	46.2	34.5	30.1
Hong Kong	39.7	34.0	30.6	37.0	27.4
South Korea	4.6	3.4	3.9	5.9	7.8
Israel	3.6	4.7	4.1	4.1	7.7
Malaysia	3.3	2.0	1.0	2/	1.1
Brazil	2/	2/	1.5	2.2	4.9
All other	12.6	12.2	12.7	16.3	21.0
Total	100.0	100.0	100.0	100.0	100.0

1/ Less than 500 pounds.
2/ Less than 0.05 percent.

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

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

U.S. imports of candles from China increased from 16.5 million pounds of wax, valued at $7.2 million, in 1983 to 26.7 million pounds, valued at $12.9 million, in 1984, or by 61.5 percent in quantity and 78.8 percent in value. Imports from China increased to 29.0 million pounds valued at $14.7 million in 1985, or by 8.4 percent in quantity and 14.0 percent in value. Imports of candles from China during January-March 1986 amounted to 1.8 million pounds valued at $1.1 million, a decrease of 48.9 percent in pounds and 38 percent in value compared with the amount and value of imports in the corresponding period of 1985. The sharp decline in imports from China that occurred during January-March 1986 may have been affected by the withholding of appraisement that took effect on February 19, 1986, and the potential liability for substantial dumping duties on subsequent imports.

The unit value (per pound) of U.S. imports of candles from China was $0.44 in 1983, $0.48 in 1984, and $0.51 in 1985. The unit value was $0.62 during January-March 1986, representing an increase of 21.6 percent compared with the unit value of $0.51 during the corresponding period of 1985. The increase in unit value may reflect a shift in product mix toward higher priced candles, such as novelty items, and not an increase in prices.

Table 21 presents import activity, on a company-by-company basis, for all U.S. producers that imported candles from China during the period of investigation. Most of the imports were by one firm, * * *. Imports by U.S. producers increased from *** pounds in 1983 to *** pounds in 1984, or by 75.5 percent. Imports from China in 1985 decreased to *** pounds, or by 27.4 percent. Imports during January-March 1986 amounted to *** pounds, representing a decrease of 12.2 percent compared with the level of imports in the corresponding period of 1985. As a share of total imports of candles from China, known imports by U.S. producers accounted for *** percent in 1983, *** percent in 1984, *** percent in 1985, *** percent in January-March 1985, and *** percent in the corresponding period of 1986.

An analysis of Chinese candles, by types, that have been imported by U.S. producers is presented in table 22. During 1983-85, * * * accounted for * * * of U.S. producers' shipments of imports. 1/ * * * imports of tapers comprised *** percent of shipments of imports in 1983, and then declined to *** percent in 1985. 2/ Shipments of "other" types, namely household and chime light candles, increased from *** percent of import shipments in 1983 to *** percent in 1985. Other U.S. producers' imports consisted of columns, tapers, and novelty candles from China, representing *** percent of producers' import shipments in 1983, *** percent in 1984, and *** percent in 1985. In 1984 and 1985, three U.S. producers purchased Chinese columns and tapers on an experimental basis, which accounted for approximately *** percent of other producers' imports in that year. These producers have indicated that they will only import novelty candles in the future.

1/ The impact on key indicators of excluding * * * as a related party is presented in app. E.
2/ In a July 23, 1986 telephone conversation with Commission staff, * * *.

Table 21.--Candles: U.S. imports from China by U.S. producers, 1983-85, January-March 1985, and January-March 1986

* * * * * * *

Table 22.--Candles: Imports from China by U.S. producers, by types, 1983-85

* * * * * * *

As outlined in table 23, imports of candles from China entered the United States through all geographic areas during the period of the investigation. However, imports principally enter through east and west Coast ports, with both coasts together comprising approximately 73 percent of all candle shipments in 1983 and 83 percent of all shipments in 1985. Port-of-entry statistics also show a shift of imports from the northeast to the west, with the northeast ports comprising 21 percent of total shipments during January-March 1986, while 62 percent of shipments came through western ports during the same period.

Market penetration of imports

The share of apparent U.S. consumption accounted for by imports of candles from China (excluding novelty candles) increased from 11.7 percent in 1983 to 16.8 percent in 1984 and to 18.0 percent in 1985 (table 24). Imports from China accounted for 6.5 percent of apparent U.S. consumption in January-March 1986, down from the 11.1 percent share during January-March 1985.

The following tabulation shows the impact on market share if beeswax candles are included and if * * * is excluded as a related party (in percent):

Item	1983	1984	1985	January-March-- 1985	1986
All imports from China.....	11.7	16.8	18.0	11.1	6.5
Ratio with adjustments:					
Including beeswax..........	11.6	16.7	17.8	11.0	6.4
Excluding * * *............	***	***	***	***	***
Both adjustments.........	***	***	***	***	***

Table 23.--Candles: U.S. imports from China, by regions and major ports of entry, 1983-85, January-March 1985, and January-March 1986

Port	1983	1984	1985	January-March-- 1985	January-March-- 1986
Northeast:					
Baltimore.......1,000 pounds..	1,041	1,055	1,990	211	59
Boston.................do....	615	1,157	360	119	1
New York...............do....	2,165	2,470	2,605	21	83
Philadelphia...........do....	1,556	5,310	3,106	755	198
All other..............do....	167	461	886	0	40
Subtotal.............do....	5,544	10,453	8,947	1,106	381
Share of total......percent..	33.5	39.1	30.9	31.1	21.0
South:					
Houston.........1,000 pounds..	474	186	255	38	0
Miami..................do....	44	375	157	27	0
New Orleans............do....	151	422	270	67	48
Savanah................do....	242	927	716	112	10
All other..............do....	1,128	1,051	775	96	6
Subtotal.............do....	2,039	2,961	2,173	340	64
Share of total......percent..	12.3	11.1	7.5	9.5	3.5
Great Lakes:					
Chicago.........1,000 pounds..	1,363	1,325	1,017	30	213
Detroit................do....	787	937	1,019	127	0
New Orleans............do....	83	233	412	17	21
All other..............do....	148	190	259	0	16
Subtotal.............do....	2,381	2,685	2,707	174	250
Share of total......percent..	14.4	10.1	9.4	4.9	13.8
West:					
Los Angeles.....1,000 pounds..	4,910	8,122	12,392	1,638	988
Portland...............do....	201	747	903	60	37
San Francisco..........do....	757	738	844	95	0
Seattle................do....	448	801	822	72	88
All other..............do....	257	198	163	66	2
Subtotal.............do....	6,573	10,606	15,124	1,931	1,116
Share of total......percent..	39.7	39.7	52.2	54.4	61.5
Total U.S. imports 1,000 pounds..	16,539	26,705	28,949	3,552	1,814

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

Table 24.--Petroleum wax candles: U.S. imports from China and apparent U.S. consumption, 1983-85, January-March 1985, and January-March 1986

Item	1983	1984	1985	January-March-- 1985	January-March-- 1986
Imports from China 1/ 1,000 pounds..	15,894	25,770	27,328	3,353	1,712
Total U.S. imports 2/ 1,000 pounds..	45,015	60,226	61,056	10,082	5,930
Apparent U.S. consumption 3/ 1,000 pounds..	135,944	153,405	151,989	30,149	26,297
Ratio of imports from China to apparent U.S. consumption......percent..	11.7	16.8	18.0	11.1	6.5
Ratio of total imports to apparent U.S. consumption......percent..	33.1	39.3	40.2	33.4	22.6

1/ Adjusted for the exclusion of novelty items, at rates of 3.9 percent in 1983, 3.5 percent in 1984, and 5.6 percent in 1985 and during January-March 1986, as determined from questionnaire responses (see table 1, p. A-5).
2/ Includes the adjustment in imports from China to exclude novelty items.
3/ Based on domestic shipments of petroleum wax only; no imports of beeswax candles from China were reported by U.S. importers.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

Hong Kong transshipments.--The petitioner has alleged that substantial quantities of candles from China are entering the United States improperly marked with "Hong Kong" as the country of origin. 1/ On February 14, 1986, counsel for the petitioner filed a complaint with the U.S. Customs Service alleging Customs violations and requested that Customs investigate and take appropriate enforcement action with respect to candles manufactured in China that may be inappropriately marked as Hong Kong. Counsel for the petitioner requested that Customs conduct its investigation as expeditiously as possible so that the Commission would be able to include all Chinese candles in its investigation.

1/ In * * *, telephone conversation during the preliminary investigation, * * * stated that he presumes that candles imported from Hong Kong are produced in China. He said that * * * because "there are no Hong Kong candle factories. Those factories which were producing in Hong Kong . . . have become Hong Kong agents . . . of factories across the frontier." * * *. On the other hand, the questionnaire response of * * *, which imports candles from China and Hong Kong, names three companies in Hong Kong believed by * * * to manufacture candles.

As a result of the petitioner's request, Customs, through its Commercial Fraud Detection Section, has initiated the following actions:

1. A commercial fraud marking alert has been submitted to the Customs Information Exchange for distribution to its field offices.

2. A copy of the petitioner's submission has been transmitted to the office of the National Import Specialist for review and to provide Customs Headquarters with any information for use in initiation of any additional enforcement action that may be necessary.

