

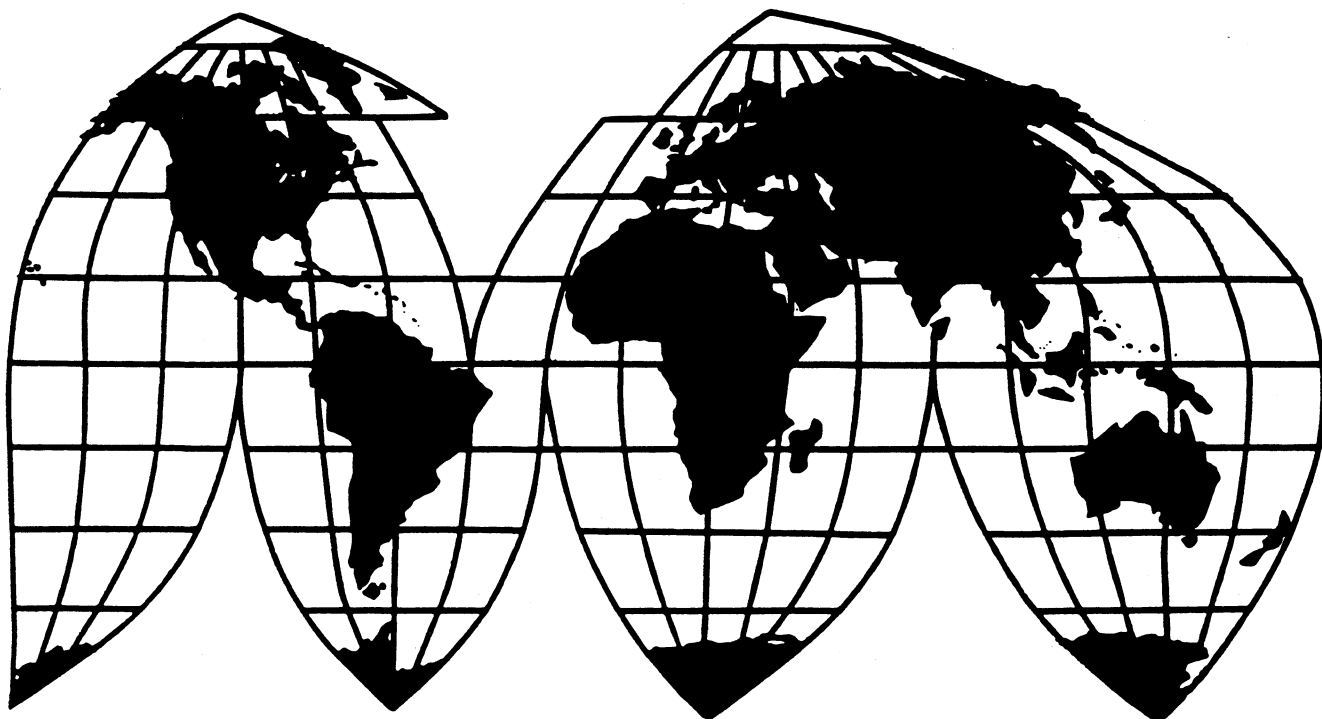
Phthalic Anhydride from Venezuela

Investigations No. 731-TA-668 (Final)

Publication 2809

September 1994

U.S. International Trade Commission



U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

PART I

DETERMINATION AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

PHTHALIC ANHYDRIDE FROM VENEZUELA

INVESTIGATION NO. 731-TA-668 (FINAL)

Determination

On the basis of the record¹ developed in the subject investigation, the Commission determines, pursuant to section 735(b) of the Tariff Act of 1930 (the Act),² that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from Venezuela of phthalic anhydride,³ that 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 May 25, 1994, following a preliminary determination by the Department of Commerce that imports of phthalic anhydride from Venezuela were being sold at LTFV within the meaning of section 733(b) of the Act.⁴ 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 June 22, 1994.⁵ The hearing was held in Washington, DC, on August 9, 1994, 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(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

² 19 U.S.C. § 1673d(b).

³ For purposes of this investigation, phthalic anhydride is defined as an aromatic synthetic organic chemical usually produced from a primary petrochemical called orthoxylene, although it is sometimes produced from naphthalene. Phthalic anhydride is predominantly used in the production of plasticizers, unsaturated polyester resins, and alkyd resins, which in turn are generally used to produce plastics and paints. This investigation covers phthalic anhydride sold in either flaked or molten form. Phthalic anhydride is provided for in subheading 2917.35.00 of the Harmonized Tariff Schedule of the United States (HTS).

⁴ 19 U.S.C. § 1673b(b).

⁵ 59 F.R. 32220.

VIEWS OF THE COMMISSION

Based on the record in this final investigation, we determine that an industry in the United States is neither materially injured nor threatened with material injury by reason of imports of phthalic anhydride ("PA") from Venezuela that the U.S. Department of Commerce ("Commerce") has determined are being sold in the United States at less than fair value ("LTFV").⁶

I. Like Product

A. In General

In determining whether an industry in the United States is materially injured or is threatened with material injury by reason of the subject imports, the Commission must first define the "like product" and the "industry." Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant 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"⁷ In turn, the statute defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation"⁸

The Department of Commerce ("Commerce") has defined the scope of this investigation as:

*PA [phthalic anhydride], an aromatic synthetic organic chemical usually produced from a primary petrochemical called orthoxylene, although it is sometimes produced from naphthalene. PA is predominately used in the production of plasticizers, unsaturated polyester resins, and alkyd resins, which in turn are generally used to produce plastics and paints. This investigation covers PA sold in either flaked or molten form.*⁹

⁶ 19 U.S.C. § 1673d(b). Whether the establishment of an industry in the United States is materially retarded is not an issue in this investigation.

⁷ 19 U.S.C. § 1677(4)(A).

⁸ 19 U.S.C. § 1677(10). In analyzing like product issues, the Commission generally considers a number of factors including: (1) physical characteristics and uses, (2) interchangeability of the products, (3) channels of distribution, (4) customer and producer perceptions of the products, (5) the use of common manufacturing facilities and production employees, and (6) where appropriate, price. Calabrian Corp. v. United States, 794 F. Supp. 377, 382, n.4 (Ct. Int'l Trade 1992). No single factor is dispositive, and the Commission may consider other factors relevant to a particular investigation. The Commission looks for clear dividing lines among possible like products, and disregards minor variations. E.g., S. Rep. No. 249, 96th Cong. 1st Sess. 90-91 (1979); Torrington v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 (Ct. Int'l Trade 1988) ("Asocoflores") ("It is up to [the Commission] to determine objectively what is a minor difference.").

⁹ See 59 Fed. Reg. 40867-40868 (Aug. 10, 1994). See Confidential Report ("CR") at A-3, Public Report ("PR") at A-3.

Phthalic anhydride ("PA") is produced in two forms, molten (or liquid) and flake.¹⁰ PA is made by the oxidation of orthoxylene over a vanadium oxide/titanium oxide catalyst at temperatures of 380-400 degrees C. (716-752 degrees Fahrenheit) in a multitubular fixed-bed reactor. As it emerges from the reactor, the crude PA is solidified on cooling fins, then heated, and distilled under a vacuum to a purified chemical. The chemical is molten at or above a temperature of 131 degrees C.(286 degrees Fahrenheit). Flake PA, chemically identical to the molten PA, is produced by cooling molten PA and then flaking the resultant solid.

B. Commission's Preliminary Determination and Like Product Issue

In the preliminary investigations, the Commission defined a single like product, consisting of molten and flake PA, based on the similarities in chemical composition, uses, customer and producer perceptions, primary manufacturing process, and actual interchangeability.¹¹ No new evidence has been gathered that provides a basis to reach a different conclusion in this final investigation.

In the final investigation, however, petitioners, comprising four of the five U.S. producers of PA,¹² reversed their position from the preliminary investigation and opposed a finding of a single like product consisting of both molten and flake PA. Petitioners argued that limited commercial substitutability supported a finding of two like products.¹³ Respondent continued to support the Commission's definition of one like product.¹⁴

Petitioners argued that purchasers' substitution of flake for molten PA is not economically feasible; petitioners did not argue that the products are not technically interchangeable.¹⁵ ¹⁶ The fact that flake and molten PA may have limited

¹⁰ See CR at 5-11, PR at II-5 - II-10.

¹¹ Phthalic Anhydride from Brazil, Hungary, Israel, Mexico, and Venezuela, Inv. Nos. 303-TA-24, 701-TA-357-358, and 731-TA-664-668 (Preliminary), USITC Pub. 2709 at I-6 - I-8, and I-40 (Dec. 1993).

¹² CR at 17, PR at II-15, Table 2.

¹³ Petitioners' Prehearing Brief at 2-8.

¹⁴ Respondent's Posthearing Brief at 13 and 14.

¹⁵ Petitioners proposed that molten and flake PA should constitute separate like products in response to statements by purchasers and by respondent in the preliminary investigations that "flake and molten are not substitutes in any commercially reasonable sense." Petitioners' Prehearing Brief at 7. Petitioners appear to be confused on the concepts of interchangeability and commercial substitutability between the LTFV imports and the domestic like product. Interchangeability is considered in the context of the like product analysis. As such, interchangeability addresses whether a domestic product physically or functionally may be, and actually is, used interchangeably with the subject imports. Commercial substitutability, on the other hand, refers to whether the products actually compete in the market, that is, whether it is economically feasible to switch from one product to the other.

¹⁶ Commissioner Rohr and Commissioner Newquist note that the "uses" element of the statute's "characteristics and uses" criteria for determining like products presumes both "interchangeability" and
(continued...)

interchangeability does not require a finding that they are distinct like products, particularly in light of their many similarities. In any event, interchangeability is merely one of several factors the Commission considers in defining the like product.

While each investigation is sui generis,¹⁷ in several cases, the Commission has found the liquid and solid forms of a material to be one like product, particularly when the liquid and solid forms have been at least somewhat interchangeable.¹⁸ In the present investigation, while molten and flake PA are not identical in terms of their physical form, their chemical composition is identical.¹⁹ Both forms may be used interchangeably for all principal applications as raw materials in the manufacture of plasticizers, unsaturated polyester resins and alkyd resins.²⁰ The precise degree of interchangeability is a function of the end-user's production system.²¹ The molten form generally is used by large-volume customers that have installed expensive liquid-handling systems.²² Small-volume manufacturers use flake PA exclusively, while large-volume consumers typically purchase and inventory the flake form to use in the event their liquid handling systems become disabled.²³ Therefore, while the degree of interchangeability may vary due to an end-user's production facility, there is actual interchangeability between the two forms of PA.

¹⁶ (...continued)

"commercial substitutability." Petitioners argued that a user of flake PA cannot use molten PA without considerable new investment, while a user of molten PA could not completely turn to flake PA without wasting its investment in the molten handling system. This argument points to some limit on the "interchangeability" or "commercial substitutability" of the two forms of PA. However, in light of all of the like product factors considered by the Commission, including this limitation, Commissioner Rohr and Commissioner Newquist find that a single like product finding is appropriate.

¹⁷ See, e.g., Connecticut Steel Corporation v. United States, Slip Op. 94-64 at 12 (Ct. Int'l Trade Apr. 22, 1994); Citrosuco Paulista S.A. v. United States, 704 F. Supp. 1075, 1087 (Ct. Int'l Trade 1988).

¹⁸ See, e.g., Dry Aluminum Sulfate from Sweden, Inv. No. 731-TA-430 (Preliminary), USITC Pub. 2174 at 6 and 7 (March 1989)(Commission found dry and liquid forms to be one like product because "they share the same chemical formula and generally may be used to perform the same functions.") See also Potassium Hydroxide from Canada, Italy and the United Kingdom, Inv. Nos. 731-TA-542-544 (Preliminary), USITC Pub. 2482 at 9 (Feb. 1992); Sodium Thiosulfate from the Federal Republic of Germany, the People's Republic of China, and the United Kingdom, Inv. Nos. 731-TA-465, 466 and 468 (Final), USITC Pub. 2358 (Feb. 1991). Compare Sorbitol from France, Inv. No. 731-TA-44 (Final), USITC Pub. 1233 (March 1982); Choline Chloride from Canada, Inv. No. 731-TA-155 (Final), USITC Pub. 1595 (Oct. 1984). See also Phthalic Anhydride from Brazil, Hungary, Israel, Mexico, and Venezuela, USITC Pub. 2709 at I-40 (Dec. 1993)(Commissioner Rohr distinguished his findings in Choline Chloride from the facts of the present investigation).

¹⁹ CR at 6, PR at II-5. Since flake PA is formed when molten PA undergoes a cooling process rather than an evaporation process, both forms contain 99.9 percent PA and are chemically identical. Conference Tr. at 22 and 50; CR at 6, PR at II-5.

²⁰ CR at 6 and 8, PR at II-5 and II-7.

²¹ CR at 92 and 93, PR at II-66 and II-67.

²² CR at 6 and 92, PR at II-5 and II-66.

²³ CR at 6, PR at II-5.

Accordingly, due to the similarities in chemical composition, uses, primary manufacturing process, customer and producer perceptions, as well as some degree of actual interchangeability, we find a single like product, consisting of molten and flake PA.

II. Domestic Industry

A. In General

Section 771(4)(A) of the Act defines the relevant 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" ²⁴ In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed or sold in the domestic merchant market. ²⁵ In 1993, the domestic producers captively consumed *** of their total shipments of PA (molten and flake) to produce derivative products such as plasticizers and unsaturated polyester resins. ²⁶ In addition, the domestic industry consumed *** of U.S. producers' total shipments of molten PA to produce flake in 1993. ²⁷ Therefore, in 1993 slightly less than half of U.S. producers' total shipments of the molten product was sold in the merchant market. ²⁸

In light of our like product determination, we find that there is a single domestic industry comprised of the domestic producers of all molten and flake PA. ²⁹

²⁴ 19 U.S.C. § 1677(4)(A).

²⁵ As the Commission has previously recognized, the statutory definition of domestic industry provides no basis for excluding toll or captive production. 19 U.S.C. § 1677(4)(A). See e.g., Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain, Inv. Nos. 731-TA-711-717 (Preliminary), USITC Pub. 2803 at I-11 (Aug. 1994); Sebacic Acid from the People's Republic of China, Inv. No. 731-TA-653 (Final), USITC Pub. 2793 (July 1994); Magnesium from The People's Republic of China, Russia and Ukraine, Inv. Nos. 731-TA-696-698 (Preliminary), USITC Pub. 2775 at I-11, n.47 (May 1994); Certain Flat-Rolled Carbon Steel Products from Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom, Inv. Nos. 701-TA-319-332, 334, 336-342, 344, and 347-353 and 731-TA-573-579, 581-592, 594-597, 599-609, and 612-619 (Final), USITC Pub. 2664 at 17 (Aug. 1993) ("Certain Flat-Rolled Steel").

²⁶ CR at 32, PR at II-27, Table 6.

²⁷ CR at 32, PR at II-27, Table 6.

²⁸ CR at 32, PR at II-27, Table 6.

²⁹ BASF, which closed its PA production plant in September of 1990, has a long-term toll agreement with Sterling Chemical, pursuant to which BASF has exclusive use of Sterling's PA production facility. Under this agreement, BASF either captively consumes or markets all the PA that it produces. CR at 20, PR at II-15.

B. Related Party

The related party provision, 19 U.S.C. § 1677(4)(B), allows for the exclusion of certain domestic producers from the domestic industry for the purposes of an injury determination. Applying the provision involves two steps.³⁰ First, the Commission must determine whether a domestic producer meets the definition of a related party. The statute defines a related party as a domestic producer that is either related to exporters or importers of the product under investigation, or is itself an importer of that product.³¹

Second, if a producer is a related party, the Commission may exclude such producer from the domestic industry if "appropriate circumstances" exist.³² Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case.³³ The rationale for the related parties provision is the concern that domestic producers who are related parties may be in a position that shields them from any injury that might be caused by the subject imports. Thus, including these parties within the domestic industry would distort the analysis of the condition of the domestic industry.³⁴

³⁰ Sebacic Acid from the People's Republic of China, Inv. No. 731-TA-653 (Final), USITC Pub. 2793 at I-7 (July 1994); Certain Seamless Carbon and Alloy Standard, Line and Pressure Steel Pipe from Argentina, Brazil, Germany, and Italy, Inv. Nos. 701-TA-362 and 731-TA-707-710 (Preliminary), USITC Pub. 2801 at I-14 (August 1994); Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, Inv. Nos. 731-TA-520-521 (Final), USITC Pub. 2528 at 8 (June 1992).

³¹ 19 U.S.C. § 1677(4)(B).

³² 19 U.S.C. § 1677(4)(B). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include: (1) the percentage of domestic production attributable to the related producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producer vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. *See, e.g., Torrington v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). The Commission also has considered whether each company's books are kept separately from those of its "relations" and whether the primary interests of the related producer lie in domestic production or in importation. *See, e.g., Fresh Garlic from the People's Republic of China*, Inv. No. 731-TA-683 (Preliminary), USITC Pub. 2755 at I-13 (March 1994). Finally, the Commission has considered the ratio of import shipments to U.S. production for related producers. *See, e.g., Steel Wire Rope from the Republic of Korea and Mexico*, Inv. Nos. 731-TA-546 and 547 (Final), USITC Pub. 2613 at 14 (March 1993); Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, Inv. Nos. 731-TA-520 and 521 (Final), USITC Pub. 2528 at 14 (June 1992).

³³ *Torrington v. United States*, 790 F. Supp. at 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

³⁴ *See Torrington v. United States*, 790 F. Supp. at 1168 (Ct. Int'l Trade 1992) *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331 (Ct. Int'l Trade 1989) (related party appeared to benefit from dumped imports), *aff'd without opinion*, 904 F.2d 46 (Fed. Cir. 1990). *See also* S. Rep. No. 249, 96th Cong., 1st Sess. 83 (1979).

In the preliminary determination, the Commission concluded that Koppers was a related party, but that appropriate circumstances did not exist to exclude it from the domestic industry.³⁵ While the parties did not address this issue in the final investigation, the fact that Koppers imported the subject product from Venezuela during the period of investigation again raises the question whether it should be excluded as a related party.³⁶ However, there is no new evidence in the final investigation to justify a conclusion different from that reached in the preliminary determination. Therefore, we again find that appropriate circumstances do not exist to exclude Koppers from the domestic industry.

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether the domestic industry is materially injured by reason of LTFV imports, the Commission considers all relevant economic factors which have a bearing on the state of the industry in the United States.³⁷ These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."³⁸

In examining the condition of the domestic PA industry, we note that PA is used to produce a variety of intermediate products that are then used in the production of end-use products such as paints and other coatings, and an array of plastic products used in the manufacturing and construction sectors.³⁹ Therefore, demand for PA is influenced primarily by activity in the construction industry, as well as changes in consumer demand for products such as automobiles, boats, and other durable and non-durable goods.⁴⁰ In addition, demand for PA tends to be seasonal, with stronger growth during the second and third quarters of the year due, in part, to fluctuations in the construction and motor vehicle industries.⁴¹

³⁵ Phthalic Anhydride from Brazil, Hungary, Israel, Mexico, and Venezuela, USITC Pub. 2709 at I-10, I-11, and I-41 (Dec. 1993). Specifically, the Commission found that Koppers accounted for a significant share of domestic production, that it imported PA from Venezuela only to cover shortages and functioned primarily as a producer rather than an importer, and that inclusion of Koppers did not appear to skew the financial data of the domestic industry.

³⁶ In this investigation, one petitioner, Koppers, imported flake PA from Venezuela during the period of investigation and, thus, is a related party. CR at 22 and 23, PR at II-19.

³⁷ 19 U.S.C. § 1677(7)(C)(iii).

³⁸ 19 U.S.C. § 1677(7)(C)(iii).

³⁹ CR at 83, PR at II-61.

⁴⁰ Economic Memorandum, EC-R-094 at 11, dated September 9, 1994("EC-R-094").

⁴¹ CR at 83, PR at II-61.

The domestic PA industry involves both the production of molten PA and the further processing of some molten PA into flake PA. The majority of domestic producers' total PA shipments, however, is of molten PA.⁴² Moreover, as discussed earlier, although both molten and flake PA may be used for all applications, the end-user's production system determines which form of the product a particular customer can use. For example, in order to use molten PA, a customer must invest in capital-intensive liquid-handling systems.⁴³ Large volume customers generally purchase molten PA, but also purchase some flake PA for inventory to use in the event their liquid-handling systems become disabled.⁴⁴ End-users operating smaller production facilities or manufacturing products in batches generally use PA in its flake form.⁴⁵ In assessing the condition of the domestic industry, it is necessary to discuss some data separately for molten and flake PA production operations.^{46 47}

Apparent U.S. consumption of PA by quantity increased by 5.5 percent from 1991 to 1993, with an increase of 7.7 percent from 1991 to 1992 and a slight decline from 1992 to 1993.⁴⁸ Consumption of PA was two percent higher in interim period (January-June) 1994 than in interim period (January-June) 1993. Consumption by value increased by less than one percent from 1991 to 1993, with a 10.2 percent increase from 1991 to 1992 and a 8.5 percent decrease from 1992 to 1993. Apparent U.S. consumption by value was 9.7 percent lower in interim period 1994 than in the same period in 1993.

Domestic production of molten PA declined overall by 2.4 percent from 1991 to 1993, with an increase of 2.8 percent from 1991 to 1992 and a decrease of 5.1 percent from 1992 to 1993.⁴⁹ However, domestic production of molten PA was 3.4 percent higher in interim 1994

⁴² Only 8 percent to 13 percent of total shipments of molten PA were used to produce flake PA during the period of investigation. CR at 31, PR at II-26.

⁴³ CR at 6, PR at II-5; EC-R-094 at 21 and 22.

⁴⁴ CR at 6, PR at II-5; EC-R-094 at 21 and 22.

⁴⁵ EC-R-094 at 22.

⁴⁶ We discuss apparent consumption, U.S. shipments, inventory, employment, wages, and financial performance indicators for the domestic PA industry as a whole. To avoid double counting, apparent U.S. consumption and U.S. shipments figures are calculated by excluding data for molten PA consumed internally to make flake PA. Employment, wages and financial performance indicators are calculated using data for production of molten PA only. Moreover, discussing production data for all PA would not reflect the interdependent nature and the different capacity constraints in the molten and flake PA production processes. Accordingly, we discuss production, capacity, and capacity utilization data separately for the molten and flake stages of production.

⁴⁷ Commissioner Rohr and Commissioner Newquist note that, in their view, their colleagues' recitation of various production data for flake PA ignores the fact that such production is, ultimately, constrained by production of molten. That is, all flake is produced from molten. As such, the appropriate production data upon which to assess the condition of the domestic industry is data for molten. Further, in their view, examination of production data for molten alone eliminates any risk of double counting. For this reason, as well as for consistency with their application of the Commission's "like product" finding, Commissioner Rohr and Commissioner Newquist do not join any of the following discussion which address trends in various segments of the market.

⁴⁸ Data referred to in this paragraph are summarized in CR at 26, PR at II-21, Table 4.

⁴⁹ Data referred to in this paragraph are summarized in CR at 29, PR at II-24, Table 5.

than in the comparable 1993 period. Domestic capacity to produce molten PA increased by 2.1 percent from 1991 to 1992 and remained constant from 1992 to 1993 and in the interim periods. Capacity utilization rates for molten PA declined overall from 1991 to 1993, but were higher in interim 1994 than in interim 1993. The industry's capacity utilization rate for molten PA fluctuated from 89.5 percent in 1991, to 90.1 percent in 1992, to 85.5 percent in 1993, and was 85.3 percent in interim period 1993 and 88.3 percent in interim period 1994.

Domestic production of flake PA declined by *** from 1991 to 1992, with a *** increase from 1992 to 1993.⁵⁰ Domestic production of flake PA was *** higher in interim 1994 compared with interim 1993. Capacity to produce flake PA remained constant from 1991 to 1993, and was lower in interim period 1994 compared with interim period 1993 due to the closure of a domestic flaking facility in March 1994. As production of flake PA declined from 1991 to 1992, capacity utilization likewise declined during that period.

The domestic industry's U.S. shipments of all PA by quantity increased by 5 percent from 1991 to 1992, and then declined by 3.3 percent from 1992 to 1993, for an overall increase of 1.5 percent from 1991 to 1993.⁵¹ U.S. shipments of PA by value followed a similar pattern, but declined overall by 2.5 percent from 1991 to 1993. While U.S. shipments of PA by quantity were 6 percent higher in interim period 1994 compared with the similar period in 1993, U.S. shipments by value were 7 percent lower in interim period 1994 than in the comparable 1993 period. Exports of PA by the domestic industry as a share of total shipments declined from 4.4 percent in 1991 to 2 percent in 1993, and were 1.6 percent in interim period 1993 and 0.8 percent in interim period 1994. The domestic industry reported an increase of 4.1 percent in year-end inventories of PA for the 1991-1993 period, with significant fluctuations between years.⁵² End-of-period inventories of PA were 43 percent lower in interim period 1994 compared with interim period 1993. Inventories as a share of U.S. shipments fluctuated between years, increasing from 4.2 percent in 1991 to 4.3 percent in 1993, but were 4.2 percent in interim period 1993 compared with 2.3 percent in interim period 1994.⁵³

Employment in the domestic PA industry declined overall by 6.4 percent from 1991 to 1993 and was 3.4 percent lower in interim period 1994 than in interim period 1993.⁵⁴ Hours worked declined by 4.6 percent from 1991 to 1993 and were 4.2 percent lower in interim 1994 than in interim 1993. From 1991 to 1993, total compensation fluctuated, but remained constant overall, while hourly total compensation fluctuated, but increased by 5.1 percent. Total compensation was 0.8 percent higher and hourly total compensation was 6 percent higher in interim period 1994 compared with interim period 1993.

⁵⁰ Data referred to in this paragraph are summarized in CR at 29, PR at II-24, Table 5.

⁵¹ Data referred to in this paragraph are summarized in CR at 32, PR at II-27, Table 6.

⁵² CR at 36, PR at II-31, Table 7.

⁵³ CR at 36, PR at II-31, Table 7.

⁵⁴ Data referred to in this paragraph are summarized in CR at 41, PR at II-35, Table 10.

The financial performance indicators for the domestic PA industry were mixed but positive throughout the period of investigation. There were increases in most indicators in the period 1991-1992, with some indicators showing declines from 1992 to 1993. From 1991 to 1992, the domestic industry experienced increases of 1.8 percent and 4.9 percent in net sales by quantity and by value, respectively.⁵⁵ Net sales decreased by both quantity and value from 1992 to 1993, resulting in an overall decline from 1991 to 1993 of 1.1 percent by quantity and 4.4 percent by value.

Gross profits were positive throughout the period of investigation and increased by 21.7 percent from 1991 to 1993.⁵⁶ The domestic industry experienced an increase in gross profits of 32.9 percent from 1991 to 1992, followed by a decline of 8.5 percent from 1992 to 1993, while gross profits were 28.7 percent lower in interim period 1994 compared with interim period 1993. Operating income, which also was positive for each year during the period of investigation, increased by 41.8 percent from 1991 to 1992, then declined by 19.1 percent from 1992 to 1993, for an overall increase of 14.7 percent. Operating income was 41.9 percent lower in interim period 1994 than in interim period 1993. The operating income margin (ratio of operating income to net sales) followed a similar trend, increasing from an 11.3 percent ratio in 1991 to a 15.3 percent ratio in 1992, and then declining to a 13.6 percent ratio in 1993. The industry's operating income margin was a 9.8 percent ratio in interim period 1994 compared to a 15.4 percent ratio in interim period 1993.

An important factor affecting financial performance was a 9.1 percent decline in the domestic industry's cost of goods sold from 1991 to 1993. Costs of goods sold also was 3.2 percent lower in interim period 1994 compared with interim period 1993.⁵⁷ As a share of net sales, the cost of goods sold declined from 1991 to 1993, but was larger in interim period 1994 compared with interim period 1993.⁵⁸ The unit cost of goods sold decreased by 8.2 percent from 1991 to 1993 and was 8.0 percent lower in interim 1994 than in interim 1993. At the same time, selling, general, and administrative (SG&A) expenses for the industry increased by 40.9 percent from 1991 to 1993, with most of the increase reported for the 1992-1993 period. SG&A expenses were 4.5 percent higher in interim period 1994 compared with interim period 1993.

⁵⁵ Data referred to in this paragraph are summarized in CR at 55, PR at II-42, Table 15.

⁵⁶ Data referred to in this paragraph are summarized in CR at 55, PR at II-42, Table 15.

⁵⁷ Data referred to in this paragraph are summarized in CR at 55, PR at II-42, Table 15.

⁵⁸ The domestic industry's cost of goods sold as a share of net sales was 84.6 percent in 1991, 80.5 percent in 1992, 80.4 percent in 1993, 78.5 percent in interim period 1993, and 83.3 percent in interim period 1994. CR at 55, PR at II-42, Table 15.

Finally, the domestic industry's capital expenditures declined from 1991 to 1993, and were lower in interim period 1994 compared with interim period 1993.⁵⁹ Research and development expenditures steadily decreased over the period of investigation.^{60 61}

IV. NO MATERIAL INJURY BY REASON OF LTFV IMPORTS⁶²

In final antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the imports that Commerce has determined are sold at LTFV.⁶³ The Commission must consider the volume of imports, their effect on prices for the like product, and their impact on domestic producers of the like product, but only in the context of U.S. production operations.⁶⁴

Although the Commission may consider alternative causes of injury to the industry other than the LTFV imports, it is not to weigh causes.⁶⁵ For the reasons discussed below, we find that the domestic PA industry is not materially injured by reason of LTFV imports from Venezuela.

⁵⁹ CR at 63, PR at II-47, Table 18. Petitioners argued that the internal "hurdle" rates, *i.e.*, the return necessary to justify investment, in the PA chemical industry are *** or higher and that the industry has not been able to reach such a rate of return. Petitioners' Posthearing Brief at 4 and 13. First, we note that petitioners' statements appear to indicate that some PA producers may never reach the allegedly required internal hurdle rates. Petitioners state that even a 100 percent capacity utilization may not achieve necessary internal hurdle rates. *Id.* at 12. Moreover, we find that petitioners have not provided clear evidence that such rates of return are necessary for an industry whose PA production either constitutes a necessary intermediate product for its end-products, or is a means to dispose of a by-product of its other production activities.

⁶⁰ CR at 64, PR at II-46.

⁶¹ Based upon examination of the relevant statutory factors, Commissioner Rohr and Commissioner Newquist conclude that the domestic PA industry is not experiencing material injury. In particular, they note that the financial performance indicators for the industry as a whole have been positive throughout the period of investigation. Thus, they proceed directly to the Commission's threat of material injury analysis.

⁶² Commissioner Rohr and Commissioner Newquist do not join in the following discussion in this section.

⁶³ 19 U.S.C. § 1673d(b).

⁶⁴ 19 U.S.C. § 1677(7)(B)(i). The Commission also may consider "such other economic factors as are relevant to the determination." *Id.*

⁶⁵ For the Commissioners' discussions of the statutory requirement regarding causation, see Certain Calcium Aluminate Cement and Cement Clinker from France, Inv. No. 731-TA-645 (Final), USITC Pub. 2772 at I-14, n. 67, 68, and 69 (May 1994).

A. Volume of Imports

The volume and market share of subject imports were small throughout the period of investigation.⁶⁶ Although LTFV imports increased for most of the period of investigation, the increase was from a very small base.⁶⁷ LTFV imports never captured more than a 1.8 percent share of the U.S. market by quantity and 1.6 percent by value in any of the three years from 1991 to 1993.⁶⁸ Moreover, the market share held by LTFV imports was lower in interim 1994 than in interim 1993.⁶⁹ Domestic producers held over 90 percent of the market in terms of quantity and value throughout the period of investigation,⁷⁰ while non-subject imports of PA accounted for most of the remaining U.S. market share. Non-subject imports also increased their share of the U.S. market between 1991 and 1993.⁷¹

Based on the foregoing, we conclude that the volume of LTFV imports and their market share, as well as the increases in those imports that did occur, are not significant.

⁶⁶ Data referred to in this paragraph are summarized in CR at 77 and 81, PR at II-56 and II-59, Tables 22 and 23. LTFV imports of PA are only in the flake and not in the molten form. CR at 76, PR at II-55.

⁶⁷ LTFV imports of PA by quantity increased by 34.1 percent from 1991 to 1992 and by 8.4 percent from 1992 to 1993, with a decline of 31.7 percent between interim periods 1993 and 1994. Increases in LTFV imports of PA by value followed a similar trend. CR at 77, PR at II-56, Table 22. Petitioners argued that LTFV imports in 1993 did not increase to a greater extent because duty-free treatment had lapsed. Petitioners' Prehearing Brief at 22. We note, however, that authorization of the General System of Preferences program lapsed only for the period of July 2, 1993 to August 10, 1993. See 19 U.S.C. § 2465, as amended Aug. 10, 1993, P.L. 103-66, 107 Stat. 667.