3. The Customs Fraud Investigations Center has also been requested to review past records, provide any relevant information, and be apprised of the allegations.

4. The Fraud Investigation Division has requested an immediate review of the candle trade within Hong Kong, by the Customs' Hong Kong office.

5. On February 1, 1986, the Customs Service launched an intensified country of origin marking campaign on certain imported articles. Candles were among the articles targeted in the second phase of the program, which began in mid-April.

To date, Customs has informed the Commission's staff that a report has been received from the National Import Specialist (item No. 2). No evidence at the Import Specialist level had been found to substantiate the charges of alleged customs violations.

Prices

Prices for petroleum wax candles are determined in a market in which there are a few major U.S. manufacturers and many smaller manufacturers. 1/ Candles are sold principally in two types of outlets: department stores and specialty (gift) shops, and mass merchandisers. Merchandisers rarely have to approach the U.S. manufacturers to arrange candle purchases, as domestic manufacturers generally compete for business in these outlets by making presentations to merchandisers of their candle lines for the upcoming season. Candles from China are purchased by merchandisers in a variety of ways. Some merchandisers send representatives to China to negotiate with export trading companies, and then import their candles directly, whereas others purchase imports through U.S. manufacturers that also import or purchase through import companies.

There are many varieties of candles sold in the U.S. market, including tapers, straight-sided dinner candles, spirals, columns, votives, and wax-filled containers. Some of these varieties come in different sizes and fragrances, and all come in a range of colors. Domestic manufacturers

1/ Discussion of prices in this section of the report will only involve petroleum wax candles. No usable data were provided by U.S. manufacturers on prices of beeswax candles, as the bulk of these candles are sold to the religious market and do not fit specific product definitions for which pricing information was requested. However, comparisons between petroleum wax and beeswax candles have been discussed in previous sections of the report.

generally produce a full range of candle varieties, sizes, fragrances, and colors, whereas manufacturers in China produce fewer varieties, sizes, and colors. Chinese production seems to center on producing candles for the Christmas season, at which time consumers purchase mostly red, white, and green candles. In fact, most of the merchandisers contacted indicated that they only purchase Chinese candles in red, white, and green for the Christmas season.

Twenty-two importers responded to questions regarding factors involved in the decision to import Chinese candles. In general, importers believe that the Chinese candles, and in some cases candles from Hong Kong, have had the effect of lowering the market price of candles in the United States, thereby creating a low-end market for consumers of candles. Almost all importers agreed that the price for Chinese candles is generally less than the price for U.S. candles, and that this price difference allows them to offer seasonal promotions, such as those during the Christmas season. 1/

In addition to the price factors discussed above, importers commented that the quality of U.S. candles is superior to that of Chinese candles, especially in terms of color consistency and color fastness. Also, importers stated that U.S. manufacturers offer a much wider selection of colors and designs than do Chinese manufacturers, thus causing several retailer/importers to purchase U.S. candles for day-to-day candle offerings, limiting purchases of Chinese candles to holiday promotional purposes.

Many department and specialty stores carry a wide range of candle colors and sizes year round, and some mass merchandisers only carry candles during the Christmas season. The quantities of the different varieties of U.S.-produced candles sold to merchandisers vary with the type of outlet. For instance, many more votive candles are sold to mass merchandisers than to department and specialty stores, whereas the opposite is true for sales of column candles. No domestic producers reported sales of wax-filled containers to department and specialty stores. Tapers are sold in similar quantities to both types of outlets. Department and specialty stores purchased many more Chinese tapers and columns than did mass merchandisers. This evidence suggests that markets are separated into a seasonal (Christmas) market and a non seasonal market, as well as into a department and specialty store market and a mass merchandiser market, depending on the type of candle desired.

The questionnaire survey of importers and producers showed that candle prices are quoted in a wide variety of ways, but most importers seemed to quote prices f.o.b. warehouse and most producers quoted prices f.o.b. factory. Results were also mixed with regard to the question of producers' and importers' absorption of freight charges from the shipping point to customers' locations; the estimates provided ranged from zero to 100 percent of costs absorbed. Estimates of average domestic transportation costs ranged from 5 to 15 percent of the delivered price of candles.

1/ Several respondents are retailers, importing Chinese candles for resale within their own retail outlets.

Trends in prices

The prices reported below reflect a weighted-average for largest sales per quarter of four varieties of candles: 12-inch dinner tapers, 3x6-inch columns, 15-hour votives, and containers holding 3-1/2 ounces of petroleumwax. Prices were requested for all quarters during the period January-March 1983 through January-March 1986. For all four types of candles discussed below, the price of the U.S. candle sold to department and specialty stores was, in most instances, substantially higher than its price when sold to mass merchandisers.

Domestic price trends.--U.S. producer price data indicate that quarterly weighted-average prices of tapers and votives sold to department and specialty stores (table 25) increased during the period of the investigation, and the price of columns sold in these same outlets showed a slight overall decrease. Sales to mass merchandisers (table 26) indicated different movements, in that prices for tapers and columns moved in a downward direction, and prices for votives fluctuated slightly, but showed no overall change. Prices for wax-filled containers were only reported on sales to mass merchandisers, and these prices increased dramatically during the final five quarters of the investigation period.

Prices for 12-inch petroleum wax tapers sold to department and specialty stores showed a 3-year increase of 6 percent, increasing from an initial price of *** per candle during January-March 1983 to peak at *** per candle during January-March 1986. Prices showed relative stability during the period of the investigation, remaining level at a per candle price of *** from January-March 1984 through April-June 1985. Prices to mass merchandisers followed opposite trends from prices to department and specialty stores, with prices to the mass merchandiser category decreasing by 19 percent during the period of the investigation. Prices were initially *** per candle during January-June 1983, and decreased to a low price of *** per candle during July-September of both 1984 and 1985.

The weighted-average price of U.S.-produced petroleum wax columns sold to department and specialty stores decreased by 0.03 percent, moving from the 1983 price of *** per candle to *** per candle during the remainder of the investigation period, with the exception of a one-quarter decrease, during October-December 1984, to *** per candle. Prices for columns sold to mass merchandisers decreased by a larger overall percentage than did those sold to department and specialty stores, falling by 9 percent during the period of the investigation. Prices fluctuated downward throughout each year, recovered during the first quarter of the following year, and then decreased again during the remainder of the year. Prices were at *** during January-March 1983 and fell to a 3-year low price of *** during October-December 1985.

Data for weighted-average prices of 15-hour votives sold to department and specialty stores indicate an overall increase for the period of 8 percent. Per candle prices were initially *** during January-March 1983, before falling to a low of *** during July-December 1984 and April-June 1985. Prices then recovered, reaching a 3-year high of *** during January-March 1986. Prices for 15-hour votives sold to mass merchandisers fluctuated with no apparent pattern throughout the period under investigation, with no overall change occurring during this time period.

Table 25.—Selected petroleum wax candles: Weighted-average prices received by U.S. producers and by importers of candles from China for sales to department and specialty stores, by quarters, January 1983–March 1986

Period	12-inch tapers			3x6-inch columns			15-hour votives		
	U.S. price	Chinese price	Margin of underselling	U.S. price	Chinese price	Margin of underselling	U.S. price	Chinese price	Margin of underselling
	—Per candle—		Percent	—Per candle—		Percent	—Per candle—		Percent
1983:									
January-March.....	***	***	80.5	***	***	76.9	***	***	77.9
April-June........	***	***	80.7	***	***	76.9	***	***	77.3
July-September....	***	***	84.2	***	***	81.2	***	***	77.3
October-December..	***	***	80.5	***	***	76.9	***	***	78.3
1984:									
January-March.....	***	***	78.8	***	***	70.7	***	***	70.8
April-June........	***	***	79.0	***	***	70.7	***	***	69.5
July-September....	***	***	82.8	***	***	79.9	***	***	80.2
October-December..	***	***	78.8	***	***	72.1	***	***	84.5
1985:									
January-March.....	***	***	78.9	***	***	69.1	***	***	88.1
April-June........	***	***	79.0	***	***	69.2	***	***	86.5
July-September....	***	***	82.6	***	***	77.9	***	***	83.3
October-December..	***	***	82.0	***	***	76.7	***	***	76.4
1986:									
January-March.....	***	***	79.7	***	***	73.8	***	***	77.0

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

Note: Percentage margins are calculated from unrounded figures, thus margins cannot always be calculated directly from rounded prices in Table.