⁶⁸ The market share held by LTFV imports by quantity was: 1.3 percent in 1991; 1.7 percent in 1992; 1.8 percent in 1993; 2.1 percent in interim period 1993; and 1.4 percent in interim period 1994. Market share by value for LTFV imports was: 1.2 percent in 1991; 1.5 percent in 1992; 1.6 percent in 1993; 1.8 percent in interim period 1993; and 1.2 percent in interim period 1994. CR at 81, PR at II-59, Table 23.

⁶⁹ Chairman Watson and Commissioner Bragg did not place much weight on interim 1994 figures in making their determination of no significant volume effects, since import volume figures may have been affected by the filing of the petition and Commerce's subsequent preliminary affirmative determination. Although import volume may be affected by Commerce's preliminary bonding requirements, they note that such requirements were small in this case.

⁷⁰ The market share by quantity held by the domestic industry was: 96.7 percent in 1991; 94.3 percent in 1992; 93.0 percent in 1993; 91.3 percent in interim period 1993; and 94.9 percent in interim period 1994. The domestic industry's market share by value was: 96.9 percent in 1991; 94.5 percent in 1992; 93.7 percent in 1993; 92.4 percent in interim period 1993; and 95.1 percent in interim period 1994. CR at 81, PR at II-59, Table 23.

⁷¹ The market share by quantity held by imports from other sources was: 1.9 percent in 1991; 4.1 percent in 1992; 5.2 percent in 1993; 6.6 percent in interim period 1993; and 3.7 percent in interim period 1994. The other imports' market share by value was: 1.9 percent in 1991; 4.0 percent in 1992; 4.7 percent in 1993; 5.8 percent in interim period 1993; and 3.6 percent in interim period 1994. CR at 81, PR at II-59, Table 23.

B. Price Effects of Imports

The degree of substitutability between the subject imports and the like product is limited by a variety of factors. First, there is relatively limited competition between the subject imports and the domestic like product, because all LTFV imports of PA are in the flake form,⁷² while *** of U.S. shipments of PA are in the molten form.⁷³ Indeed, only five purchasers out of 25, accounting for approximately 13 percent of U.S. shipments, reported in responses to the Commission's questionnaire that they used both forms of PA to produce a particular product or line of products.⁷⁴ In short, the record establishes that there is very limited substitutability between subject imports and the domestic like product, which consists of both molten and flake PA. The subject imports competed primarily with the small flake PA segment of the domestic market, which accounted for *** of U.S. shipments of PA in 1993.⁷⁵

Second, several non-price factors, including quality, delivery lead times, and supply concerns, also limit the substitutability of the subject imports with domestic flake.⁷⁶ Purchasers responding to the Commission's questionnaire reported that, despite the lower price of the Venezuelan product, they continued to purchase U.S.-produced flake PA due to quality or delivery considerations. Of the 16 purchasers out of 25 responding to the Commission's questionnaire that were able to compare the Venezuelan and U.S. flake products, 56 percent reported that the Venezuelan product was inferior.⁷⁷ Moreover, firms indicated that they were willing to pay a price premium for the domestic product in order to minimize the risk of supply shortfalls.⁷⁸ The majority of these firms indicated that it viewed U.S. suppliers as being more reliable than suppliers of the Venezuelan material.⁷⁹ In short,

⁷² CR at 76, PR at II-55.

⁷³ CR at 32, PR at II-27, Table 6.

⁷⁴ These firms generally reported using relatively small quantities of flake PA as a supplement to their production processes. Only two firms reported switching from molten to flake PA in response to a change in relative prices, and neither firm switched entirely from molten to flake PA. EC-R-094 at 22 and 23.

⁷⁵ CR at 32, PR at II-27, Table 6.

⁷⁶ Purchasers reported that the non-price factors that influenced their sourcing decisions included: quality, availability, the existence of prearranged contracts, as well as maintaining several sources of supply, and favoring traditional suppliers. CR at 84, PR at II-62. See also EC-R-094 at 23.

⁷⁷ CR at 93, PR at II-67. Purchasers indicated that the Venezuelan product tended to cake or solidify, which presented handling difficulties, potentially caused quality-control problems, and generally increased production costs. EC-R-094 at 23.

⁷⁸ CR at 93, PR at II-67. Purchasers indicated that aside from differences in quality and price, the most significant difference between LTFV imports and domestic flake PA was reliability of supply. EC-R-094 at 23 and 24. In response to the Commission questionnaire, 78 percent of the purchasers indicated that they had experienced problems procuring PA products, molten or flake, in a timely manner at prevailing market prices during 1994. CR at 91, PR at II-66.

⁷⁹ EC-R-094 at 23 and 24.

the record establishes that there is very limited substitutability between subject imports and all domestic PA, and even between subject imports of flake and domestic flake.⁸⁰

While the Venezuelan PA consistently undersold the comparable domestic product during the period of investigation,⁸¹ the evidence in the record does not support a finding of significant adverse effects on U.S. prices for the like product by reason of subject imports. Import and domestic flake PA prices appeared to follow similar trends, particularly for spot sales, where the margin of underselling remained at a consistent level throughout the period of investigation.⁸² The price trends for domestic molten PA also were very similar to the trends for imported and domestic flake PA throughout the period of investigation.⁸³

Further, although underselling by the subject imports was both fairly consistent and widespread throughout the period of investigation, this underselling did not appear to significantly affect domestic flake PA prices or significantly increase the market share held by subject imports.⁸⁴ As described in the preceding section, market penetration by LTFV imports never exceeded 1.8 percent of U.S. apparent consumption by quantity in any full-year period examined by the Commission.

In fact, domestic prices for all PA, both imported Venezuelan flake and domestic molten and flake, appear to have declined over the period of investigation at least partially as a result of a decline in raw material prices and consequently in overall costs of goods sold.⁸⁵

⁸⁶ Orthoxylene prices have declined by as much as 20 percent during the period of

⁸⁰ Commissioner Crawford does not join the following discussion of price effects. She evaluates the effects of the dumping on domestic prices by comparing domestic prices that existed when the imports were dumped with what domestic prices would have been if the imports had been priced fairly. In this investigation, the dumping margin of 52 percent is so large that sales of subject imports likely would have been reduced at fairly traded prices. Because domestic capacity utilization for flake PA was *** in 1993, the domestic industry had sufficient capacity to supply the market share held by subject imports. There are five domestic producers that compete with each other in the market. Therefore, attempts by one producer to increase prices would have been met and "beaten back" by other producers. A further limitation on the ability of domestic producers to increase their prices is the availability of sufficient quantities of nonsubject imports in the market giving purchasers access to alternative sources of supply. As a result, the competition among the domestic producers themselves, and from nonsubject imports, would have minimized or prevented any price increase for the like product even without the presence of subject imports. Hence, subject imports cannot be found to have had any adverse effect on domestic prices.

⁸¹ CR at 99, PR at II-71, Table 25.

⁸² CR at 99, PR at II-71, Table 25. Most LTFV imports are spot sales.

⁸³ CR at Appendix I.

⁸⁴ CR at 77 and 99, PR at II-56 and II-71, Tables 22 and 25. When LTFV imports increased by 34.5 percent from 1991 to 1992, the margins of underselling were fairly consistent, ranging from *** and slightly lower than during the 1992-1993 period when imports increased by only 8.4 percent. Id.

⁸⁵ CR at 89, PR at II-64; EC-R-094 at 13.

⁸⁶ Chairman Watson notes that although supply and demand considerations are the primary determinants of market prices, declines in input costs, in a competitive market, can also affect market prices by allowing competitors greater flexibility to lower prices without sacrificing profit margins.

investigation.⁸⁷ U.S. producers frequently tie the price of molten PA to the price of orthoxylene, the primary raw material used in the production of PA, plus some margin that accounts for value-added and changing market conditions, *i.e.*, orthoxylene-plus basis.⁸⁸ Pricing for flake PA is also influenced by the price of orthoxylene, although it is not clear whether flake PA prices directly track orthoxylene prices.⁸⁹ Moreover, the ratio of PA prices to orthoxylene prices appears to have increased over time, which indicates that domestic PA prices declined less than raw material prices.⁹⁰ This provides further support for our conclusion that domestic prices have not been depressed or suppressed to a significant degree by the LTFV imports.

Purchasers responding to the Commission's questionnaire reported that PA accounted for a significant share of the total cost of production of their respective end products -- generally ranging from 15 to 40 percent.⁹¹ Although PA accounts for a relatively high share of the cost of production of the end products in which it is used -- a factor that suggests that purchases of PA are price-sensitive -- non-price factors, particularly quality and supply concerns, limit the substitutability of the low-priced imported flake PA for both domestic flake and molten PA. Moreover, the lack of technical or commercial substitutes for PA, as well as for the products in which PA is used, makes purchasers less likely to change their overall consumption of PA in response to a change in price.⁹²

Finally, evidence on the record generally does not confirm the lost sales and revenue allegations and, in fact, provides some evidence that U.S. producers appeared to be competing with each other and to some extent with non-subject imports.⁹³

Thus, despite consistent underselling by subject imports as compared with the prices for the domestic product, the evidence of record does not support the conclusion that the prices of the subject imports have had a significant depressing or suppressing effect on the prices of the domestic PA product.

⁸⁷ CR at H-3, PR at H-3, Table H-1.

⁸⁸ CR at 89, PR at II-64; EC-R-094 at 13.

⁸⁹ CR at 89, PR at II-64.

⁹⁰ CR at 89, PR at II-64; EC-R-094 at 13. In addition, the overall costs of goods sold for domestically-produced flake PA declined substantially from 1991 to 1993. CR at D-6, PR at D-4, Table D-2. Unit costs of goods sold for flake PA also declined. *Id.*

⁹¹ EC-R-094 at 11.

⁹² EC-R-094 at 11.

⁹³ CR at 105 - 106 and Appendix K, PR at II-74.

C. Impact of Imports on the Domestic Industry⁹⁴

Finally, we consider the impact of subject imports on the domestic industry producing PA. In this case, we find that the very small volume and market share of the subject imports have not had an adverse impact on the domestic industry. As discussed earlier, domestic producers of PA continually held more than a 90 percent market share throughout the period of investigation, and subject imports never held a market share of more than 1.8 percent in any full year period examined by the Commission. Moreover, the slight decline in the domestic industry's total shipments by quantity from 1991 to 1993 appears to be the result of a substantial decline in its export shipments for that period.⁹⁵ The domestic industry's U.S. shipments of PA increased from 1991 to 1993 and between interim periods.⁹⁶

Although there were declines in several industry factors, the financial performance indicators for the industry as a whole were generally positive between 1991 and 1993. Gross profit increased by 32.9 percent between 1991 and 1992, and then decreased by 8.5 percent from 1992 to 1993, for an overall increase of 21.7 percent over the entire period of investigation.⁹⁷ Operating income increased by 41.8 percent between 1991 and 1992, and declined by 19.1 percent from 1992 to 1993, for an overall increase of 14.1 percent over the same period. Considerable gains in both of these factors were obtained over the same period that imports from Venezuela increased in both quantity and value. By quantity, Venezuelan imports increased by 34.1 percent between 1991 and 1992, and by 8.4 percent between 1992

⁹⁴ Commissioner Crawford does not join in the following discussion. She evaluates the impact on the domestic industry by comparing the state of the industry when the imports were dumped with what the state of the industry would have been if the imports had been priced fairly. In assessing the impact of subject imports on the domestic industry, she considers, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital and research and development as required by 19 U.S.C. § 1677(C)(iii). These factors either encompass or reflect the volume and price effects of the dumped imports, and so she gauges the impact of the dumping through those effects. In this regard, the impact on the domestic industry's prices and sales, and therefore revenues, is critical, because the impact on other industry indicators (e.g. employment, wages, etc.) is derived from the impact on revenues. In this investigation, the dumping margin of 52 percent is so large that sales of subject imports would have been reduced if priced at fairly traded prices. Because of available domestic capacity and competition in the U.S. market, domestic prices would not have increased significantly if subject imports had been sold at fairly traded prices. As a result, any impact of subject imports on the domestic industry would have been on the volume of the domestic industry's output and sales. Even if the domestic industry had captured the entire market share held by subject imports, however, it would have increased its market share by *** percent. This increase in market share is so small that the domestic industry's output, sales and revenues would not have increased significantly. Consequently, Commissioner Crawford concludes that the domestic industry would not have been materially better off if subject imports had been fairly priced. Therefore, she determines that the domestic industry is not materially injured by reason of the dumped imports from Venezuela.

⁹⁵ CR at 32, PR at II-27, Table 6.

⁹⁶ CR at 32, PR at II-27, Table 6.

⁹⁷ Data referred to in this paragraph are summarized in CR at 55, PR at II-42, Table 15.

and 1993, for an overall increase of 45.4 percent over the three year period.⁹⁸ By value, imports from Venezuela increased by 41.3 percent between 1991 and 1992, and decreased by 4.8 percent between 1992 and 1993, for an overall increase of 34.5 percent between 1991 and 1993.⁹⁹

Finally, we have considered whether injury to the domestic PA industry might have resulted from adverse effects of Venezuelan imports on the flake segment of the U.S. PA market.¹⁰⁰ Although the class or kind of subject merchandise covered by this investigation includes both molten and flake PA, actual imports of PA from Venezuela are only in the flake form. As previously noted, there is limited substitutability between the LTFV imports and domestic PA -- whether in molten or flake form. To the extent that competition exists between subject imports and domestic PA, however, it would be most apparent between subject imported flake and domestic flake. Thus, one might expect to see adverse effects, if any, from LTFV imports manifested in the flake segment of the market.¹⁰¹

Given the limited substitutability of LTFV imports for domestic flake, however, we find no significant adverse effects by reason of the LTFV imports in the flake segment of the U.S. market. Moreover, the domestic industry's U.S. flake shipments account for only a small proportion -- less than 10% in 1993 -- of U.S. producers' total U.S. shipments of PA. Thus, in this case we find that the impact of LTFV sales on domestic production of flake PA is insignificant, and does not constitute material injury to the domestic PA industry.

We also note that the economic analysis indicates minimal revenue-, output-, and price-suppressive effects of the LTFV imports on the domestic industry.^{102 103} Even assuming that the domestic industry would have captured the entire market share of subject imports, the result would have been only a very minor increase in domestic market share. This increase in market share would be so small that the impact on the domestic industry's output and revenues would not be significant.

⁹⁸ CR at 77, PR at II-56, Table 22.

⁹⁹ CR at 77, PR at II-56, Table 22.

¹⁰⁰ See Supplemental Views of Vice Chairman Nuzum for her discussion of the submarkets in this investigation.

¹⁰¹ In making our determination, the Commission considers the impact of the imports on the industry "as a whole." See, e.g., United Eng'g & Forging v. United States, 779 F. Supp. 1375, 1391 (Ct. Int'l Trade 1991). However, we are not prevented from focusing on appropriate market segments. See Iwatsu Elec. Co. v. United States, 758 F. Supp. 1506, 1511 n.7 (Ct. Int'l Trade 1991); Gifford-Hill Cement Co. v. United States, 615 F. Supp. 577, 582-84 (Ct. Int'l Trade 1985); see also Copperweld Corp. v. United States, 682 F. Supp. 552, 566 (Ct. Int'l Trade 1988).

¹⁰² See EC-R-094.

¹⁰³ Vice Chairman Nuzum does not join the discussion in this paragraph.

In sum, we conclude that the evidence fails to establish a causal connection between the condition of the domestic industry and the dumped imports. We therefore determine that the U.S. industry producing PA is not materially injured by reason of the LTFV imports of PA from Venezuela.

V. NO THREAT OF MATERIAL INJURY BY REASON OF THE SUBJECT IMPORTS

Section 771(7)(F) of the Act directs the Commission to consider whether a U.S. industry is threatened with material injury by reason of the subject imports "on the basis of evidence that the threat of material injury is real and that actual injury is imminent."¹⁰⁴ The Commission may not make such a determination "on the basis of mere conjecture or supposition."¹⁰⁵ In making our determination, we have considered all of the statutory factors that are relevant to this investigation.¹⁰⁶

We do not find that the information concerning Venezuelan production capacity and capacity utilization shows that a significant increase in subject imports of PA into the United States is likely. Although production capacity increased, it did not result in additional unused capacity.¹⁰⁷ In fact, capacity utilization levels in Venezuela were high, and have increased, in spite of the substantial increase in production capacity from 1991 to 1993.¹⁰⁸

¹⁰⁹ Moreover, the increased capacity directly corresponds to substantial increases in exports

¹⁰⁴ 19 U.S.C. §§ 1673d(b) and 1677(7)(F)(ii).

¹⁰⁵ 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallwerken Nederland B.V. v. U.S., 744 F.Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire, 8 CIT at 28, 590 F.Supp. at 1280. See also Calabrian Corp. v. United States, 794 F. Supp. 377, 387 and 388 (Ct. Int'l Trade 1992) (citing, H.R. Rep. No. 1156, 98th Cong., 2d Sess. 174 (1984)).

¹⁰⁶ 19 U.S.C. § 1677(7)(F)(i). Several of the statutory threat factors have no relevance to this investigation and need not be discussed. Because there are no subsidy findings, factor I is not applicable. Moreover, factor IX regarding raw and processed agriculture products also is not applicable to this case.

¹⁰⁷ CR at 69 and 71, PR at II-51, Tables 20 and 21. Capacity to produce molten PA in Venezuela increased by *** from 1991 to 1992, by *** from 1992 to 1993, and by *** between interim periods. Capacity to produce flake PA in Venezuela increased by *** from 1991 to 1992, by *** from 1992 to 1993, and by *** between interim periods. Id.

¹⁰⁸ CR at 69 and 71, PR at II-51, Tables 20 and 21. Capacity utilization levels for Venezuelan molten PA production were: *** in 1991, *** in 1992, *** in 1993, *** in interim period 1993, and *** in interim period 1994. Capacity utilization levels for the Venezuelan flake PA production were: *** in 1991, *** in 1992, *** in 1993, *** in interim period 1993, and *** in interim period 1994. Id. We further note that despite the lower capacity utilization rates for interim period 1994, Venezuelan exports to the United States have decreased, not increased during that period. CR at 77, PR at II-56, Table 22.

¹⁰⁹ Commissioner Rohr and Commissioner Newquist note that in this investigation, their threat analysis is not based on the particular form in which the subject imports are imported into the U.S., i.e., flake. For them, the relevant Venezuelan capacity and production constraints to be examined is that of molten because, as noted in footnote 42, all flake is produced from molten. Commissioner Rohr and Commissioner Newquist conclude that the increase in Venezuelan molten capacity and production is not likely to result in imminent increases of flake imports into the U.S.

to other markets and home-market shipments.¹¹⁰ From 1991 to 1993, Venezuelan flake exports to countries other than the United States increased at a much greater rate than exports to the United States.¹¹¹ Indeed, in 1993, Venezuelan flake exports to markets other than the United States were more than *** times larger than exports to the United States. For these reasons, we find that the *** is not likely to result in significantly increased exports of PA to the United States.¹¹²

We also do not find evidence of any rapid increase in United States market penetration of PA from Venezuela, or of a likelihood that the penetration will increase to an injurious level. The volume of PA imports from Venezuela into the United States has been small during the period of investigation.¹¹³ Market penetration by LTFV imports has not been significant, and there is no indication that it will be in the future. The most substantial increase in market penetration by LTFV imports occurred in the 1991-1992 period, with only a moderate increase from 1992 to 1993, and market penetration was substantially lower in interim 1994 compared with interim 1993. Venezuelan exports of PA to the U.S. market accounted for a declining share of total Venezuelan shipments of PA during the period of investigation¹¹⁴ and, as previously noted, exports to third countries account for the *** share of Venezuelan shipments of PA, with a significant share also held by home-market shipments.^{115 116} There is no evidence to suggest an imminent change in these

¹¹⁰ CR at 71 and 77, PR at II-51 and II-56, Tables 21 and 22. For example, during the 1991-1992 period, when Venezuelan production capacity for flake PA increased by *** LTFV imports by quantity increased by 34.1 percent, home-market shipments of flake PA increased by *** and exports to all other countries increased by ***. However, during the 1992-1993 period, when Venezuelan flake production capacity increased by *** LTFV imports by quantity increased by only 8.4 percent, while home-market shipments of flake PA increased by *** and exports to all other countries increased by *** *Id.*

¹¹¹ Any discussion of threat from Venezuelan production of molten PA would be speculative due to transportation constraints particular to the molten form. CR at 6 and 86, PR at II-5 and II-63. In addition, there have been *** exports of molten PA by Venezuela to *** export market throughout the period of investigation and there is no evidence that this will change in the immediate future. CR at 69, PR at II-51, Table 20.

¹¹² See S. Rep. No. 249, 96th Cong., 1st Sess. 88-89 (1979); *Citrosuco Paulista v. United States*, 704 F. Supp. 1075, 1095 (Ct. Int'l Trade 1988) (Commission's determination may not be based on mere conjecture or supposition).

¹¹³ CR at 77, PR at II-56, Table 22.

¹¹⁴ CR at 69 and 71, PR at II-51, Tables 20 and 21. U.S. exports as a share of total Venezuelan PA (molten and flake) shipments were: ***. U.S. exports as a share of total Venezuelan flake PA shipments were: ***. *Id.*

¹¹⁵ CR at 69 and 71, PR at II-51, Tables 20 and 21. Third country shipments as a share of Venezuelan total shipments of PA (molten and flake) accounted for ***. Third country shipments as a share of Venezuelan total shipments of flake PA accounted for ***. Home market shipments as a share of Venezuelan's total shipments of PA (molten and flake) accounted for ***. Home market shipments as a share of Venezuelan's total shipments of flake PA accounted for ***. *Id.* There are substantial home-market shipments of molten PA. CR at 69, PR at II-51, Table 20.

¹¹⁶ Commissioner Newquist notes that in some situations significant home and third market consumption often suggests that there is a considerable amount of product which may be directed to the United States. For this investigation, however, Commissioner Newquist does not find the likelihood of such diversion to be imminent.

circumstances. For these reasons, we do not find that market penetration is likely to increase to an injurious level.

The record does not support a finding that the inventories of subject imports in the United States will have an injurious effect on the U.S. industry in light of our assessment of other threat factors. Although import inventories increased by volume from 1991 to 1993, they remained relatively stable as a share of U.S. shipments of subject imports from 1991 to 1993, and were significantly lower in interim period 1994 compared with interim period 1993.¹¹⁷ Moreover, in this investigation subject import inventories in the United States as a share of apparent consumption in the U.S. PA market were 0.3 percent in 1993, an amount too small to support a finding of threat of material injury to the domestic industry. In the most recent period, import inventories declined, and there is no evidence in the record to suggest any likely increase in the future.

We also do not find that subject imports will enter the United States at prices that will have a depressing or suppressing effect on domestic prices.¹¹⁸ As discussed above, the Commission found no significant price- depressing or -suppressing effects from subject imports during the period of investigation. There is virtually no direct competition between LTFV imports of flake PA and domestic molten PA, which accounted for the vast majority of domestic producers' shipments of all PA. Furthermore, there is limited substitutability between imported flake PA and domestic flake PA due to such non-price factors as quality and supply requirements. There is no indication that these circumstances will change in the near future. We find no other evidence to indicate that subject imports are likely to have any greater impact on domestic prices in the near future than was the case during the period of investigation.¹¹⁹

In addition, the Commission must consider whether dumping findings or antidumping remedies in markets of foreign countries against the same class or kind of merchandise suggest a threat of material injury to the domestic industry.¹²⁰ There is an outstanding Chilean antidumping order against phthalic anhydride that covers imports from Venezuela.¹²¹ We have considered this order in making our determination and find that it

¹¹⁷ CR at 67, PR at II-50, Table 19.

¹¹⁸ Commissioner Rohr and Commissioner Newquist do not join this paragraph. They agree that there is no indication that imports will imminently enter the market at prices which will have a price suppressing or depressing effect. They do find, however, that any price suppression or depression which may have occurred or might occur, appears to be the result of aggressive competition between the domestic producers. For example, ***. See Report at Table 12.

¹¹⁹ See 19 U.S.C. § 1677(7)(F)(i)(IV).

¹²⁰ 19 U.S.C. § 1677(7)(F)(iii)(I).

¹²¹ In March 1994, the Chilean antidumping authority imposed a provisional, or preliminary, antidumping duty of 7 percent on imports of phthalic anhydride produced by one Venezuelan company, Petroquímica Sima C.A., and an antidumping duty of 7 percent for a period of one year on imports of phthalic anhydride produced by Venezuelan companies Oxidor and Anhiven de Venezuela. Chilean antidumping decree nos. 273 and 274, issued March 22, 1994; Venezuelan Posthearing Brief, Exhibit 3.

will not result in significant increases in Venezuelan exports to the United States. Venezuelan exports of PA¹²² to the Chilean market accounted for only a *** of total Venezuelan PA shipments in 1993.¹²³ Moreover, as previously discussed, other third country markets, *** account for the major share of Venezuelan exports of PA, and there is no evidence that any Venezuelan flake PA will be diverted to the U.S. market due to the Chilean order.¹²⁴

We find no "other demonstrable adverse trends" that indicate that subject imports will be the cause of actual injury, or any "actual and potential negative effects on existing development and production efforts of the domestic industry."¹²⁵ We therefore determine that the domestic industry producing PA is not threatened with material injury by reason of the LTFV imports from Venezuela.

CONCLUSION

For the reasons discussed above, we find that the domestic industry producing phthalic anhydride is neither materially injured nor threatened with material injury by reason of LTFV imports from Venezuela.

¹²² *** PA exported by Venezuelan producers is in the flake form. CR at 69, PR at II-51, Table 20.

¹²³ CR at 69, 71 and 74, PR at II-51, Tables 20 and 21, and Figure 16, and Respondent's Posthearing Brief, Exhibit 2 at 2 and 3. Exports of flake PA to the Chilean market accounted for *** of Venezuela's total flake shipments and *** of its total (molten and flake) PA shipments in 1993. Id. The Venezuelan respondent, Oxidor, also indicated in a sworn affidavit that:

the ***

Respondent's Posthearing Brief, Exhibit 3 at 1 and 2.

¹²⁴ Subject imports in interim period 1994 were 31.4 percent lower by quantity than in interim period 1993. CR at 77, PR at II-56, Table 22.

¹²⁵ See 19 U.S.C. §§ 1677(7)(F)(i)(VII) and (X).

SUPPLEMENTAL VIEWS OF VICE CHAIRMAN JANET A. NUZUM

I concur in the analysis and findings set forth in the Views of the Commission in this investigation; these supplemental views briefly elaborate on my analysis of the submarkets in this market. Where, as in this investigation, subject imports are concentrated in a particular segment of the market, analysis of submarkets may reveal injury from LTFV imports that might otherwise be masked by the data for the industry as a whole. Any evidence of injury within a submarket nevertheless must rise to the level of material injury to the domestic industry as a whole to justify an affirmative determination. In this investigation, I do not find the evidence supports an affirmative determination, even after consideration of submarkets.

The domestic market for phthalic anhydride ("PA") comprises two submarkets: molten and flake. These submarkets exist largely because of equipment constraints among end-users. Large-volume purchasers generally purchase the molten form of PA because they have molten handling systems. A few of these large-volume purchasers have some degree of flexibility to use either the flake or molten form. Small-volume purchasers, by contrast, purchase the flake form of the product exclusively because that is the only form their equipment can use.¹ Thus, given the equipment constraints that require most purchasers to choose one form of PA or the other, there is relatively limited substitutability between the molten and flake forms, even though both forms are used for exactly the same purposes.²

The vast majority of domestic shipments of PA are in the molten form. In 1993, molten PA accounted for more than 85 percent of U.S. shipments.³ Hence, much of the domestic industry's operations do not compete directly with LTFV imports, which consist entirely of flake PA.⁴

Consumption patterns for molten and flake followed different trends during the period examined. Domestic consumption of molten increased from 1991 to 1992 before declining from 1992 to 1993. Consumption of molten recovered during the interim period.⁵ Flake consumption increased throughout the full three years of the period, but then declined during the interim period.⁶

¹ CR at 6 and 92; PR at II-5 and II-66.

² note, however, this does not rise to the level of differentiation which would lead to a finding of separate like products.

³ CR at 32, PR at II-27, Table 6.

⁴ CR at 76, PR at II-55.

⁵ CR at 26, PR at II-21, Table 4.

⁶ Id.

Notwithstanding the increases in flake consumption during 1991-93, domestic producers' production, shipments, and net sales of flake PA all declined fairly substantially during that period.⁷ Since domestic producers held 100 percent of the market for molten PA throughout the entire period of investigation, their production, shipments and net sales of molten PA tracked consumption patterns for molten PA.⁸

Both segments of the domestic industry saw gains in their financial performance during 1991-92 and then declines in 1992-93. The molten segment's financial performance, however, was higher in 1993 as compared to 1991; for the flake PA segment, 1993 financial indicators were below 1991 levels. Both segments saw declines in their financial performance during the interim period, although the molten PA segment's performance continued to be fairly strong.⁹

Petitioners contend that the flake segment's declines were due to the subject imports, and that these declines constitute material injury to the domestic PA industry. The record does not establish, however, a clear causal link between the subject imports and the flake segment's performance.¹⁰ Analysis of the pricing data, based on direct comparisons of subject imports of flake and domestic flake PA, demonstrates the lack of any significant price depressing or suppressing effects on prices of domestic flake PA.¹¹ Examining the changes in subject import volumes in the context of the domestic flake PA submarket likewise do not reveal a clear causal connection between the subject imports and domestic performance in the flake segment of the industry.

Although subject imports increased 34.1 percent by volume from 1991 to 1992, this translates into only a small increase in terms of market share for flake -- from *** to *** percent by volume.¹² Moreover, while domestic market share in the flake segment declined from *** percent in 1991 to *** percent in 1992, financial performance for domestic flake production improved.¹³

From 1992 to 1993, subject imports increased 8.4 percent by volume, but rose only slightly in terms of market share to *** percent.¹⁴ Domestic market share for flake PA fell from *** percent to *** percent—far less than occurred during 1991-92. Financial performance in the domestic flake segment, however, declined significantly during this period.¹⁵

⁷ CR at 26, 29, and 51, PR at II-21, II-24, and II-40, Tables 4, 5 and 13.

⁸ CR at D-3, PR at D-3, Table D-1.

⁹ CR at 45 and 51, PR at II-39 and II-40, Tables 11 and 13.

¹⁰ Given the very limited substitutability between molten and flake, subject imports appeared to have virtually no impact on the molten segment of the industry.

¹¹ CR at 96 and 98, PR at II-69 and II-70, Figures 20 and 21. See also Table J-2 in App. J.

¹² CR at 81, PR at II-59, Table 23.

¹³ Compare CR at 81 and 51, PR at II-59 and II-40, Tables 23 and 13.

¹⁴ CR at 81, PR at II-59, Table 23.

¹⁵ Compare CR at 81 and 51, PR at II-59 and II-40, Tables 23 and 13.

Subject imports were 31.7 percent lower in volume in interim 1994 as compared to interim 1993. The market share held by subject imports was *** percent in interim 1994, down from *** percent in interim 1993.¹⁶ Domestic flake shipments were significantly higher in interim 1994 compared to interim 1993, as was domestic market share for flake. Yet, financial performance for flake again worsened in interim 1994 as compared to interim 1993.¹⁷ In short, the domestic flake PA segment's financial performance appears to be quite disparate from its production, shipments and market share. I am not persuaded that subject imports contributed to the domestic flake segment's declines, particularly since the largest increase in subject imports in 1991-92 coincided with improvement in the flake segment's profitability.

In any event, the negative trends in the domestic flake PA segment did not significantly affect the trends in domestic PA overall. Comparing the molten PA segment's performance with overall PA industry performance does not establish significant differences between the subset and the whole.¹⁸ Whatever impact LTFV imports may have had on the flake segment of the domestic industry, if any, that impact was too small to constitute material injury to the domestic industry as a whole.

¹⁶ CR at 81, PR at II-59, Table 23.

¹⁷ Compare CR at 81 and 51, PR at II-59 and II-40, Tables 23 and 13.

¹⁸ Compare CR at D-3 and D-7, PR at D-3 and D-5, Tables D-1 and D-3.