Table 26.—Selected petroleum wax candles: Weighted-average prices received by U.S. producers and by importers of candles from China for sales to mass merchandisers, by quarters, January 1983-March 1986

Period	12-inch tapers			3x6-inch columns			15-hour votives			Wax-fill containers		
	U.S. price	Chinese price	Margin of underselling	U.S. price	Chinese price	Margin of underselling	U.S. price	Chinese price	Margin of underselling	U.S. price	Chinese price	Margin of underselling
	—Per candle—		Percent	—Per candle—		Percent	—Per candle—		Percent	—Per candle—		Percent
1983:												
January-March...	***	***	71.8	***	***	63.8	***	***	54.7	***	***	-
April-June......	***	***	71.5	***	***	60.7	***	***	48.9	***	***	-
July-September..	***	***	67.9	***	***	57.6	***	***	53.8	***	***	51.3
October-December	***	***	63.7	***	***	57.8	***	***	53.0	***	***	49.6
1984:												
January-March...	***	***	70.2	***	***	61.6	***	***	58.0	***	***	49.6
April-June......	***	***	68.6	***	***	59.4	***	***	45.4	***	***	-
July-September..	***	***	53.9	***	***	54.6	***	***	47.4	***	***	37.4
October-December	***	***	56.7	***	***	55.9	***	***	48.0	***	***	-
1985:												
January-March...	***	***	62.0	***	***	57.1	***	***	38.8	***	***	72.0
April-June......	***	***	63.1	***	***	55.7	***	***	34.6	***	***	-
July-September..	***	***	52.5	***	***	55.0	***	***	26.0	***	***	70.7
October-December	***	***	43.6	***	***	52.0	***	***	33.4	***	***	-
1986:												
January-March...	***	***	40.7	***	*** -	-	***	*** -	-	***	***	-

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

Note: Percentage margins are calculated from unrounded figures, thus margins cannot always be calculated directly from rounded prices in Table.

U.S. producers reported prices for petroleum wax-filled containers sold to mass merchandisers. Prices moved irregularly throughout the period of the investigation, falling from an initial price of *** during January-June 1983 to a low price of *** during July-September 1984, a decrease of 21 percent. Prices then recovered dramatically, rising to *** per candle during January-March 1986, representing an increase of 148 percent from July-September 1984 and an overall increase of 97 percent.

Import price trends.--In a pattern opposite to that of U.S.-produced candles, prices for Chinese candles sold to department and specialty stores were not consistently higher than prices for Chinese candles sold to mass merchandisers. In fact, for votives, prices were usually higher for sales to mass merchandisers than for sales to department and specialty stores.

Prices for Chinese tapers sold to department and specialty stores dropped during July-September of each year under investigation, decreasing from *** to *** per unit in 1983 and from *** to *** per unit in 1984 and 1985. Prices during October-December recovered to the January-June prices in 1983 and 1984 and recovered slightly less in 1985, to *** per unit. Tapers sold to mass merchandisers fluctuated with no apparent trend during the period of the investigation, peaking at *** per unit during January-March 1986, representing an increase of *** percent compared with the initial price of ***.

Prices for Chinese columns sold to department and specialty stores declined sharply during July-September of each year, with per candle decreases of *** in 1983, *** in 1984, and *** in 1985. Prices recovered during October-December of both 1983 and 1984. Column prices in 1985 increased less than in the previous years, falling from the initial price of *** per candle to *** during July-September, then reaching *** during January-March 1986. Columns sold to mass merchandisers increased during July-September of 1983 and 1984, although price movements were not as great as those in the department and specialty store market. Prices increased during the period of the investigation, with the initial price of *** per unit in January-March 1983 increasing to *** during July-September 1984 and then moving between *** and *** per unit through the rest of 1984 and most of 1985.

Prices for 15-hour votives produced in China moved with no apparent pattern during the period of the investigation. Prices in 1983 were level at *** per unit. Prices increased to *** per unit during January-June 1984 and then fell, moving between *** and *** per unit from October-December 1984 through July-September 1985. Prices rose to *** per unit by January-March 1986. Prices for Chinese votives sold to mass merchandisers were at an initial price equal to those sold to department and specialty stores. Prices fluctuated throughout the period of the investigation, increasing from *** per candle during January-March 1983 to a high of *** per candle during April-June of 1985.

One importer reported prices for wax-filled containers imported from China, reporting a price of *** per unit during July-December 1983, January-March 1985, and July-September 1985, and a per unit price of *** during January-March 1984 and July-September 1984.

Price comparisons.--Candles imported from China were consistently priced lower than the comparable U.S. product, and the margins of underselling were, in most cases, substantial. In general, margins of underselling were greater in sales to department and specialty stores, which suggests that the U.S. product may be more competitively priced in mass merchandiser outlets. Margins by which Chinese dinner tapers undersold U.S. tapers ranged from 79 percent to 84 percent for sales to department and specialty stores and from 41 percent to 72 percent for sales to mass merchandisers.

Margins of underselling for Chinese columns sold to department and specialty stores were somewhat closer in range to those sold to mass merchandisers. Margins on sales to department and specialty stores ranged from 69 percent to 81 percent, and margins for sales to mass merchandisers ranged from 52 percent to 64 percent.

Margins by which Chinese votives undersold U.S. votives were often as much as, if not more than, double for department and specialty stores than for mass merchandisers. Chinese votives were priced from 70 percent to 88 percent lower than the U.S. product in department and specialty store sales, while in sales to mass merchandisers, the margins ranged from 26 percent to 58 percent.

Chinese wax-filled containers priced at *** per unit undersold the U.S. product by margins of 37 and 50 percent, and margins for Chinese containers that sold for *** undersold the U.S. product by margins ranging from 50 to 72 percent.

Purchaser responses.--Twelve purchasers 1/ responded to questionnaires requesting information regarding purchasing, pricing, and marketing of petroleum wax candles. Purchasers' responses were in line with the responses of importers in that price was, overwhelmingly, the most important factor in their purchase decisions. 2/

Only 1 of the 12 purchasers indicated purchases of solely U.S.-produced candles, due to the quality of the product and reliability of the manufacturer. One importer reported purchasing only Chinese-produced candles, stating that the quality of Chinese candles is comparable to that of U.S. candles, but at a lower price. The remaining purchasers indicated purchases of U.S. as well as Chinese candles, with most "dual-sourcing" occurring due to purchases of Chinese candles for holiday promotions. Several purchasers also reported buying Chinese-produced specialty and novelty candles, that are not produced by U.S. manufacturers.

Four purchasers believed that there is little, if any, quality difference between the U.S. candles and the Chinese candles. Three purchasers stated that U.S. produced candles are of superior quality to Chinese candles, and one purchaser felt that the Chinese candles offer a higher quality than the U.S. candles.

1/ Purchasers responding to Commission questionnaires include: * * *.
2/ Three purchasers reported imports other than Chinese candles as their imported candles.

Sales practices

Candle producers market their candles through sales or marketing representatives who call on current or potential retail accounts. Some manufacturers, such as * * *, employ different representatives to market different lines of candles, such as those sold to department stores and those sold to mass merchandisers. In addition to sales representatives, candles are also sold to wholesalers or jobbers, who then resell the candles to purchasers such as restaurants and florists that generally purchase in limited quantities.

Candle sales increase substantially during May and June, because of the seasonal nature of candle sales for the Christmas season. Orders taken at this time are usually for delivery at a specified future date, whereas orders for a store's everyday (nonseasonal) candle offerings are usually for immediate delivery.

In order to compete with other U.S. producers, as well as importers, candle producers have had to introduce, or increase, the perquisites they offer to their customers. Some of these more common perquisites include advertising allowances and fixturing for the customers' displays, and extended dating on finance terms. Also, U.S. manufacturers report that they often have to absorb freight costs, especially on sales to department and specialty stores.

Additional perquisites reported by U.S. manufacturers include buy-back of unsold promotion inventory and an increased number of promotions offered during each year. One manufacturer reported that some retail customers have also required them to purchase the store's current inventory of a competitor's candles in order to complete the sale. 1/ This is generally attributed to the limited amount of floor space available for candle displays.

Lost sales

Final investigation.--Four producers of candles--* * *--submitted allegations of sales lost to imports from China. Lost sales for * * * were estimated to be valued at $11,524,000. 2/ * * * submitted * * * instances of alleged lost sales valued at $325,031; but the firm was not able to supply dates for these lost sales. 3/ Staff contacted 10 companies against whom these allegations were directed, with allegations against these companies totaling approximately ***. Summaries of these telephone conversations are presented below.

1/ Conversation with * * *, July 10, 1986.
2/ * * * and * * * submitted allegations that previously had been submitted during the preliminary investigation.
3/ A company spokesman, * * *, explained that * * * has not issued a new price list since * * *, and that these sales have been lost since that date.

* * * alleged a lost sale of *** in * * * 1985 to * * *. * * *, a buyer for * * *, was not able to comment on this specific allegation. He stated that, although he prefers to buy the U.S. product, it was necessary to purchase from a lower priced source in order for the discount store to remain competitive within its geographic region. He added that * * * does purchase U.S. candles in order to supplement its color offering. * * * also stated that 80 percent of their annual candle sales occur during the Christmas holiday season.

* * * alleged a second lost sale in * * * 1985 to * * *, estimating the value of the lost sale at ***. * * *, the current buyer for * * *, was not able to comment on this allegation as she was not with the company at the time of the alleged lost sale. She did comment, however, that * * * has been purchasing from China for 4 or 5 years, adding that these are purchases of Christmas candles only. Everyday candle offerings are produced by a U.S. manufacturer.

The third alleged lost sale reported by * * *, valued at ***, occurred in * * * 1985 to * * *. * * *, a buyer with * * *, was not able to confirm this allegation. * * * did state, however, that * * * recently dropped one U.S. source and switched to another U.S. manufacturer, and that this could be the reason for the alleged lost sale.

* * * alleged a lost sale, valued at ***, to * * * during 1986. The current buyer, * * *, was not able to comment on this allegation, adding that he is aware that they had purchased Chinese candles in the past, but have recently initiated a "Buy America" program for candles. It is interesting to note that * * *.

* * * alleged a lost sale, valued at ***, to * * * in 1986. * * *, a buyer with * * *, stated that the firm had purchased Chinese candles from an importer for Christmas promotions, but he was not able to specify the exact amount. He did add that imports accounted for approximately *** of candle purchases totaling *** in 1985. * * * stocks U.S. candles for its day-to-day sales and imports only candles in sizes not available from a U.S. manufacturer.

* * * alleged a lost sale, valued at ***, to * * * in 1986. The latter would not comment on this allegation.

* * * alleged a lost sale of *** in * * * to * * *. * * *, of * * *, stated that * * * did have major candle purchases during that year, but that he was not associated with that department at that time.

* * * alleged lost sales to * * *, * * *, and * * *, all in * * * 1985, at values of ***, ***, and ***, respectively. Staff attempts to contact these companies were unsuccessful.

Preliminary investigation.--The questionnaire responses received from * * * cited approximately $38 million in sales allegedly lost to 33 U.S. purchasers because of competition from candles imported from China. Nineteen of these firms were contacted by the staff. Ten of the 19 denied all or part of the alleged lost sales; 9 acknowledged all or part of the alleged lost sales because of price. Of the latter, however, three firms indicated that the alleged quantities involved in the lost sales were grossly overstated. For various reasons, six firms contacted could neither confirm nor deny all or part of the alleged lost sales. From the reports of the firms contacted, it is clear that the majority of the alleged lost sales were sales for the seasonal Christmas business from 1982 through 1985.

Three firms acknowledged the entire amount of the alleged lost sale, 1/ one firm acknowledged the lost sales alleged by * * * for only 1982 and 1983, 2/ and one firm acknowledged the lost sales alleged for 1983 only. 3/ These acknowledgments account for approximately $570,000. 4/ In addition, three firms contacted agreed that at least some of the alleged lost sales had, indeed, been lost, but disagreed with the quantity of candles involved in the allegations. Specifically, one firm admitted that it had purchased Chinese-made imports instead of the U.S. product in 1985, but estimated that the lost sale amounted to no more than about ***, rather than the *** alleged by * * *. 5/ Another firm agreed that * * * had lost sales of tapers and columns only in 1983 and 1984, and estimated that these lost sales totaled approximately ***, compared with the allegation of *** made by * * *. 6/ One other firm contacted confirmed that * * * had lost sales to the firm only for 1985, but stated that their alleged value of *** was "grossly overstated." 7/

Of the 19 firms contacted by the staff, 7 denied all of the lost sales alleged by * * *. These denials amount to $20.6 million. Four of these seven firms suggested that * * * had hoped to make a sale, but no sale took place. These firms did not believe that they had actually substituted the imported product for the U.S. product, but merely indicated that they did not buy from * * *. 8/ Another of the seven firms indicated that it specialized in imported products, and was only beginning to introduce U.S. candles into its offering to supplement its import displays. 9/ One of the firms indicated that all of its purchasing information was strictly confidential, and did not know how * * * could allege it had purchased imports when such information would not be given out. 10/ Another firm indicated that the alleged lost sale was actually lost to another U.S. producer, not to imports from China. 11/ In addition to these denials, three other firms denied part of the alleged lost sales. These

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1/ Telephone conversations with * * *, Sept. 26, 1985; * * *, Sept. 27, 1985; and * * *, Sept. 27, 1985.
2/ Telephone conversation with * * *, Sept. 26, 1985.
3/ Telephone conversation with * * *, Sept. 27, 1985.
4/ This figure understates the acknowledged lost sales because * * * did not estimate a value for the alleged lost sale to * * *.
5/ Telephone conversation with * * *, Sept. 24, 1985.
6/ Telephone conversation with * * *, Sept. 27, 1985.
7/ Telephone conversation with * * *, Sept. 26, 1985.
8/ Telephone conversations with * * *, Sept. 27, 1985; * * *, Sept. 26, 1985; * * *, Sept. 26, 1985; and * * *, Sept. 26, 1985.
9/ Telephone conversation with * * *, Sept. 24, 1985.
10/ Telephone conversation with * * *, Sept. 26, 1985.
11/ Telephone conversation with * * *, Sept. 26, 1985.

partial denials accounted for another $1,921,829. All three firms denied the alleged lost sales because they purchased no imports in the periods alleged by * * *. 1/

The alleged lost sales to firms contacted by the staff which could be neither confirmed nor denied amounted to approximately $2.7 million. 2/

Lost revenue

In addition to the allegations of lost sales, * * * alleged lost revenues amounting to $1,529,725 to more than 27 firms. 3/ The staff contacted 10 of these firms in this regard. Of these 10 firms, only 1 acknowledged that * * * lost revenues due to competition from China. However, this firm acknowledged lost revenue on only red, white, and green tapers for 1984, and therefore could neither confirm nor deny the dollar value alleged by * * *. Rather, the firm acknowledged lost revenue of *** or less. 4/ Three firms denied all or part of the lost revenues alleged; two of these firms indicated that they do not purchase votives from China, and that, consequently, U.S. producers were not competing with a Chinese bid when attempting to make a sale. 5/ A third firm denied the allegation of lost revenues because it was not purchasing candles in the period alleged by * * *. 6/ These denials account for more than $256,285 of the total alleged amount. 7/

* * * submitted seven allegations of lost revenues due to competition from Chinese-produced candles. Five of these allegations, totaling *** in lost revenues, did not specify the purchaser, and only stated that the losses involved transactions with all private brand customers. * * * alleged lost revenues of * * * to * * *, on production of private label candles. Attempts to contact a buyer with * * * were unsuccessful. * * * also alleged lost revenues on a second private label account, valued at * * *, to * * *. The buyer for * * * was not available for comment.

The alleged lost revenues that could not be acknowledged or denied account for the major portion of the total allegations. Seven firms contacted could neither acknowledge nor deny all or part of the lost revenues attributed to them. * * * accounts for the single largest allegation--over ***. In sum, these unacknowledged lost revenues amount to more than ***. 8/

1/ Telephone conversations with representatives of * * *, cited above.
2/ The following firms could neither deny nor acknowledge all or part of the alleged lost sales: * * *. In addition, this figure understates the full amount of the unacknowledged lost sales because * * *.
3/ * * *.
4/ Telephone conversation with a representative of * * *, cited above.
5/ Telephone conversations with a representative of * * *, cited above; and * * *, Oct. 1, 1985.
6/ Telephone conversation with * * *, Oct. 1, 1985.
7/ * * *.
8/ This figure understates the full amount of unacknowledged lost revenues, due to * * * failure to estimate lost revenues on a firm-by-firm basis.

Exchange rates

Since the value of the currency of China is determined by the Chinese Government, rather than by the free market, meaningful measures of the exchange rates between it and the U.S. dollar cannot be presented.

APPENDIX A

CHRONOLOGY FOR SUBJECT INVESTIGATION AND NOTICES OF COMMISSION'S AND COMMERCE'S ACTIONS REGARDING THE INVESTIGATION

Chronology for Antidumping Investigation

Subject: CANDLES FROM THE PEOPLES REPUBLIC OF CHINA
ITC Investigation Nos. - 731-TA-282 (Preliminary)
- 731-TA-282 (Final)

Date	Action	Finding
9/4/85	Petition Filed (National Candle Assn.). - International Trade Commission (ITC) - Department of Commerce, International Trade Administration (ITA)	
9/4	ITC - Preliminary Investigation Instituted (50 FR 37065 - 9/11/85)	
9/30	ITA - Preliminary Investigation Instituted (50 FR 39743)	
10/22	ITC - Final Action/Notification of Commerce of Preliminary Determination (50 FR 45172 - 10/30/85)	Affirmative
2/19/86	ITA - Preliminary Determination of Sales at Less Than Fair Value (51 FR 6016) ITC - Institution of Final AntiDumping Inv. (51 FR 8569 - 3/12/86)	Affirmative (60.66)
3/7	ITA - Amended Preliminary Determination of Sales at Less Than Fair Value (51 FR 7977)	Affirmative (135.73)
3/19	ITA - Postponement of Final AntiDumping Duty Determination (51 FR 9490)	
4/1	ITC - Revised Schedule for AntiDumping Inv. (51 FR 13111 - 4/17/86)	
7/10	ITA - Final Determination of Sales at LTFV (51 FR 25085)	Affirmative (54.21)
7/16	ITC - Public Hearing	
8/21/86	ITC - Final Action and Public Report	

[A-570-504]

Petroleum Wax Candles From the People's Republic of China: Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that petroleum wax candles from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring or are threatening to materially injure, a United States industry.

EFFECTIVE DATE: July 10, 1986.

FOR FURTHER INFORMATION CONTACT: Michael Ready or Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-2813 or 377-1769.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that petroleum wax candles from the PRC are being, or are likely to be, sold in the United States at less than fair value as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d) (the Act). The weighted-average margin applicable to all exporters is 54.21 percent.

Case History

On September 4, 1985, we received a petition in proper form filed by the National Candle Association, an organization of domestic manufacturers of petroleum wax candles. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are causing material injury, or threaten material injury, to a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated the investigation on September 30, 1985 (50 FR 39743), and notified the ITC of our action.