PART II

INFORMATION OBTAINED IN THE INVESTIGATION

INTRODUCTION

Institution of Investigation No. 731-TA-668 (Final)

Following a preliminary determination by the U.S. Department of Commerce (Commerce) that imports of phthalic anhydride¹ from Venezuela are being, or are likely to be, sold in the United States at less than fair value (LTFV),² the U.S. International Trade Commission (Commission), effective May 25, 1994, instituted investigation No. 731-TA-668 (Final) under section 735(b) of the Tariff Act of 1930 (the Act),³ to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was posted in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and published in the *Federal Register* on June 22, 1994.^{4 5} The hearing was held in Washington, DC, on August 9, 1994.⁶

Commerce's final affirmative LTFV determination was published in the *Federal Register* on August 10, 1994.⁷ The Commission voted on the subject investigation on September 14, 1994. The Act requires the Commission to notify Commerce of its final determination on or before September 21, 1994.

Background

This investigation results from a petition filed by four U.S. producers of phthalic anhydride,⁸ on October 22, 1993, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized and/or LTFV imports of phthalic anhydride from Brazil, Hungary, Israel, Mexico, and Venezuela. In response to that

¹ For purposes of this investigation, phthalic anhydride is defined as an aromatic synthetic organic chemical usually produced from a primary petrochemical called orthoxylene, although it is sometimes produced from naphthalene. Phthalic anhydride is predominantly used in the production of plasticizers, unsaturated polyester resins, and alkyd resins, which in turn are generally used to produce plastics and paints. This investigation covers phthalic anhydride sold in either flaked or molten form. Phthalic anhydride is provided for in subheading 2917.35.00 of the Harmonized Tariff Schedule of the United States (HTS).

² 59 F.R. 27532, May 27, 1994.

³ 19 U.S.C. § 1673d(b).

⁴ 59 F.R. 32220.

⁵ Copies of cited *Federal Register* notices are presented in app. A.

⁶ A list of witnesses appearing at the hearing is presented in app. B.

⁷ 59 F.R. 40867.

⁸ These firms are Aristech Chemical Corp., Pittsburgh, PA; BASF Corp., Parsippany, NJ; Koppers Industries, Inc., Pittsburgh, PA; and Stepan Co., Northfield, IL.

petition the Commission instituted investigations Nos. 303-TA-24 and 701-TA-357-358 (Preliminary) and Invs. Nos. 731-TA-664-668 (Preliminary) under sections 703 and 733 of the Act.⁹ On December 6, 1993, the Commission determined that there was a reasonable indication of threat of material injury by allegedly subsidized and LTFV imports from Venezuela. The Commission also determined that there was no reasonable indication of material injury or threat thereof by allegedly subsidized and/or LTFV imports from Brazil, Hungary Israel, and Mexico.^{10 11} On August 10, 1994, Commerce made a final negative determination in the investigation concerning subsidized imports from Venezuela.¹²

PREVIOUS AND RELATED INVESTIGATIONS

There have been no previous Commission investigations of which phthalic anhydride was the subject. As a related matter, however, certain petitioners in this investigation have previously filed petitions requesting the removal of the Generalized System of Preferences (GSP) duty-free status for phthalic anhydride from Venezuela, Brazil, and Mexico. The most recent petition seeking such action was filed on June 1, 1993, with the GSP Subcommittee, Office of the U.S. Trade Representative, on behalf of Aristech Chemical Corp. and Stepan Co.¹³ That petition requested the removal of phthalic anhydride entered from Venezuela, Brazil, and Mexico from eligibility for GSP duty-free status. The request was granted for U.S. imports of phthalic anhydride entered from Mexico;¹⁴ however, U.S. imports from Brazil and Venezuela continue to enter the United States free of duty under the GSP. Products of India were previously excluded from GSP benefits with respect to this subheading.

⁹ 19 U.S.C. § 1673b(a).

¹⁰ See *Phthalic Anhydride from Brazil, Hungary, Israel, Mexico, and Venezuela*, Invs. Nos. 303-TA-24 and 701-TA-357-358 (Preliminary) and Invs. Nos. 731-TA-664-668 (Preliminary), USITC Pub. 2709, Dec. 1993.

¹¹ On Jan. 27, 1994, Commerce published a preliminary negative countervailing duty determination concerning phthalic anhydride from Venezuela (59 F.R. 3842). On Mar. 4, 1994, Commerce published a notice of alignment of its final countervailing duty determination with its final antidumping determination (59 F.R. 10372).

¹² 59 F.R. 40868.

¹³ BASF Corp. and Koppers Industries, Inc. joined in support of the petition.

¹⁴ Mexico was ineligible for all GSP benefits, as of Jan. 1, 1994, as a result of entry into force of the North American Free Trade Agreement (NAFTA). Mexico receives duty free status for phthalic anhydride under NAFTA.

THE PRODUCT

Product Description

Phthalic anhydride is a synthetic aromatic organic chemical produced principally from the primary petrochemical orthoxylene.¹⁵ Phthalic anhydride is assigned a Chemical Abstracts Service (CAS) registry number of 85-44-9. Phthalic anhydride, like other organic acid anhydrides, reacts chemically with alcohols to give the corresponding monoester or diester, depending on the ratio of the amounts of anhydride and alcohol used. This latter property accounts for the principal uses of phthalic anhydride. Upon the addition of water (i.e., rehydration), phthalic anhydride yields phthalic acid.

Phthalic anhydride is available in two physical forms--namely, molten (or liquid) and flaked solid. Both physical forms are chemically identical and may be used interchangeably for all principal applications involving phthalic anhydride.¹⁶ The chemical is molten at or above a temperature of 131°C (268° F); hence, this form must be transported in insulated containers. Molten phthalic anhydride is commonly shipped by road in tank trucks with a capacity of about 4,000 to 5,000 gallons each or by rail in tank cars with a capacity of approximately 26,000 gallons each.¹⁷ Generally the molten form of this chemical is used only by large-volume consumers, and transportation distances are limited because of the need to maintain the temperature of the product at or above the melting point.¹⁸ Flaked phthalic anhydride, the only form of the imported chemical, is shipped in multiwalled bags of various capacities. Virtually all consumers of this chemical purchase some of the flaked product. Small-volume consumers use the flaked form of the chemical exclusively, whereas large-volume consumers often purchase and inventory this form in the event their liquid-handling systems become disabled.

Although flake phthalic anhydride is produced worldwide and appears to be commercially substitutable, some reported quality problems with the imported flake may in some instances reduce the substitutability. Information from producers, importers, and a

¹⁵ Prior to the mid 1950s, commercial production of phthalic anhydride was based on the use of naphthalene, a coal tar derivative, as a raw material. The dominant raw material in use today to make phthalic anhydride is orthoxylene. Nearly 95 percent of U.S. orthoxylene production is consumed in the production of phthalic anhydride. Presently, only one U.S. producer, Koppers Industries, is capable of using either naphthalene or orthoxylene (or a mixture of both) as a feedstock for phthalic anhydride production. Naphthalene has very limited uses beyond the use as a feedstock for phthalic anhydride production. The next major use of naphthalene is to manufacture moth balls.

¹⁶ Some specialty chemical producers report that the by-products present in the shipments of some phthalic anhydride producers may cause problems with the production of their end products.

¹⁷ *Kirk-Othmer Encyclopedia of Chemical Technology*, 3rd ed., vol. 17, John Wiley and Sons, New York, NY, p. 744.

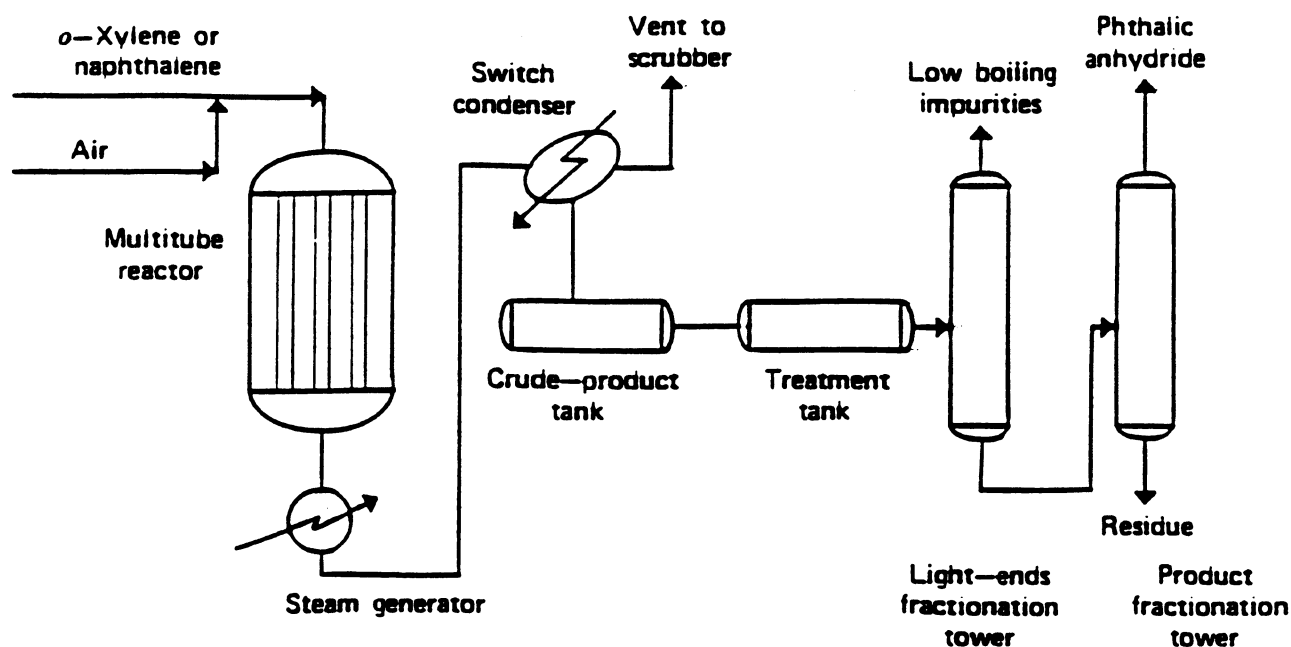
¹⁸ According to one industry source, molten phthalic anhydride is shipped at 350°F (177°C), or 82°F above its melting point temperature. This is done to ensure that the chemical arrives at its destination in the liquid form.

limited number of purchasers was mixed regarding any quality differences between imported and domestic flake phthalic anhydride. Information obtained from the same sources suggests that flake phthalic anhydride is not a close commercial substitute for molten phthalic anhydride in most instances.

Manufacturing Processes¹⁹

Generally, U.S. and foreign producers of phthalic anhydride use a modification of either the Chemische Fabrik von Heyden (von Heyden) or BASF processes (figure 1). Both processes incorporate the fixed-bed, vapor-phase oxidation of orthoxylene over a vanadium oxide/titanium oxide catalyst at temperatures of 380-400°C (716-752°F).²⁰ The reaction takes place in a multitubular fixed-bed reactor. The tubes are cooled with a molten salt heat-transfer fluid. Individual producers may maximize the efficiency of their particular process

Figure 1
Simplified flow diagram of the phthalic anhydride production process



Source: *Kirk-Othmer Encyclopedia of Chemical Technology*, 3rd ed., vol. 17, John Wiley and Sons (New York, NY), p. 741.

¹⁹ Information for this section is derived from *Kirk-Othmer Encyclopedia of Chemical Technology*, 3rd ed., vol. 17, John Wiley and Sons, New York, NY, pp. 732-746, unless otherwise noted.

²⁰ Koppers uses a modification of the BASF process that enables the reactor to be charged with either orthoxylene, naphthalene, or a mixture of the two raw materials.

by varying the catalyst used, the input flow rates of raw material, and/or the specific temperature range adjustments, or by other means. The controlled oxidation (or burning) of the raw material releases additional heat; that is, the reaction is exothermic. This additional heat is transferred to the salt mixture and dissipated by heat exchange between the molten salt coolant and water to generate steam. The steam may be used elsewhere in the manufacturing complex.

As it emerges from the reactor, the crude phthalic anhydride produced by these processes solidifies on cooling fins in devices called switch condensers. At the appropriate time, the fins are heated and melt the solidified product, which is transferred to distillation columns for purification. The crude product is distilled under vacuum, and the purified phthalic anhydride is collected as a molten liquid in tanks. This molten product can then either be loaded into rail or truck tanks for shipment, stored in heated storage tanks, or transferred to a flaking facility.

Flaked phthalic anhydride is produced by immersing a metal cylinder in a tank of the molten product.²¹ The metal cylinder is then cooled internally and a layer of solidified phthalic anhydride collects at the metal-liquid interface. This solidified product is removed in flakes from the cylinder using a sharp blade. The flakes are then bagged, weighed, and sealed for shipment. Because the flaked product can be stored at ambient temperatures, it is the most economical storage form of the chemical.

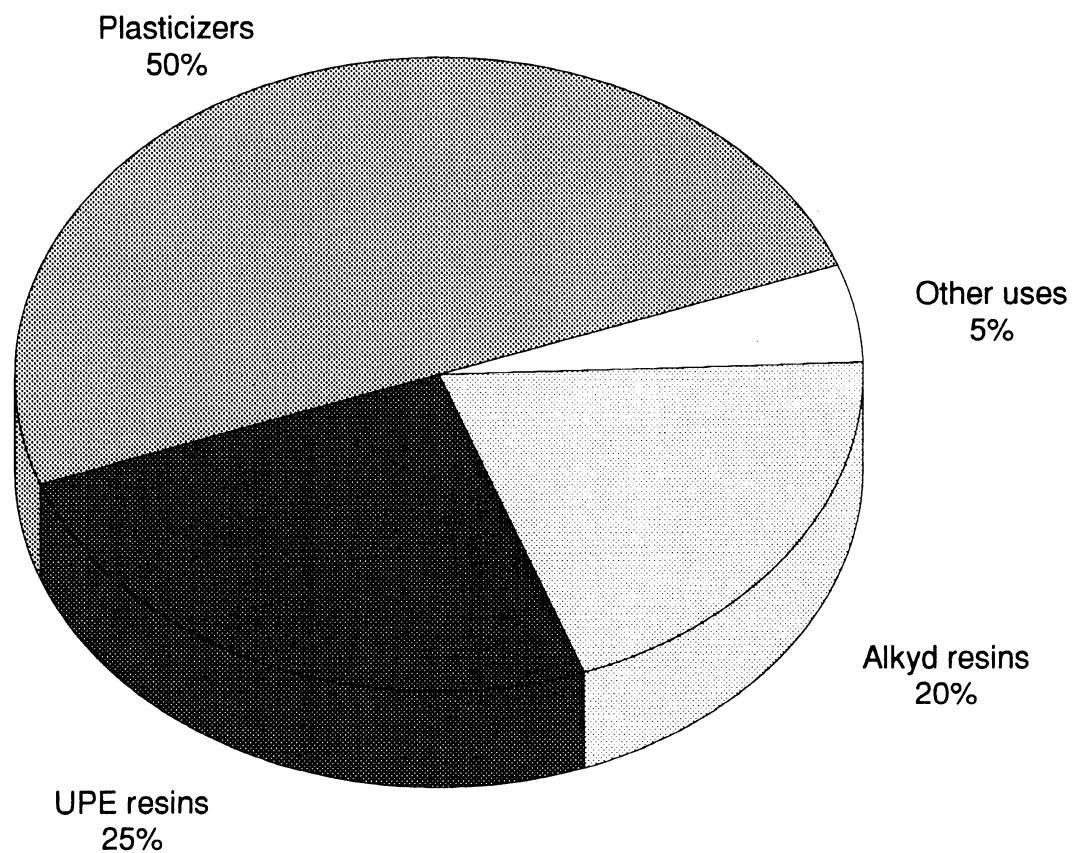
Uses

Phthalic anhydride is used as a raw material in the manufacture of plasticizers, unsaturated polyester resins, alkyd resins, and other miscellaneous products. Figure 2 shows U.S. consumption of phthalic anhydride by end uses in 1993.

Plasticizers are used to modify the physical properties of plastics resins, such as flexibility. Alkyd resins are used as the base for surface coatings. Unsaturated polyester resins are used principally as the matrix for reinforced thermoset plastics such as fiberglass plastics.

²¹ Petition, p. 28.

Figure 2
Phthalic anhydride: U.S. consumption, by end uses, 1993



Source: Kirk-Othmer Encyclopedia of Chemical Technology,
3rd edition.

Plasticizers

The major use of phthalic anhydride in plasticizers is in the production of phthalate esters from the chemical reaction of molten phthalic anhydride with certain alcohols. The largest and the most commercially important class of phthalate ester plasticizers is the dioctyl phthalates (DOP). In 1991, the total value of all DOP produced amounted to approximately \$410 million, or 67 percent of all phthalic anhydride plasticizers produced during this period.²² The major portion of annual DOP production is consumed by the producers of polyvinyl chloride (PVC) plastics resins.