On October 18, 1985, the ITC found that there is a reasonable indication that imports of petroleum wax candles from the PRC are materially injuring, or threatening material injury to, a U.S. industry (U.S. ITC Pub. No. 1768, October 1985).

On November 27, 1985, we presented a questionnaire to counsel for the China National Native Produce & Animal By-Products Import & Export Corporation, a major PRC exporter of the subject merchandise to the United States. On January 3 and 15, 1986, we received replies to the questionnaire.

We published a preliminary determination of sales at less than fair value on February 19, 1986 (51 FR 6016). Our notice of the preliminary determination provided interested parties with an opportunity to submit views orally or in writing. Accordingly, we held a public hearing on March 12, 1986.

We published an amendment to our preliminary determination on March 7, 1986 (51 FR 7977).

We published a postponement of our final antidumping duty determination on March 19, 1986 (51 FR 9490).

Scope of Investigation

The products covered by this investigation are certain scented or unscented petroleum wax candles made from petroleum wax and having fiber or paper-cored wicks. They are sold in the following shapes: tapers, spirals, and straight-sided dinner candles; rounds, columns, pillars, votives; and various wax-filled containers. The products are classified under the *Tariff Schedules of the United States* (TSUS) item 755.25, Candles and Tapers.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

United States Price

We used the purchase price of the subject merchandise to represent United States price because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We calculated the purchase price of the subject merchandise as provided in section 772 of the Act, on the basis of the C&F or CIF prices with deductions, where applicable, for ocean freight and marine insurance. No deduction was made for inland freight in the PRC because we had no information concerning factory-to-port distances or freight rates in the surrogate country. Therefore, we made fair value comparisons between prices on an f.o.b. basis.

Foreign Market Value

In accordance with section 773(c) of the Act, we used the weighted-average price of candles imported into the United States from Malaysia as the basis for determining foreign market value.

Petitioner alleged that the economy of the PRC is state-controlled to an extent that sales in that country do not permit a determination of foreign market value under section 773(a). Respondent claims that the PRC candle sector is not state-controlled and, therefore, the Department should base foreign market value on prices or costs in the home market.

We have examined the information submitted by the parties and additional information on the nature of the PRC economy and have concluded that the PRC is a state-controlled-economy country for purposes of this investigation.

In analyzing whether an economy is state-controlled within the meaning of section 773(c), the Department examines, among other things, (1) the degree of government ownership of the means of production, (2) the degree of centralized government control over allocation of resources or inputs, (3) the degree of centralized government control over output and (4) the relative convertibility of the country's currency and the degree of government control over trade.

Since late 1984, extensive economic reforms have been introduced in the PRC. Parallel with this has been an increase in the output of rural-based industrial enterprises. These enterprises operate largely outside centralized control. Many of the candle producers are rural enterprises.

The candle factories we investigated are managed by, or operate under the auspices of, collectives. Their inputs are not supplied under quota, nor are the prices they pay for their inputs set directly by the central government. Their output is not subject to quotas or price controls. However of the producers we investigated, the overwhelming majority of their output was sold to state-owned trading companies. While evidence on the convertibility of the Renminbi is conflicting, exporters are require to repatriate their foreign exchange earnings and a portion must be surrendered to the Bank of China. Foreign trade is carried out by licensed trading companies and 14 national foreign trade corporations, with importers and exporters free to select their agents.

Despite some indicia of market forces at work in the PRC candle sector, there are other factors which lead us to conclude that we cannot treat the sector as non-state-controlled. Most importantly, the major input into candles, paraffin wax, is a quota product. It is produced by state-owned petroleum firms facing centrally-set prices and quotas. There is no evidence that market forces have any bearing on the price of quota wax.

Wax that is produced in excess of the quota can be sold at prices within 20 percent of the centrally-set price. Certain other inputs used by the candle producer, such as cotton yarn for wicks and coal, may be subject to the same conditions.

While the central government does not directly establish the price of wax to candle producers or the amount of wax that is to go into candle production, it decisions on the magnitude of the quota for wax production and the price for quota wax effectively determine the supply and price range for the "uncontrolled" portion. Thus, the PRC government, through its quotas and prices for quota wax and other inputs, controls the allocation of those inputs.

A second consideration is the relative insulation of the candle (and other) producers in the PRC from external market factors. While trade is no longer a state monoply, the government employs extensive foreign exchange controls. Candle producers do not and cannot receive the foreign exchange from their exports. Only the national foreign trade corporations and the licensed trading companies are permitted to hold foreign exchange.

Moreover, licenses are required for all imports. Additional measures to limit imports were introduced in 1985. This could potentially limit competition by similar or competing imports. It could also insulate supplies to candle producers from external market sources. Licenses are also require for many exports. This "layer" of government potentially creates a buffer between the internal PRC economy and the external, world market.

While controls in foreign exchange and imports and exports are not dispositive on the issue of state-control (certain market economies display many of these characteristics), they are important criteria to consider in countries that are moving from highly centralized systems by introducing certain market-like mechanisms. This is because such controls are traditionally employed by nonmarket economies to maintain economically irrational prices by protesting their internal prices from external market forces. As a result, we necessarily place more emphasis on the existence of such controls in countries like the PRC than we would in countries that are traditionally more market oriented.

For the foregoing reasons, we have concluded that the PRC is a state-controlled-economy country for the purpose of this investigation.

As result, section 773(c) of the Act requires us to use either the prices of, or the constructed value of, such or similar merchandise in a "non-state-controlled-economy" country. Our regulations establish a preference for foreign market value based upon sales prices. They further stipulate that, to the extent possible, we should determine sales prices on the basis of prices in a "non-state-controlled-economy" country at a stage of economic development comparable to the state-controlled-economy country.

We determined that Egypt, India, Indonesia, Morocco, Pakistan, the Philippines, and Thailand were the countries at the most comparable stages of economic development to the PRC and it would, therefore, be appropriate to base foreign market value on their prices. We sent questionnaires to known manufacturers of petroleum wax candles in each of these countries. We received one reply to the questionnaire from a company in India, but the candles produced by the Indian company were not the product under investigation.

We also received some information from two candle companies in Thailand. One of the companies made only a few of the candle types within the scope of this investigation. The other company produced a broader range of candles, but it was impossible to verify the information this company provided in accordance with section 776(a) of the Act. None of the manufacturers in the four other countries named above replied to the questionnaire or provided any information.

We also asked and received information from PRC candle producers concerning their factors of production in order that we might base foreign market value on constructed value based on PRC factors of production valued in a non-state-controlled economy country at a comparable level of economic development in accordance with § 353.8(c) of the Department of Commerce Regulations. However, because we were unable to develop necessary information in the non-state-controlled economy country chosen, it was not possible to so calculate constructed value.

Lacking home market prices from non-state-controlled economy countries at a level of economic development comparable to that of the PRC, and lacking information needed to calculate constructed value, we have based foreign market value on the prices of imports of the same class or kind of merchandise into the U.S. from Malaysia. Of the countries exporting candles to the United States, Malaysia is at a level of economic development most comparable to that of the PRC. Therefore, we calculated foreign market value on the basis of f.o.b. values of candles imported into the United States from Malaysia during the nine month period of investigation. Comparisons were made using weighted-average Malaysian prices for the same type candles as sold by the PRC. We adjusted Malaysian prices by the cost of boxes supplied by purchasers of the PRC candles, where applicable.

We considered using a basket of import prices including prices of imports from Thailand, Indonesia or Colombia to determine foreign market value. Since we ultimately eliminated those countries from consideration, however, we were left with simply using Malaysia's prices. The volume and value of Thai exports to the United States of all candles, not only the candles under investigation, were extremely small and Thailand has been found in previous investigations to confer export subsidies on other products. Similarly, we have determined in previous investigations that Indonesia subsidizes exports. Imports from Indonesia were likewise very small during the period of investigation. As for Colombia, we have determined in previous investigations that its exports are subsidized. We have no evidence whether the candles imported from Colombia are the product under investigation. Further, imports from Colombia are very small relative to imports from the PRC. Given these considerations, we decided not to use export data from those countries.

It is our preference not to use export data from countries known to provide export subsidies when there is other data available. *See* Antidumping: Steel Wire Nails from the People's Republic of China; Final Determination of Sales at Less Than Fair Value, 51 FR 10247 (March 25, 1986); Certain Small Diameter Welded Carbon Steel Pipes and Tubes from the People's Republic of China; Final Determination of Sales at Less Than Fair Value, published concurrently with this notice.

All indications are, however, that Malaysia does not use export subsidies since our only previous countervailing duty investigation of a product from Malaysia resulted in a final negative determination. We also know that Malaysia exports the candles under investigation and have limited our comparisons to such candles. While imports from Malaysia are small relative to those from the PRC, they are ten or more times those of Thailand, Indonesia or Colombia.

Negative Determination of Critical Circumstances

Petitioner alleged that imports of petroleum wax candles from the PRC present "critical circumstances." Under section 735(a)(3) of the Act, "critical circumstances" exist if we determine (1) there is a history of dumping in the United States or elsewhere of the class or kind of the merchandise which is the subject of the investigation, or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value; and (2) there have been massive imports of the class or kind of merchandise that is the subject of the investigation over a relatively short period.

We generally consider the following data in order to determine whether massive imports have taken place: (1) The volume and value of the imports; (2) seasonal trends; and (3) the share of domestic consumption accounted for by the imports.

For purposes of this finding, we analayzed recent trade statistics on import levels for petroleum wax candles from the PRC for equal periods immediately preceding and following the filing of the petition. We also took into consideration seasonal factors. Based on our analysis of recent import statistics, we find that there is no reasonable basis to believe that imports of the subject merchandise from the PRC have been massive over a short period.

Since we do not find there have been massive imports, we do not need to consider whether there is a history of dumping or whether there is reason to believe or suspect that importers of this product knew or should have known that it was being sold at less than fair value.

Therefore, we determine that critical circumstances do not exist with respect to imports of petroleum wax candles from the PRC.

Verification

As provided in section 776(a) of the Act, we verified data used in making this determination by using verification procedures which include on-site inspection of manufacturers' facilities and examination of company records and selected original source documentation containing relevant information.

Petitioner's Comments

Comment 1: Petitioner argues that the PRC is a state-controlled economy and should be treated as such under the antidumping duty law.

DOC response: We agree. See our discussion above in the Foreign Market Value section of this notice.

Comment 2: Petitioner argues that critical circumstances exist in this case.

DOC response: We disagree. See our discussion above under Negative Determination of Critical Circumstances.

Comment 3: Petitioner argues that, under section 773(c) of the Act, Malaysia is the appropriate choice for the surrogate country in this investigation. It contends that a combination of macroeconomic indicators shows that Malaysia and the PRC are at comparable levels of economic development and that the Department should not use Gross National Product (GNP) as the sole measure of comparability.

DOC position: Using a variety of indicators, one of which is GNP, we determined that Malaysia is not at a comparable level of economic development to the PRC and therefore cannot be used as a surrogate under section 773(c) of the Act or § 353.8(a) and (b)(1) of the Commerce regulations. Thus, we have not used Malaysian home market prices of candles. As noted in the Foreign Market Value section of this notice, we were unable to get either home market prices or constructed value information from any of the non-state-controlled economy countries at a level of economic development comparable to the PRC. Lacking such information, we had to use the best information available. We determined that the best information available is Malaysian export prices for the candles under investigation because, of the countries exporting candles to the United States, Malaysia is at a level of economic development most comparable to the PRC.

Comment 4: Petitioner argues that the Department should have used Malaysian home market prices even if Malaysia is not a country at a level of economic development comparable to the PRC, pursuant to § 353.8(b)(2) of the Commerce regulations.

DOC position: In this investigation, as in previous antidumping investigations of state-controlled-economy countries, we found it impossible to make the appropriate adjustments to Malaysian home market prices to satisfy the requirements of § 353.8(b)(2).

See Final Determination of Sales at Less Than Fair Value: Chloropicrin From the People's Republic of China, 49 FR 5982 (Feb. 16, 1984); Final Determination of Sales at Not Less Than Fair Value; Canned Mushrooms From the People's Republic of China, 48 FR 45445 (Oct. 5, 1983). As explained in the Foreign Market Value section of this notice, we have resorted to Malaysian export prices as best information available.

Respondent's Comments

Comment 1: Respondent argues that the PRC candle industry is not state-controlled.

DOC response: We disagree. See discussion above in the Foreign Market Value section of this notice.

Comment 2: Respondent argues that the Department's preliminary determination that the PRC candle industry was state-controlled was based on "either unstated assumptions or anonymous information furnished by petitioner."

DOC response: We have based our final determination that the PRC candle industry is state-controlled on the results of an investigation we conducted in China. Also, the petitioner's sources have been identified to the Department.

Comment 3: Respondent argues that the Department's preliminary determination was not made on a fair basis because we compared Bureau of Census statistics concerning Malaysian import prices with individual sale prices of PRC candles.

DOC response: For our final determination we have based foreign market value on the prices of individual sales of Malaysian candles to the United States

Comment 4: Respondent argues that the Department in fact used Malaysia as a surrogate by basing foreign market value on Malaysian sales prices but should not have done so because Malaysia is not at a stage of economic development comparable to the PRC.

DOC response: See our response to petitioner's Comment 3 above.

Comment 5: Respondent argues that the Department should not have excluded candle imports from Jamaica and Colombia in determining foreign market value.

DOC response: At the preliminary determination we excluded imports from Jamaica from consideration because we received information from petitioner that the Jamaican candles were "household candles" not subject to this investigation. As noted above, for the final determination, we have based foreign market value on Malaysian imports of candles of types which are subject to the investigation. We have excluded from our calculation all other types of Malaysian candles.

We have excluded imports of candles from Colombia from our calculations because: (1) Prior countervailing duty investigations have shown that exports from Colombia benefit from export subsidies; (2) we do not know whether the candles imported from Colombia are the product under investigation; and (3) the imports from Colombia are very small relative to imports from the PRC. Therefore, we consider import prices of candles from Colombia to be an unreliable basis for calculating foreign market value.

Continuation of Suspension of Liquidation

We are directing the United States Customs Service to continue to suspend liquidation of all entries of petroleum wax candles from the PRC that are entered, or withdrawn from warehouse, for consumption, on or after February 19, 1986, the date of publication of the preliminary determination in the Federal Register. The United States Customs Service shall continue to require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. The bond or cash deposit amounts established in our amended preliminary determination of March 7, 1986, remain in effect with respect to entries or withdrawals made prior to the date of publication of this notice in the Federal Register. With respect to entries or withdrawals made on or after the publication of this notice, the bond or cash deposit amounts required are shown below.

Manufacturer/producer/exporter	Weighted-average margin percentage
All Producers/Manufacturers/Exporters	54.21

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administrative.

The ITC will make its determination whether these imports are materially injuring, or threatening to materially injure, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on petroleum wax candles from the PRC entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1763d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

July 7, 1986.

[FR Doc. 86-15591 Filed 7-9-86; 8:45 am]

BILLING CODE 3510-DS-M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-282 (Final)]

Import Investigations; Candles From the Peoples Republic of China

AGENCY: United States International Trade Commission.

ACTION: Revised schedule for the subject investigation.

EFFECTIVE DATE: April 1, 1986.

FOR FURTHER INFORMATION CONTACT: Diane J. Mazur (202-523-7914), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002. Information may also be obtained via electronic mail by accessing the Office of Investigations' remote bulletin board system for personal computers at 202-523-0103.

SUPPLEMENTARY INFORMATION: On February 19, 1986, the Commission instituted the subject investigation and established a schedule for its conduct (51 FR 8569, Mar. 12, 1986). Subsequently, the Department of Commerce extended the date for its final determination in the investigation from April 28, 1986, to July 7, 1986 (51 FR 9490, Mar. 19, 1986). The Commission, therefore, is revising its schedule in the investigation to conform with Commerce's new schedule.

The Commission's new schedule for the investigation is as follows: requests to appear at the hearing must be filed with the Secretary to the Commission not later than July 7, 1986; the prehearing conference will be held in room 117 of the U.S. International Trade Commission Building at 9:30 a.m. on July 9, 1986; the public version of the prehearing staff report will be placed on the public record on July 2, 1986; the deadline for filing prehearing briefs is July 11, 1986; the hearing will be held at 10:00 a.m. in room 331 of the U.S. International Trade Commission Building on July 16, 1986; and the deadline for filing all other written submissions, including posthearing briefs, is July 23, 1986.

For further information concerning this investigation see the Commission's notice of investigation cited above and the Commission's Rules of Practice and Procedure, part 207, subparts A and C (19 CFR part 207), and part 201, subparts A through E (19 CFR part 201).

Authority

This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to section 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: April 7, 1986.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-8670 Filed 4-16-86; 8:45 am]

BILLING CODE 7020-02-M

[A-570-504]

Postponement of Final Antidumping Duty Determination; Petroleum Wax Candles From the People's Republic of China

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On March 5, 1986, we received a request from counsel for the respondent China National Native Produce & Animal By-Products Import & Export Corporation in the antidumping duty investigation of petroleum wax candles from the People's Republic of China that the final determination be postponed as provided for in section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d (a)(2)(A)). Pursuant to this request, we are postponing our final antidumping duty determination as to whether sales of petroleum wax candles from the People's Republic of China have been made at less than fair value until not later than July 7, 1986.

EFFECTIVE DATE: March 19, 1986.

FOR FURTHER INFORMATION CONTACT: Michael Ready or Mary Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-2813 or 377-1769.

SUPPLEMENTARY INFORMATION: On September 30, 1985, we published a notice in the Federal Register that we were initiating, under section 732(b) of the Act (19 U.S.C. 1673a(b)), an antidumping duty investigation to determine whether imports of petroleum wax candles from the People's Republic of China are being, or are likely to be sold at less than fair value (50 FR 39743). We published our preliminary affirmative determination on February 19, 1986 (51 FR 6016). This notice stated that we would issue a final determination on or before April 28, 1986. On March 5, 1986, counsel for the respondent requested that we extend the period for the final determination until not later than the 135th day after the date of publication of our preliminary determination in accordance with section 735(a)(2)(A) of the Act. This respondent accounts for a significant proportion of exports of the subject merchandise to the United States, and thus is qualified to make this request. If a qualified exporter properly requests an extension after an affirmative preliminary determination, the Department is required, absent compelling reasons to the contrary, to grant the request. Accordingly, we grant the request and postpone our final determination until not later than July 7, 1986.