Unsaturated Polyester Resins

Unsaturated polyesters are produced by the chemical reaction between unsaturated acids or their anhydrides, such as phthalic anhydride, and a polyhydric alcohol, such as ethylene or propylene glycol. When these polyesters are dissolved in a monomer such as styrene, a resin is produced. Unsaturated polyester resins are rarely used without the addition of a filler or other reinforcing material. The most common reinforcing additive is glass fiber. The glass-fiber-reinforced resin can be molded, cast, laminated, or gel-coated. This composite material is used extensively in the land and marine transportation industries and in the construction industry. Cast unsaturated polyester resins are not reinforced with glass fibers but contain other fillers. These products are used in manufacturing such common items as simulated marble for bathrooms and countertops, bowling balls, floor tile, furniture parts, and automobile patching compounds.

Alkyd Resins

Alkyd resins are a special group of polyester resins generally modified by the addition of monobasic fatty acids (one group of these resins, designated as nonoil or oil-free alkyd, is produced by reacting the unsaturated polybasic acid or anhydride with an excess of polyhydric alcohols). Because of their excellent hardness and durability, alkyd resins made with phthalic anhydride are widely used in the paints and coatings industry. These alkyd-based paints and coatings use various volatile solvents and thinners; hence, large-volume industrial use of these products is on the decline because of recent Federal legislation on air pollution. Alkyd resin producers are developing water-based resins to replace the volatile solvent-containing products.

²² U.S. International Trade Commission (USITC), *Synthetic Organic Chemicals, United States Production and Sales*, 1991, USITC Pub. 2607, Feb. 1993.

Other Uses

Phthalic anhydride is also used as a raw material in the manufacture of many more complex chemical products, such as dyes, pesticides, and pharmaceuticals. For example, phthalic anhydride is used to manufacture dyes such as 2-chloroanthraquinone and phthalocyanine blues, quinoline yellow, and anthracene brown. It is also used as a raw material to produce another intermediate chemical called isatoric anhydride, which is used in turn to manufacture the artificial sweetener saccharin. Phenolphthalein, used as a laxative in over-the-counter medicinal preparations and as a laboratory reagent chemical, is also produced from phthalic anhydride.

U.S. Tariff Treatment

Phthalic anhydride is classified under subheading 2917.35.00 of the HTS. Rates of duty for this HTS subheading are presented in table 1. The column-1-general rate of duty is 2.6 cents per kilogram plus 8.6 percent ad valorem. The column 2 rate of duty is 15.4 cents per kilogram plus 49.0 percent ad valorem. Imports of this chemical are eligible for duty-free entry under the GSP (except goods of India but including imports from Venezuela and Brazil), the NAFTA, the Caribbean Basin Economic Recovery Act (CBERA), the United States-Israel Free-Trade Area Implementation Act of 1985 (IFTA), and the Andean Trade Preference Act (ATPA).

THE NATURE AND EXTENT OF SALES AT LTFV

On August 10, 1994, Commerce published in the *Federal Register* notice of its final determination regarding imports of phthalic anhydride from Venezuela.²³ In its final determination, Commerce found that imports of phthalic anhydride from Venezuela are being, or are likely to be, sold in the United States at LTFV, as provided in section 735 of the Act. Based on the use of best information available (BIA), Commerce found an estimated weighted-average dumping margin of 52.00 percent for Oxidor C.A. and for all other manufacturers, producers, and exporters of phthalic anhydride.²⁴ The period of investigation was May 1, 1993, to October 31, 1993.

²³ 59 F.R. 40867.

²⁴ Commerce stated that it had based its final LTFV determination on BIA because of Oxidor's refusal to respond to Commerce's deficiency questionnaire and the company's refusal to participate in verification. Commerce assigned the highest margin alleged in the petition. Commerce's preliminary dumping margin was 3.03 percent.

Table 1
Phthalic anhydride: U.S. Import duties for HTS subheading 2917.35.00, 1994

<i>Subheading/eligibility status</i>	<i>Duty column</i>	<i>Rate of duty</i>
MFN countries ¹	Col. 1—General	2.6¢/kg. + 8.6%
Other special rate countries:		
Canada ²	Col. 1—Special	Free
Mexico ²	Col. 1—Special	Free
Israel ³	Col. 1—Special	Free
GSP ⁴	Col. 1—Special	Free
CBERA ⁵	Col. 1—Special	Free
ATPA ⁶	Col. 1—Special	Free
Others ⁷	Col. 2	15.4¢/kg. + 49.0%

¹ Countries eligible for most-favored-nation tariff treatment.

² Imports are subject to requirements of the North American Free Trade Agreement (NAFTA).

³ Imports are subject to provisions in the United States-Israel Free-Trade Area Implementation Act (IFTA).

⁴ Countries eligible for special tariff treatment under the Generalized System of Preferences (GSP). Products of India are excluded from GSP benefits with respect to this subheading.

⁵ Countries eligible for special tariff treatment under the Caribbean Basin Economic Recovery Act (CBERA).

⁶ Countries eligible for special tariff treatment under the Andean Trade Preference Act (ATPA).

⁷ Communist countries and areas enumerated in general note 3(b) to the HTS.

Source: *Harmonized Tariff Schedule of the United States* (1994).

THE GLOBAL MARKET

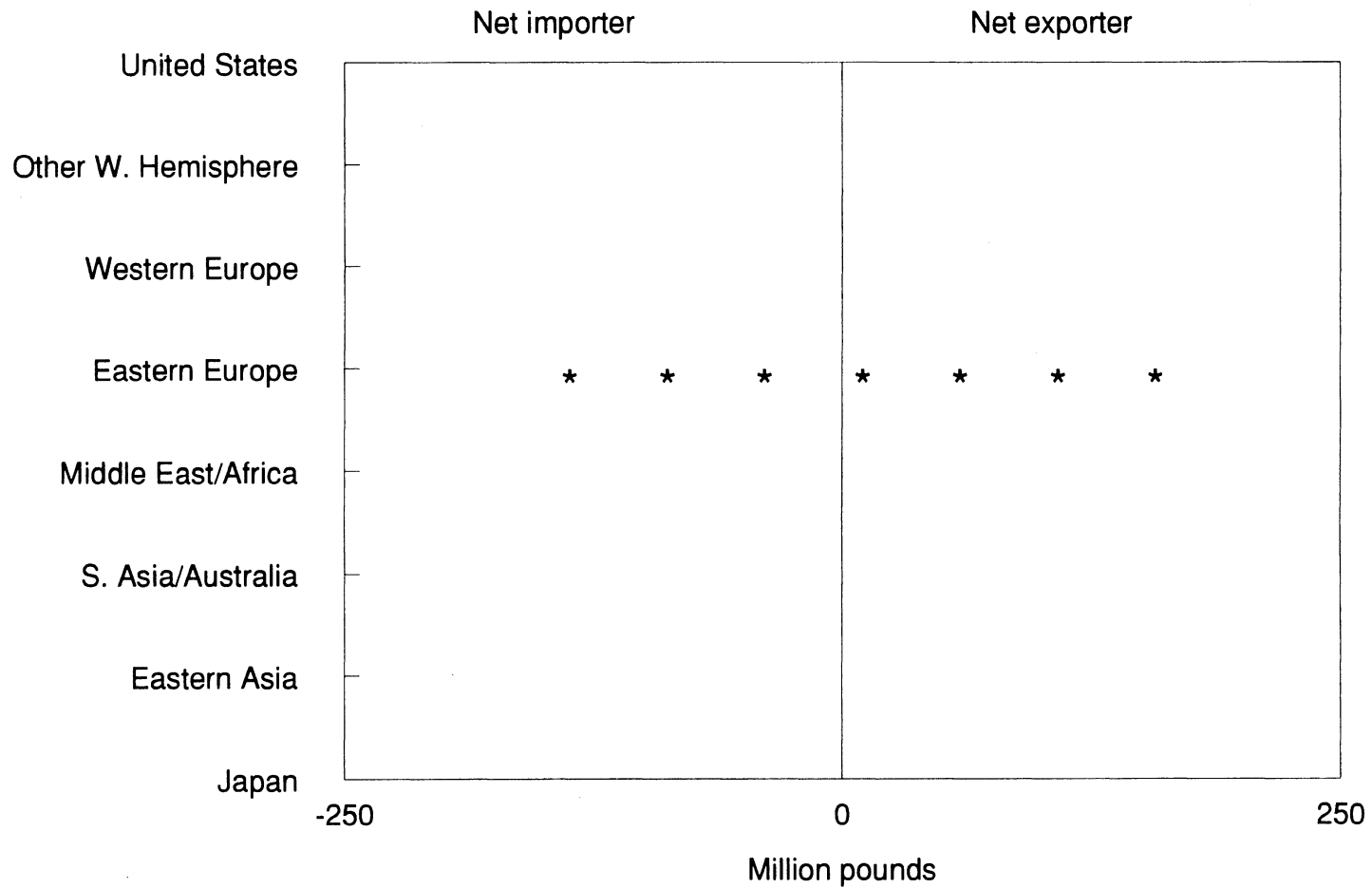
The United States accounted for 15.6 percent of global consumption and 15.2 percent of global production of phthalic anhydride in 1993. Figure 3 shows world production, by sources, in 1993. Figure 4 shows the quantity of net exports and net imports, by markets, in 1993. The United States and Eastern Asia were the only two global markets that were net importers of phthalic anhydride in 1993.

Figure 3
Phthalic anhydride: World production, by sources, 1993

* * * * *

Source: Orthoxylene-Phthalic Anhydride Annual World Survey,
1993, Tecnon Consulting Group

Figure 4
Phthalic anhydride: Net exports/imports, by markets, 1993



Source: Orthoxylene-Phthalic Anhydride Annual World Survey, 1993, Tecnon Consulting Group

THE U.S. MARKET

U.S. Producers

The U.S. phthalic anhydride industry underwent a period of consolidation and rationalization in the 1980s resulting, in part, from overbuilt capacity. There are currently five U.S. producers in the industry manufacturing at six plants in four states.²⁵ The Commission sent questionnaires to all five firms and received complete or partial responses from all five firms.²⁶ The names of these producers, their positions with respect to the petition, the locations of their production facilities, and their shares of phthalic anhydride production in 1993 are presented in table 2. The locations of U.S. producers are shown in figure 5. U.S. producers' shares of molten phthalic anhydride and flake phthalic anhydride production are presented in figures 6 and 7, respectively.

Aristech

Aristech Chemical Corp. (Aristech) of Pittsburgh, PA, the *** U.S. producer in 1993, is a subsidiary of Aristech Middle Corp.,²⁷ and accounted for *** percent of U.S. production in 1991, *** percent in 1992, *** percent in 1993, *** percent in January-June 1993, and *** percent in January-June 1994. Aristech also produces plasticizers and unsaturated polyester resins, and a significant portion of its molten production, *** percent in 1993, is captively consumed in those derivative products.

Aristech produces molten phthalic anhydride at its plant in Pasadena, TX. Its flaking facility is located in Neville Island, PA.²⁸ Approximately *** percent of Aristech's molten production was consumed to produce flake in 1993.

²⁵ Petition, p. 75; conference transcript (Conference TR), p. 11.

²⁶ During the course of this final investigation, the Commission staff experienced difficulty in obtaining complete, timely, and accurate responses from some of the petitioning companies. During the data collection process, the Commission staff attempted, to the extent possible, to coordinate such requests for information through the petitioners' counsel in Washington, DC. Verification was conducted for some data submitted by the petitioning companies. The one non-petitioning U.S. producer, Exxon, submitted its questionnaire in a timely and complete manner. Counsel for petitioners offered as explanation that they expected the Commerce LTFV determination to be extended. See letter to staff from counsel for petitioners dated July 25, 1994.

²⁷ Aristech Middle Corp. is owned by ACC Holding Co., ***.

²⁸ Aristech ships molten phthalic anhydride by railcar to Neville Island for further processing into flake phthalic anhydride. Aristech has no flaking facilities at its Pasadena, TX, molten production plant.

Table 2**Phthalic anhydride: U.S. producers, positions taken with respect to the petition, locations of production facilities, and shares of production in 1993**

Product/company	Position taken with respect to the petition	Location of production facilities	Share of production	
			Molten	Flake
<i>(percent)</i>				
Aristech Chemical	Petitioner	Pasadena, TX	***	(²)
		Neville Island, PA	(³)	***
BASF-Sterling Chemicals . . .	Petitioner	Texas City, TX	***	(²)
Exxon Chemical Americas . . .	(¹)	Baton Rouge, LA	***	(²)
Koppers Industries	Petitioner	Cicero, IL	***	***
Stepan	Petitioner	Joliet, IL	***	***

¹ In its response to the Commission's questionnaire, Exxon stated in part "****."² Does not produce flake phthalic anhydride.³ Does not produce molten phthalic anhydride.

Note.--Because of rounding, totals across columns may not add to 100 percent.

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

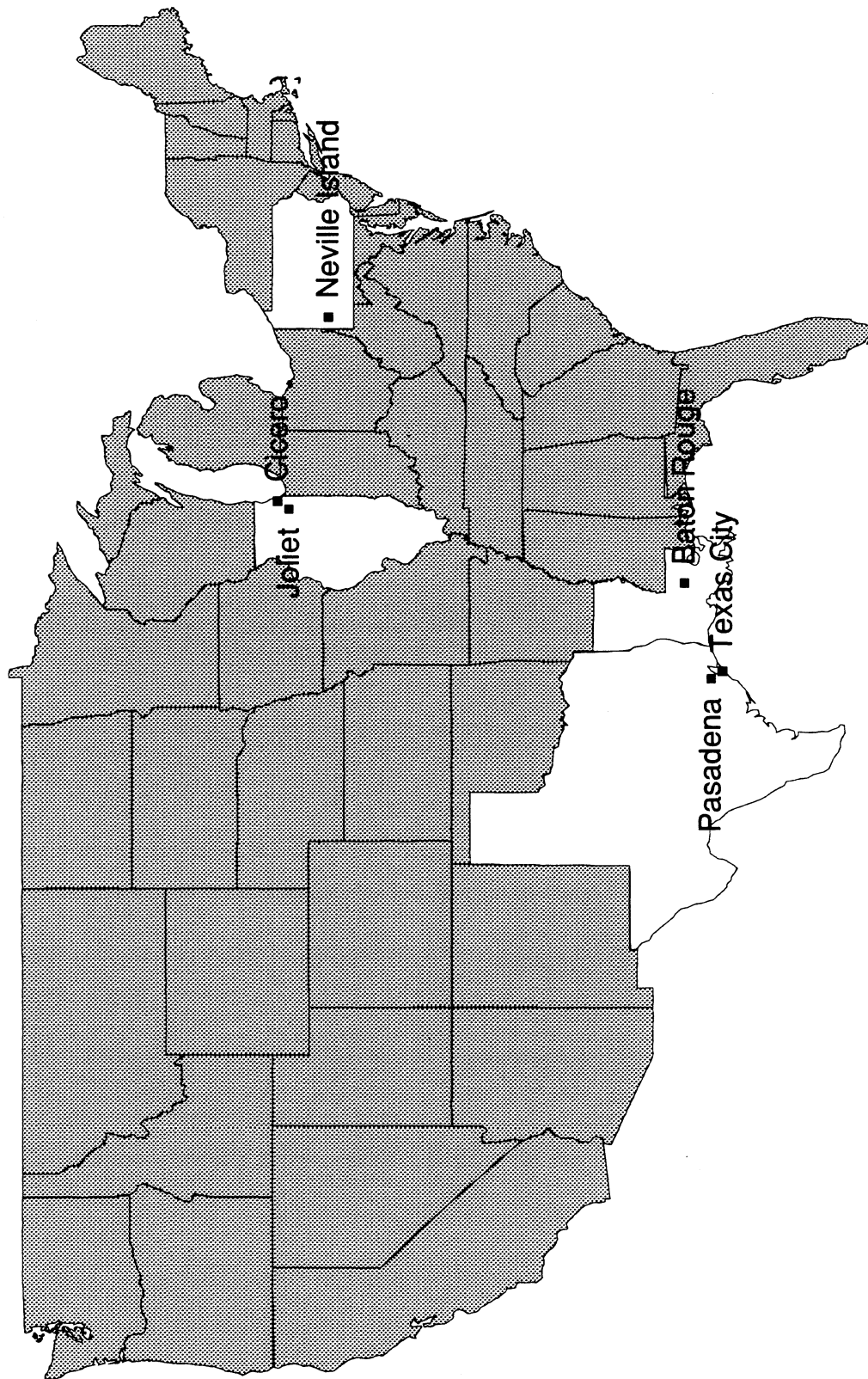
BASF-Sterling

BASF Corp. (BASF) of Parsippany, NJ, the *** U.S. producer in 1993, is a subsidiary of BASF AG, Ludwigshafen, Germany, and accounted for *** percent of U.S. production in 1991, *** percent in 1992, *** percent in 1993, *** percent in January-June 1993, and *** percent in January-June 1994. BASF produces only molten phthalic anhydride.