This notice is published pursuant to section 735(d) of the Act.

Dated: March 13, 1986.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 86-5983 Filed 3-18-86; 8:45 am]

BILLING CODE 3510-DS-M

[Investigation No. 731-TA-282 (Final)]

Candles From the People's Republic of China

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-282 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether 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 People's Republic of China of candles of petroleum wax, provided for in item 755.25 of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Unless the investigation is extended, Commerce will make its final LTFV determination on or before April 28, 1986, and the Commission will make its final injury determination by June 18, 1986 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b))).

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

EFFECTIVE DATE: February 19, 1986.

FOR FURTHER INFORMATION CONTACT: Diane J. Mazur (202-523-7914), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002. Information may also be obtained via electronic mail by accessing the Office of Investigations' remote bulletin board system for personal computers at 202-523-0103.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of Candles from the People's Republic of China are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigation was requested in a petition filed on September 4, 1985, by the National Candle Association, Arlington, Virginia. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (50 FR 45172, Oct. 30, 1985).

Participation in the investigation.—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 (19 CFR 201.11), not later than twenty-one (21) 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 will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list.—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with § 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Staff report.—A public version of the prehearing staff report in this investigation will be placed in the public record on April 23, 1986, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on May 13, 1986, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on May 6, 1986. All persons desiring to appear at the hearing and make oral presentations should file perhearing briefs and attend a prehearing conference to be held at 9:30 a.m. on April 30, 1986, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is May 6, 1986.

Testimony at the public hearing is governed by section 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2))).

Written submissions.—All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of section 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on May 16, 1986. In addition, any person who has not entered an appearnace as a part to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before May 16, 1986.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

Authority

This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: March 6, 1986.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-5409 Filed 3-11-86; 8:45 am]

BILLING CODE 7020-02-M

[A-570-504]

Petroleum Wax Candles From the People's Republic of China; Preliminary Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have amended our preliminary determination that petroleum wax candles from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value. The corrected weighted-average margin applicable to all exporters is 135.73 percent.

EFFECTIVE DATE: March 7, 1986.

FOR FURTHER INFORMATION CONTACT: Michael Ready or Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-2613 or 377-1769.

SUPPLEMENTARY INFORMATION: On February 19, 1986, we published our preliminary determination that petroleum wax candles from the PRC are being, or are likely to be sold in the United States at less than fair value (51 F.R. 6016). We have subsequently learned of errors in the import statistics upon which we based our calculation of foreign market value. Specifically, the value recorded for a shipment from Malaysia was understated. Also the country of origin of a shipment of candles from the PRC was erroneously recorded as being Guinea. In fact there were no imports of the subject merchandise from Guinea during the period of investigation. Using corrected statistics regarding imports of candles from Malaysia, we recalculated foreign market value and the weighted-average dumping margin. The United States Customs Service shall require a cash deposit or the posting of a bond equal to the corrected estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown in the table below.

Manufacturer/producer/exporter	Weighted-average margin percentage
China National Native Produce & Animal By-Products Import & Export Corporation	135.73
All others	135.73

John L. Evans,

Acting Deputy Assistant Secretary for Import Administration.

March 3, 1986

[FR Doc. 86-5036 Filed 3-6-86; 8:45 am]

BILLING CODE 3510-DS-M

International Trade Administration

[A-570-504]

Petroleum Wax Candles From the People's Republic of China; Preliminary Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have preliminarily determined that petroleum wax candles from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to suspend the liquidation of all entries of petroleum wax candles from the PRC that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimate dumping margin as described in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination by April 28, 1986.

EFFECTIVE DATE: February 19, 1986.

FOR FURTHER INFORMATION CONTACT: Michael Ready or Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-2818 or 377-1769.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We have preliminarily determined that petroleum wax candles from the PRC are being, or are likely to be, sold in the United States at less than fair value as provided in section 733 of the Tariff Act of 1930, as amended (19 U.S.C. 1673b) (the Act). The weighted-average margin applicable to all exporters is 60.66 percent.

Case History

On September 4, 1985, we received a petition in proper form filed by the National Candle Association, an organization of domestic manufacturers of petroleum wax candles. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended, and that these imports are causing material injury, or threaten material injury, to a United States industry.

After reviewing the petition, we determined that it continued sufficient grounds upon which to initiate an antidumping investigation. We initiated the investigation on September 30, 1985 (50 FR 39743), and notified the ITC of our action.

On October 16, 1985, the ITC found that there is a reasonable indication that imports of petroleum wax candles from the PRC are materially injuring, or threatening material injury to, a U.S. industry (U.S. ITC Pub. No. 1768, October 1985).

On November 27, 1985, we presented a questionnaire to counsel for the China National Native Produce & Animal By-Products Import & Export Corporation, a major PRC exporter of the subject merchandise to the United States. On January 3 and 15, 1986, we received replies to the questionnaire.

Scope of Investigation

The products covered by this investigation are certain scented or unscented petroleum wax candles made from petroleum wax and having fiber or paper-cored wicks. They are sold in the following shapes: tapers, spirals, and straight-sided dinner candles; rounds, columns, pillars; votives; and various wax-filled containers. The products are classified under the *Tariff Schedules of the United States* (TSUS) item 755.25, Candles an Tapers.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

United States Price

We used the purchase price of the subject merchandise to represent United States price because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We calculated the purchase price of the subject merchandise as provided in section 772 of the Act, on the basis of the C & F or CIF prices with deductions, where applicable, for ocean freight and marine insurance.

Foreign Market Value

In accordance with section 773(c) of the Act, we used the weighted-average price of candles imported into the United States from Guinea and Malaysia as the basis for foreign market value.

Petitioner alleged that the PRC is a state-controlled-economy country and that sales of the subject merchandise in that country do not permit a determination of foreign market value under section 773(a). After an analysis of the PRC economy, and consideration of the briefs submitted by the parties, we have preliminarily concluded that the PRC is a state-controlled-economy country for the purpose of this investigation.

As a result, section 773(c) of the Act requires us to use either the prices of or the constructed value of such or similar merchandise in a "non-state-controlled-economy" country. Our regulations establish a preference for foreign market value based upon sales prices. They further stipulate that, to the extent possible, we should determine sales prices on the basis of prices in a "non-state-controlled-economy" country at a state of economic development comparable to the state-controlled-economy country.

We determined that Egypt, India, Indonesia, Morocco, Pakistan, Philippines, and Thailand were at a level of economic development comparable to the PRC and it would, therefore, be appropriate to base foreign market value on their prices. We sent questionnaires to known manufacturers of petroleum wax candles in each of these countries. However none of the manufacturers has to date replied to our questionnaire.

Lacking home market prices from non-state-controlled economy countries at a level of economic development comparable to that of the PRC, we have based foreign market value on the prices of imports into the U.S. from Guinea and Malaysia. Of the countries exporting candles to the United States, these countries are at a level of economic development most comparable to that of the PRC. Therefore, we based foreign market value on the basis of the average f.o.b. values of candles imported into the United States from these two countries during the six month period of investigation as provided in the IM-146, compiled by the Bureau of the Census. We adjusted this average value by the cost of materials supplied by purchasers of the PRC candles, where applicable.

We have preliminarily excluded from our weighted-average foreign market value the prices of imports from Thailand and Colombia because, based on information from previous investigations, shipments from these countries may benefit from export subsidies. We have also excluded shipments from Jamaica because, based on information submitted by petitioner, imports from Jamaica comprise candles which are not covered by this proceeding. We will consider any further information submitted on the appropriateness of including certain countries within the weighted-average foreign market value for our final determination.

Preliminary Negative Determination of Critical Circumstances

Petitioner alleged that imports of petroleum wax candles from the PRC present "critical circumstances." Under section 773(e)(1) of the Act, "critical circumstances" exist if we determine: (1) There is a history of dumping in the United States or elsewhere of the class or kind of the merchandise which is the subject of the investigation, or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value; and (2) there have been massive imports of the class or kind of merchandise that is the subject of the investigation over a relatively short period.

We generally consider the following concerning massive imports: (1) Recent trends in import penetration levels; (2) whether imports have surged recently; (3) whether recent imports are significantly above the average calculated over the last three years; and (4) whether the pattern of imports over that three year period may be explained by seasonal swings.

For purposes of this finding, we analyzed recent trade statistics on import levels and for petroleum wax candles from the PRC for equal periods immediately preceding and following the filing of the petition. We also took into consideration seasonal factors. Based on this analysis, we find that imports of the subject merchandise from the PRC during the period subsequent to receipt of the petition have not been massive when compared to recent import levels.

Since we do not find there have been massive imports, we do not need to consider whether there is a history of dumping or whether there is reason to believe or suspect that importers of this product knew or should have known that it was being sold at less than fair value.

Therefore, we determine that critical circumstances do not exist with respect to imports of petroleum wax candles from the PRC.