BASF has a long-term agreement with Sterling Chemical (Sterling) of Houston, TX, wherein BASF has exclusive use of the phthalic anhydride production facilities at Sterling's production facility in Texas City. Under this agreement, which extends to ***, BASF ***, and BASF consumes for both its own internal use and markets all of the phthalic anhydride it produces. Of BASF's total production of molten phthalic anhydride in 1993, *** percent was captively consumed to make derivative products.

In 1990, BASF closed its own phthalic anhydride production facilities in Kearny, NJ, and Cornwall, Canada. These facilities had a *** million and *** million pound per year production capacity, respectively. BASF stated that the reason it closed these plants was "low profitability."

Figure 5
Phthalic anhydride: Location of U.S. producers, 1994



Source: Table 2.

Figure 6
Phthalic anhydride: U.S. producers' share of molten
production, 1993

* * * * *

Source: Table 2.

Figure 7
Phthalic anhydride: U.S. producers' share of flake
production, 1993

* * * * *

Source: Table 2.

Exxon

Exxon Chemical Americas (Exxon) of Houston, TX, the *** U.S. producer in 1993, is an unincorporated division of Exxon Chemical Co., which in turn is an unincorporated division of Exxon Corp., and accounted for *** percent of U.S. production in 1991, *** percent in 1992, *** percent in 1993, *** percent in January-June 1993, and *** percent in January-June 1994. Exxon's production facility is located in Baton Rouge, LA, and only produces molten phthalic anhydride.²⁹ Approximately *** percent of its production of phthalic anhydride is consumed internally in the production of plasticizers.

Koppers

Koppers Industries, Inc. (Koppers) of Pittsburgh, PA, the *** U.S. producer, is a subsidiary of Koppers Holdings Corp.,³⁰ and accounted for *** percent of U.S. production in 1991, *** percent in 1992, *** percent in 1993, *** percent in January-June 1993, and *** percent in January-June 1994. Koppers' production facility is located in Cicero, IL, and produces both molten and flake phthalic anhydride. Koppers' captive use of molten phthalic anhydride to make flake phthalic anhydride totaled *** percent of its molten production in 1993. Koppers is the only domestic phthalic anhydride producer that uses coal-based naphthalene in place of, or in addition to, oil-based orthoxylene as a feedstock for part of its phthalic anhydride production.³¹

Stepan

Stepan Co. (Stepan) of Northfield, IL, the *** U.S. producer, accounted for *** percent of U.S. production in 1991, *** percent in 1992, *** percent in 1993, *** percent in January-June 1993, and *** percent in January-June 1994. Stepan is a major manufacturer of basic and intermediate chemical products and operates four production facilities in the United States.³² The company manufactures three principal groups of products: surfactants, polymers, and specialty chemicals. The three groups of products generated worldwide sales of nearly \$436 million in 1993. Only one production facility in Joliet, IL, manufactures phthalic anhydride

²⁹ Exxon also owns a phthalic anhydride production facility in Rotterdam, The Netherlands.

³⁰ Koppers Holdings is *** owned by Koppers Australia.

³¹ Naphthalene is a by-product of refined chemical oil, itself a by-product of coal tar, both of which are produced by Koppers at its Illinois plant. Koppers ships chemical oil to its plant in Follansbee, WV, where naphthalene is recovered and shipped to the Illinois plant, where it becomes the feedstock for phthalic anhydride.

³² The company also operates plants in Grenoble, France; Longford Mills, Ontario, Canada; and Matamoros, Mexico. None of these facilities, however, produces phthalic anhydride. See Stepan's Form 10-K, Securities and Exchange Commission, fiscal year ended Dec. 31, 1992, and 1993 *Annual Report, Serving Customers Worldwide*.

(molten and flake). Approximately *** percent of Stepan's production of molten phthalic anhydride was used to make flake phthalic anhydride in 1993. Another *** percent of molten production was used to make other products. Beginning in March 1994, Stepan closed its flaking facilities and entered into a swap agreement with Koppers, whereby Koppers will supply Stepan's customers with flake phthalic anhydride and Stepan will assume a share of Koppers' molten accounts.

U.S. Importers

The Commission sent importer's questionnaires to a total of 31 firms. Of these 31 firms, 9 companies responded that they imported the subject merchandise during the period for which data were being collected, including two U.S. producers, Koppers and Stepan.^{33 34} Five companies responded that they did not import the subject merchandise during this period. Seventeen companies did not respond to the Commission's importers' questionnaires.

The Commission received complete or nearly complete import data representing approximately 90 percent of imports of phthalic anhydride from Venezuela and approximately 75 percent of imports from all other sources. Six companies--***--imported phthalic anhydride from Venezuela.

. According to its questionnaire response, *** imported phthalic anhydride only from Venezuela during the period for which information was requested. ***. Reichhold also has foreign ownership. Reichhold's parent firm is Dainippon Ink and Chemicals, Inc. of Japan. Reichhold manufactures polyester and alkylene resins in 10 U.S. plants and is, therefore, a major user of phthalic anhydride.³⁵ As such, Reichhold, which imports phthalic anhydride to satisfy its own internal needs, reported no merchant sales of the product it imports. Two other U.S. importers —— indicated in their questionnaire responses that they also import phthalic anhydride for captive use in their own production.

The largest U.S. importer of phthalic anhydride from all sources, Kalama International (Houston, TX), and the largest importer of phthalic anhydride from Venezuela, ***, have no captive use of the product and market it entirely to the merchant market.

³³ While *** imported phthalic anhydride from Venezuela during the period of investigation, it reported no such imports in 1994.

³⁴ *** imports phthalic anhydride from Mexico but it has not imported phthalic anhydride from Venezuela. *** reported no imports of phthalic anhydride in 1994.

³⁵ Conference TR, p. 64.

Channels of Distribution

Table 3 presents the shares of shipments of molten phthalic anhydride and flake phthalic anhydride by channels of distribution for both U.S. producers and U.S. importers in 1993. Virtually all U.S. producers' molten phthalic anhydride shipments went directly to end users, with such shipments roughly evenly split between shipments to related and unrelated end users. Nearly three-quarters of U.S. importers' shipments went to unrelated end users, whereas the remaining quarter went to unrelated distributors. No shipments by either U.S. producers or U.S. importers went to related distributors.

Table 3
Phthalic anhydride: U.S. producers' and U.S. importers' U.S. shipments, by channels of distribution and by products, 1993

Sources/products	(Percent)			
	End users		Distributors	
	Related	Unrelated	Related	Unrelated
U.S. producers:				
Molten phthalic anhydride	51.1	48.5	0.0	0.4
Flake phthalic anhydride	***	***	0.0	***
U.S. importers:				
Flake phthalic anhydride	***	***	0.0	***

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

Apparent U.S. Consumption

Data on apparent U.S. consumption of phthalic anhydride are presented in table 4 and figures 8 and 9. Data on U.S. producer's shipments are based on responses to questionnaires of the Commission. Data on imports are compiled from official statistics of Commerce.³⁶

Apparent consumption based on quantity increased by 7.7 percent from 1991 to 1992, but decreased by 2.0 percent from 1992 to 1993. Between the interim periods, January-June 1993 and January-June 1994, apparent consumption increased by 2.0 percent.

³⁶ Supplementary tables presenting data on U.S. importers' shipments based on responses to questionnaires of the Commission are presented in app. C. Importers' questionnaire responses represented approximately 90 percent of imports from Venezuela and 75 percent of imports from all other sources.

Table 4

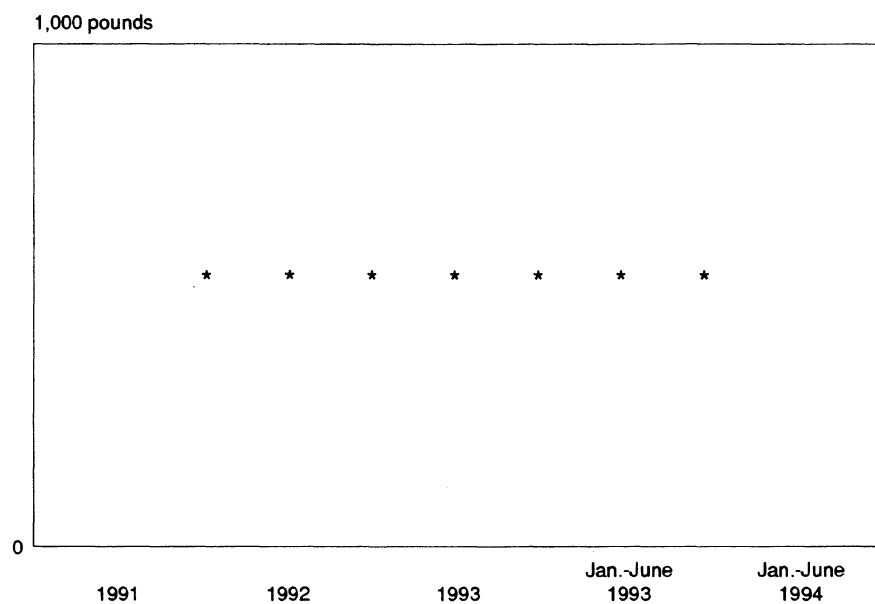
Phthalic anhydride: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, by products, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 pounds)</i>					
Molten phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
Flake phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
All phthalic anhydride:					
Producers' U.S. shipments ¹	830,688	871,952	842,835	431,462	457,361
U.S. imports from--					
Venezuela	11,481	15,393	16,692	9,804	6,697
Other sources	16,452	37,658	46,722	31,123	17,946
Total	27,933	53,051	63,414	40,927	24,644
Apparent consumption	858,621	925,003	906,249	472,389	482,005
<i>Value (1,000 dollars)</i>					
Molten phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
Flake phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
All phthalic anhydride:					
Producers' U.S. shipments ¹	243,731	261,901	237,723	125,834	116,974
U.S. imports from--					
Venezuela	2,967	4,193	3,991	2,450	1,517
Other sources	4,833	11,035	11,973	7,900	4,475
Total	7,800	15,228	15,964	10,351	5,992
Apparent consumption	251,531	277,129	253,687	136,185	122,966

¹ Includes molten and flake, but excludes molten consumed internally to make flake.

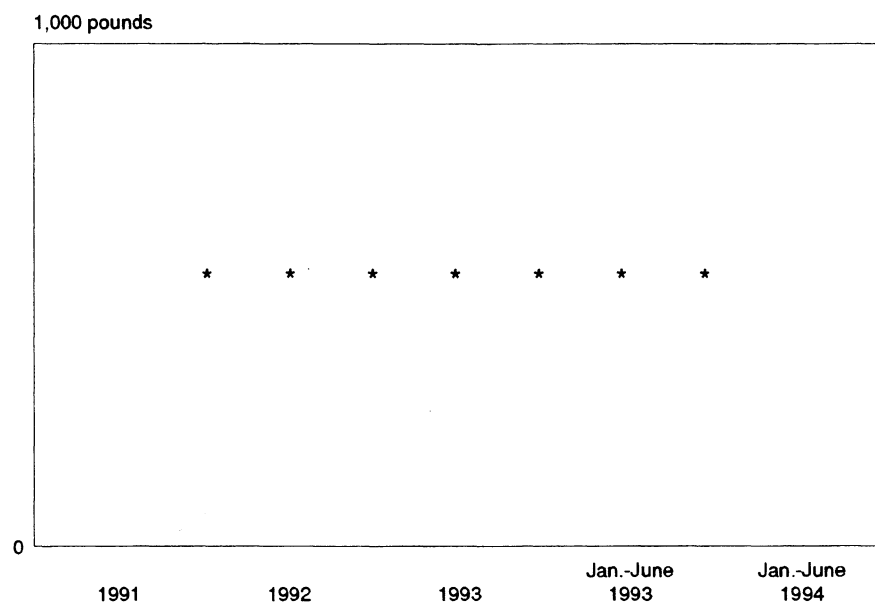
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

Figure 8
Molten phthalic anhydride: Apparent U.S. consumption,
by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994



Source: Table 4.

Figure 9
Flake phthalic anhydride: Apparent U.S. consumption,
by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994



Source: Table 4.

Apparent consumption based on value increased by 10.2 percent from 1991 to 1992, but decreased by 8.5 percent from 1992 to 1993. From January-June 1993 to January-June 1994, apparent consumption decreased by 9.7 percent.

CONSIDERATION OF ALLEGED MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

The information in this section of the report was compiled from responses to questionnaires of the U.S. International Trade Commission. The five firms that supplied information, Aristech, BASF-Sterling, Exxon, Koppers, and Stepan, are believed to account for 100 percent of U.S. production of phthalic anhydride.³⁷ Aristech, Koppers, and Stepan³⁸ produce both molten and flake phthalic anhydride, whereas BASF-Sterling³⁹ and Exxon produce only the molten product.

The information that follows is based on the questionnaire responses of the five firms mentioned above. Summary information on the U.S. market is presented in appendix D.

U.S. Production, Capacity, and Capacity Utilization

Data on U.S. production, capacity, and capacity utilization are presented in table 5 and figure 10. Average-of-period production capacity for molten phthalic anhydride increased by 2.1 percent in 1992, then remained unchanged during 1993 and January-June 1994. Average production capacity for flake phthalic anhydride remained stable during 1991-93, however, in March 1994 Stepan closed its flake production facilities resulting in a loss of *** pounds of industrywide flaking capacity.

Production of molten phthalic anhydride increased by 2.8 percent from 1991 to 1992, but decreased by 5.1 percent from 1992 to 1993. Between the interim periods, January-June 1993 and January-June 1994, production increased by 3.4 percent. Production of flake phthalic anhydride decreased by 34.6 percent from 1991 to 1992, but increased by 0.3 percent from 1992 to 1993. Between the interim periods, production of flake phthalic anhydride increased by 1.4 percent.

³⁷ BASF and Sterling submitted a combined questionnaire response.

³⁸ Stepan ceased production of flake phthalic anhydride in March 1994.

³⁹ BASF produced both molten and flake phthalic anhydride at its Kearny, NJ, plant during the last year (1990) in which that plant was in operation.