Verification

As provided in section 776(a) of the Act, we will verify all information used in reaching our final determination.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of petroleum wax candles from the PRC that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The United States Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown in the table below. This suspension of liquidation will remain in effect until further notice.

Manufacturer/Producer/Exporter	Weighted-average margin percentage
China National Native Produce & Animal By-Products Import & Export Corporation	60.04
All others	[illegible]

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry before the later of 120 days after we made our preliminary affirmative determination or 45 days after we make our final affirmative determination.

Public Comment

In accordance with § 353.47 of our Regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 9:30 a.m. on March 12, 1986, at the United States Department of Commerce, Room B-841, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room B-099, at the above address within 10 days of the publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed.

In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by March 5, 1986. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within 30 days of this notice's publication, at the above address and in at least 10 copies.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

February 11, 1986.

[FR Doc. 86-3515 Filed 2-18-86; 8:45 am]

BILLING CODE 3510-DS-M

[Investigation No. 731-TA-282 (Preliminary)]

Candles From the People's Republic of China

Determination

On the basis of the record[1] developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C 1673(a)), that there is a reasonable indication that an industry in the United States is materially injured[2] [3] by reason of imports from the People's Republic of China of candles of petroluem wax, provided for in item 755.25 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 September 4, 1985, a petition was filed with the Commission and the Department of Commerce by the National Candle Association, Arlington, VA, alleging that an industry in the United States is materially injured, or threatened with material injury, by reason of LTFV imports of candles of petrolem wax from the People's Republic of China. Accordingly, effective September 4, 1985, the Commission instituted preliminary antidumping investigation No. 731-TA-282 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notier in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of September 11, 1985 (50 FR 37065). The conference was held in Washington, DC, on September 20, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its determination in this investigation to the Secretary of Commerce on October 21, 1985. The views of the Commission are contained in USITC Publication 1768 (October 1985), entitled "Candles from the People's Republic of China: Determination of the Commission in Investigation No. 731-TA-282 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation."

Issued: October 22, 1985.

By Order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-25925 Filed 10-29-85; 8:45 am]

BILLING CODE 7020-02-M

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

[2] Chairwoman Stern determines that there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of the subject imports.

[3] Vice Chairman Liebeler determines that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of the subject imports.

International Trade Administration

[A-570-504]

Petroleum Wax Candles From the People's Republic of China; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether petroleum wax candles from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are causing material injury, or threaten material injury, to a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before October 21, 1985, and we will make ours on or before February 11, 1986.

EFFECTIVE DATE: September 30, 1985.

FOR FURTHER INFORMATION CONTACT: Ray Busen, 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) 377-3830.

SUPPLEMENTARY INFORMATION:

The Petition

On September 4, 1985, we received a petition in proper form filed by the National Candle Association, an organization of domestic manufacturers of petroleum wax candles. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are causing material injury, or threaten material injury, to a United States industry. United States price was derived from price quotes to U.S. purchasers from Hong Kong exporters of candles from the PRC. Some prices were f.o.b. Hong Kong while other were c.i.f. Prices were adjusted, where appropriate, for ocean freight costs, insurance, and U.S. inland freight. Petitioners, alleging that the PRC is a state-controlled-economy-country, derived home market prices from information on the home market prices for petroleum wax candles in Malaysia in accordance with the provisions of 19 CFR 353.36(a)(8). In selecting Malaysia as a surrogate country, petitioner considered the following factors: structure of gross domestic production and distribution of labor force, urban population, per capita gross national product, wage rates, oil production, and similarity of the candle industry. The Malaysian home market prices were obtained by an independent research firm in Malaysia for high volume standard products. The prices represent offers at the wholesale level from two Malaysian candle manufacturers. Based on these figures, petitioner alleges dumping margins ranging from 231 percent to 450 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 further, whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on petroleum wax candles from the PRC and 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 duty investigation to determine whether petroleum wax candles from the PRC are being, or are likely to be, sold in the United States at less than fair value.

In the course of our investigation, we will determine whether the economy of the People's Republic of China is state-controlled to an extent that sales of such or similar merchandise in the home market or to third country markets do not permit determination of foreign market value. If it is determined to be a state-controlled economy, we will then choose a non-state-controlled economy surrogate country for purposes of determining foreign market value. If our investigation proceeds normally, we will make our preliminary determination by February 11, 1986.

Scope of Investigation

The products covered by this investigation are certain scented or unscented petroleum wax candles made from petroleum wax and having fiber or paper-cored wicks. They are sold in the following shapes: tapers, spirals, and straight-sided dinner candles; rounds, columns, pillars; votives; and various wax-filled containers. The products are classified under the *Tariff Schedules of the United States* (TSUS) item 755.25, Candles and Tapers.

Allegation of Critical Circumstances

Petitioner alleges that critical circumstances exist with respect to imports of petroleum wax candles from the PRC. We will determine whether critical circumstances exist with respect to these imports in our preliminary determination, and if the investigation proceeds, in our final determination.

Notification of 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 October 21, 1985, whether there is a reasonable indication that imports of petroleum wax candles from the PRC are causing material injury, 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.

September 20, 1985.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 85-23230 Filed 9-27-85; 8:45 am]

BILLING CODE 3510-DS-M

[Investigation No. 731-TA-282 (Preliminary)]

Candles From the People's Republic of China

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-282 (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 People's Republic of China of candles of petroleum wax, provided for in item 755.25 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by October 21, 1985.

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).

EFFECTIVE DATE: September 4, 1985.

FOR FURTHER INFORMATION CONTACT: George L. Deyman (202-523-0481), Office of Investigations, U.S. International Trade Commission, 701 E Street, NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on September 4, 1985, by the National Candle Association, Arlington, VA.

Participation in the Investigation

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 (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list

Pursuant to §201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on September 20, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact George L. Deyman (202-523-0481) not later than September 18, 1985, 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.

Written submissions

Any person may submit to the Commission on or before September 27, 1985, a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rule (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with §201.8 of the rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: September 6, 1985.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-21693 Filed 9-10-85; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

LIST OF WITNESSES AT PUBLIC HEARING

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Candles from The People's Republic of China

Inv. No. : 731-TA-282 (Final)

Date and time: July 16, 1986 - 10:00 a.m.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

In support of the imposition of antidumping duties:

Taft, Stettinius & Hollister--Counsel
Washington, D.C.
on behalf of

The National Candle Association

Thomas K. Kreilick, President, Lenox Candles

Ruben G. Deveau, Vice Pesident - Operations, Colonial Candle of Cape Cod

Wayne W. Donie, Executive Vice President of Candle-lite, Inc.

Economic Consulting Services, Inc.

Stanley Nehmer, President

Mark W. Love, Vice President

Julie R. Solomon, Senior Economist

Randolph J. Stayin)
Ann Ottoson King)--OF COUNSEL

- more -

<u>In opposition to the imposition of antidumping duties</u>:

O'Melveny & Meyers--Counsel
Washington, D.C.
<u>on behalf of</u>

The China National Native Produce and Animal By-Products Import & Export Corporation ("China Native Products Corp.)

Juang Chang Xiang Ji, China Native Products Corporation

Andy Warner, Pier I Imports, Inc.

Darwin Bush, Pier I Imports, Inc.

Gary Horlick)
Amanda DeBusk)--OF COUNSEL
Debra Valentine)

APPENDIX C

LISTING OF THE PROPERTIES OF WAX

Listing of Properties of wax (in alphabetical order)

Absorption and adsorption
Adhesiveness or stickiness
Bacterial content
Blocking (self-adhering)
Bursting strength
Candle power
Clarity
Coefficient of expansion
Cold flow
Color
Compatibility with other ingredients
Corrosiveness
Crystalline structure
Crystallization from solution
Density or specific gravity
Dielectric strength
Ductility
Edibility
Elasticity
Electrical state
Emulsifiability or dispersibility
Feel or hand
Film-surfact continuity and topography
Flash point
Flexibility
Fluorescence
Form (amorphous or crystalline)
Fracture
Gelling or thixotropy
Hardness
Heating value
Homogeneity
Hygroscopicity
Iridescence
Length (when melted)
Lubricity
Melting point or range
Migration from composition
Odor
Opacity
Overprinting or coating
Penetration into adjacent materials
pH
Plasticity
Polishing properties
Polymerization
Power factor
Pressure (behavior under)
Purity
Reactivity
Refractive index
Resistance to bacteria and fungi
  to radiation
  to shock
  to temperature
Saponifiability
Setting time
Sheen and reflectivity
Slipperiness
Solubility
Stability to electrical discharges
  to light
  to oxidation
Sublimation
Surface tension
Taste
Tenacity or coherence
Tensile strength
Toxicity
Transparency
Ultraviolet Screening
Vicosity (molten in solution)
Volume change with temperature
Water repellency
Water-vapor transmission

Source: Bennett, Industrial Waxes, Chemical Publishing Co., NY, 1975; pp. ix-xi.

APPENDIX D

SUMMARY OF INDEPENDENT LABORATORY TEST RESULTS

Table D-1.--Petroleum wax Candles: Summary of test results (8/85)

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Table D-2.--Petroleum wax Candles: Summary of test results (8/85), * * *--continued.

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WASHINGTON, D.C. 20436

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