Table 5

Phthalic anhydride: U.S. capacity, production, and capacity utilization, by products, 1991-93, Jan.-June 1993, and Jan.-June 1994

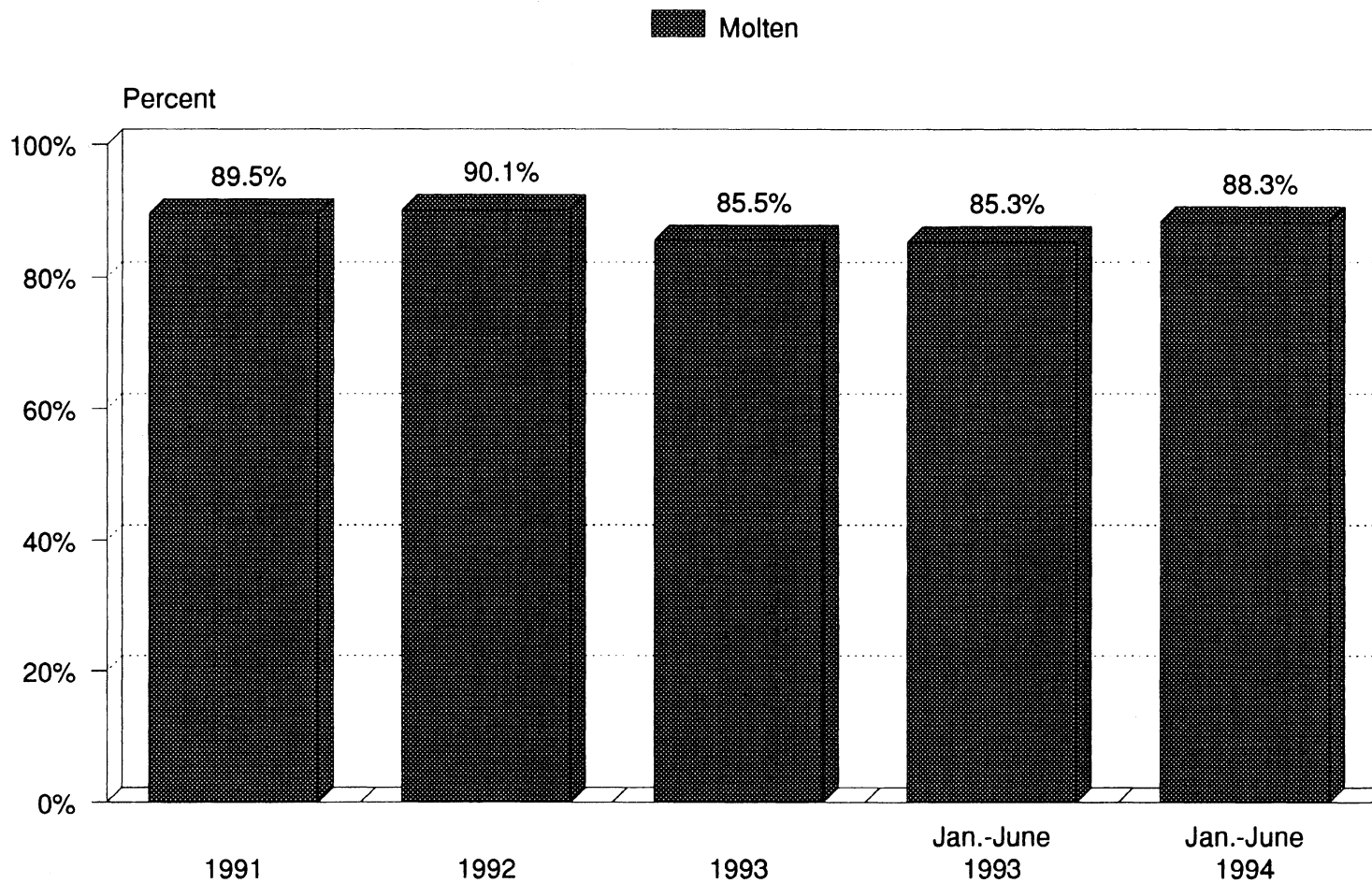
Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>End-of-period capacity (1,000 pounds)</i>					
Molten phthalic anhydride	975,000	995,000	995,000	502,500	502,500
Flake phthalic anhydride ¹	***	***	***	***	***
<i>Average-of-period capacity (1,000 pounds)</i>					
Molten phthalic anhydride	975,000	995,000	995,000	502,500	502,500
Flake phthalic anhydride ¹	***	***	***	***	***
<i>Production (1,000 pounds)</i>					
Molten phthalic anhydride ²	872,193	896,228	850,878	428,752	443,493
Flake phthalic anhydride	***	***	***	***	***
<i>Capacity utilization (percent)</i>					
Molten phthalic anhydride	89.5	90.1	85.5	85.3	88.3
Flake phthalic anhydride	***	***	***	***	***

¹ In March 1994, Stepan closed its flaking facility resulting in a reduction of U.S. flaking capacity of *** pounds per year.

² Includes production of molten phthalic anhydride used to make flake.

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

Figure 10
Phthalic anhydride: Capacity utilization of U.S. producers,
by products,* 1991-93, Jan.-June 1993, and Jan.-June 1994



Source: Table 5.

* Data on flake capacity utilization are confidential.

Capacity utilization for molten phthalic anhydride rose slightly from 89.5 percent in 1991 to 90.1 percent in 1992, but decreased to 85.5 percent in 1993. Between the interim periods, capacity utilization increased from 85.3 percent to 88.3 percent. Capacity utilization for flake phthalic anhydride decreased from *** percent in 1991 to *** percent in 1992 and increased slightly to *** percent in 1993. Between the interim periods, capacity utilization increased from *** percent to *** percent.

U.S. Producers' Shipments

Data on U.S. producers' shipments of phthalic anhydride for the period January 1991 through June 1994 are shown in table 6 and figures 11 and 12. Based on the data shown, between 8 and 13 percent of U.S. producers' total shipments of molten phthalic anhydride were consumed within the reporting establishments for the production of flake phthalic anhydride. An additional *** to *** percent of U.S. producers' total molten phthalic anhydride shipments were used captively to produce derivative products, such as plasticizers and unsaturated polyester resins. Slightly less than half of U.S. producers' total shipments of the molten product went to domestic market or merchant sales compared with between *** percent and *** percent of their shipments of flake phthalic anhydride.

U.S. producers' U.S. shipments of molten phthalic anhydride, based on quantity, increased by 1.9 percent from 1991 to 1992, but decreased by 3.0 percent from 1992 to 1993. Between the interim periods, U.S. shipments increased by 4.5 percent. U.S. shipments of flake phthalic anhydride decreased by 18.2 percent from 1991 to 1992 and decreased by an additional 4.2 percent in 1993. Between the interim periods, U.S. shipments of flake phthalic anhydride increased by 24.2 percent.

U.S. producers' U.S. shipments of molten phthalic anhydride, based on value, increased by 4.1 percent from 1991 to 1992, but decreased by 8.4 percent from 1992 to 1993. Between the interim periods, the value of such shipments decreased by 8.0 percent. U.S. shipments of flake phthalic anhydride, based on value, fell by 14.7 percent from 1991 to 1992, and decreased by an additional 13.0 percent in 1993. Between the interim periods, U.S. shipments of flake phthalic anhydride increased by 3.5 percent.

Table 6

Phthalic anhydride: Shipments by U.S. producers, by products and by types, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 pounds)</i>					
Molten phthalic anhydride:					
Internal consumption to make flake . . .	***	***	***	***	***
Other company transfers	***	***	***	***	***
All company transfers	***	***	***	***	***
Domestic shipments	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
Flake phthalic anhydride:					
Company transfers	***	***	***	***	***
Domestic shipments	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
All phthalic anhydride:					
Company transfers ¹	347,679	382,989	396,976	201,729	204,630
Domestic shipments	483,009	488,963	445,859	229,733	252,731
U.S. shipments	830,688	871,952	842,835	431,462	457,361
Exports	38,164	12,665	17,181	6,952	3,873
Total	868,852	884,617	860,016	438,414	461,234
<i>Value (1,000 dollars)</i>					
Molten phthalic anhydride:					
Internal consumption to make flake . . .	***	***	***	***	***
Other company transfers	***	***	***	***	***
All company transfers	***	***	***	***	***
Domestic shipments	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
Flake phthalic anhydride:					
Company transfers	***	***	***	***	***
Domestic shipments	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Exports	***	***	***	***	***
Total	***	***	***	***	***
All phthalic anhydride:					
Company transfers ¹	97,162	106,376	105,068	54,473	50,342
Domestic shipments	146,569	155,525	132,655	71,361	66,632
U.S. shipments	243,731	261,901	237,723	125,834	116,974
Exports	10,880	2,822	3,076	1,354	803
Total	254,611	264,723	240,799	127,188	117,777

Table continued. See footnote at end of table.

Table 6--*Continued*

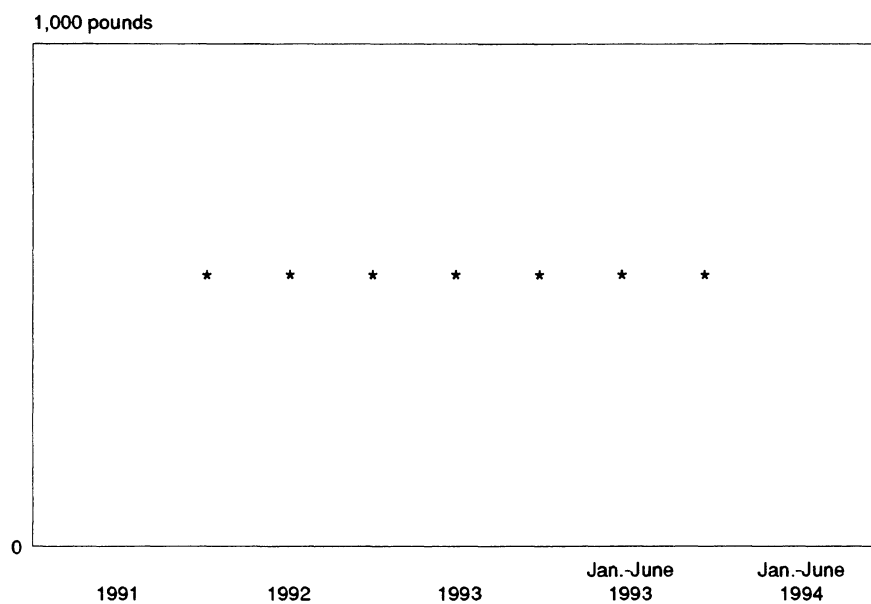
Phthalic anhydride: Shipments by U.S. producers, by products and by types, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June--	
				1993	1994
	Unit value (<i>per pound</i>)				
Molten phthalic anhydride:					
Internal consumption to make flake . . .	***	***	***	***	***
Other company transfers	***	***	***	***	***
All company transfers	***	***	***	***	***
Domestic shipments	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Exports	***	***	***	***	***
Average	***	***	***	***	***
Flake phthalic anhydride:					
Company transfers	***	***	***	***	***
Domestic shipments	***	***	***	***	***
U.S. shipments	***	***	***	***	***
Exports	***	***	***	***	***
Average	***	***	***	***	***
All phthalic anhydride:					
Company transfers ¹	\$0.28	\$0.28	\$0.26	\$0.27	\$0.25
Domestic shipments	.30	.32	.30	.31	.26
U.S. shipments	.29	.30	.28	.29	.26
Exports	.29	.22	.18	.19	.21
Average	.29	.30	.28	.29	.26

¹ Excludes molten consumed internally to make flake.

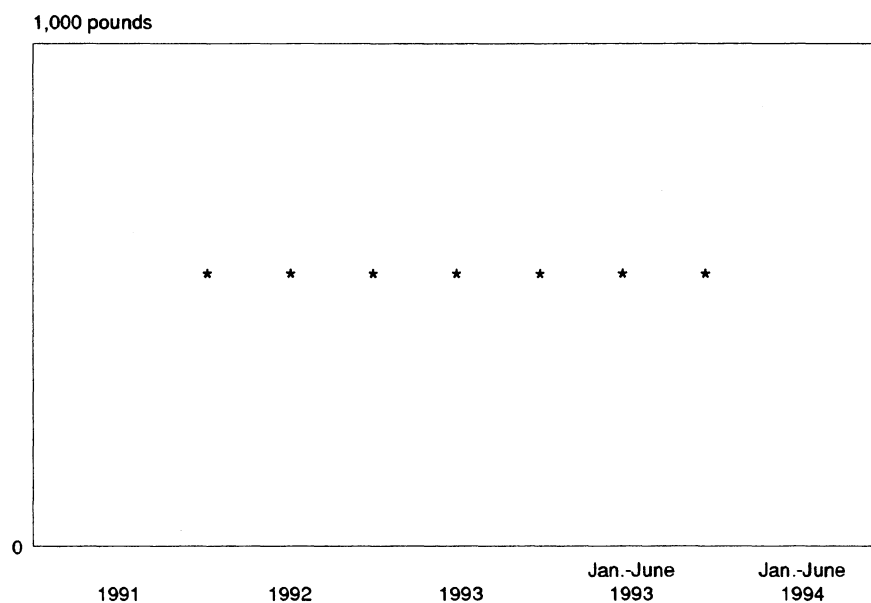
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 11
Molten phthalic anhydride: Shipments by U.S. producers,
by types, 1991-93, Jan.-June 1993, and Jan.-June 1994



Source: Table 6.

Figure 12
Flake phthalic anhydride: Shipments by U.S. producers,
by types, 1991-93, Jan.-June 1993, and Jan.-June 1994



Source: Table 6.

U.S. Producers' Inventories

Data on U.S. producers' end-of-period inventories of molten and flake phthalic anhydride are presented in table 7. Inventories of molten phthalic anhydride increased by 36.7 percent from 1991 to 1992, but decreased by 18.7 percent from 1992 to 1993. Between the interim periods, January-June 1993 and January-June 1994, end-of-period inventories decreased by 35.4 percent. U.S. producers' end-of-period inventories of flake phthalic anhydride decreased by 7.9 percent from 1991 to 1992, and decreased by 54.4 percent from 1992 to 1993. Between the interim periods, ending inventories of flake phthalic anhydride fell by 94.8 percent.

End-of-period inventories of molten phthalic anhydride represented *** percent of producers' U.S. shipments in 1991, *** percent in 1992, and *** percent in 1993. Such inventories represented *** percent of U.S. shipments in January-June 1993 and *** percent in January-June 1994. End-of-period inventories of flake phthalic anhydride represented *** percent of producers' U.S. shipments in 1991, *** percent in 1992, and *** percent in 1993. During the interim periods, such inventories represented *** percent of shipments in January-June 1993 and *** percent in January-June 1994.

U.S. Producers' Purchases

Nonimport Purchases

U.S. producers generally purchase phthalic anhydride from other domestic producers or from other domestic sources during times of plant outages, whether scheduled or unscheduled. At least one shutdown is scheduled during the year for routine maintenance. Other unforeseen events may trigger additional shutdowns, as occurred at ***.⁴⁰ During these periods of outages, U.S. producers must rely on other sources either to supply their own internal needs or to supplement existing market orders.

*** accounted for all U.S. producers' purchases of phthalic anhydride during the period for which information was requested. Data on these three firms' purchases are shown in table 8. These firms' total purchases fell from *** pounds in 1991 to *** pounds in 1992 and declined further to *** pounds in 1993. Such purchases increased from *** pounds in January-June 1993 to *** pounds in January-June 1994. The bulk of the purchases were of molten phthalic anhydride.

⁴⁰ ***.

Table 7

Phthalic anhydride: End-of-period Inventories of U.S. producers, by products, 1991-93, Jan.-June 1993, and Jan.-June 1994

	Jan.-June--				
Item	1991	1992	1993	1993	1994
Quantity (1,000 pounds)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Total	34,596	45,721	36,013	36,397	20,734
Ratio to production (percent)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Average ¹	4.0	5.1	4.2	4.2	2.3
Ratio to U.S. shipments (percent)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Average ²	4.2	5.2	4.3	4.2	2.3
Ratio to total shipments (percent)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Average ²	4.0	5.2	4.2	4.2	2.2

¹ To avoid double counting, production figures used in the calculations are for molten only.

² To avoid double counting, shipment figures used in the calculations exclude molten used to make flake.

Note.--Ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

Table 8
Phthalic anhydride: Nonimport purchases of U.S. producers, by products and by sources, 1991-93,
Jan.-June 1993, and Jan.-June 1994

Item	Quantity (1,000 pounds)			Jan.-June--	
	1991	1992	1993	1993	1994
Molten phthalic anhydride:					
U.S. importers of product from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Domestic producers	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Flake phthalic anhydride:					
U.S. importers of product from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Domestic producers	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
All phthalic anhydride:					
U.S. importers of product from--					
Venezuela	79	0	0	0	0
Other sources	661	3,234	2,128	2,128	6,053
Total	740	3,234	2,128	2,128	6,053
Domestic producers	22,182	18,907	13,196	5,269	11,786
Other sources	0	0	0	0	0
Total	22,922	22,141	15,324	7,397	17,839
Value (1,000 dollars)					
Molten phthalic anhydride:					
U.S. importers of product from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Domestic producers	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Flake phthalic anhydride:					
U.S. importers of product from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Domestic producers	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
All phthalic anhydride:					
U.S. importers of product from--					
Venezuela	24	0	0	0	0
Other sources	216	912	458	458	1,327
Total	240	912	458	458	1,327
Domestic producers	6,248	5,714	3,557	1,579	2,893
Other sources	0	0	0	0	0
Total	6,488	6,626	4,015	2,037	4,220

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

Import Purchases

Two U.S. producers, Koppers and Stepan, imported flake phthalic anhydride during the period for which information was requested. Data on U.S. producers' import purchases are presented in table 9.

Koppers imported flake phthalic anhydride from Venezuela, and Stepan imported from Mexico. Generally, U.S. producers import to cover production shortfalls that may occur during scheduled and unscheduled shutdowns.⁴¹ In 1993, Koppers accounted for *** percent of the quantity of imports from Venezuela and *** percent of the value of such imports. Koppers reported no imports of phthalic anhydride from Venezuela in 1994.

Table 9
Phthalic anhydride: Import purchases of U.S. producers, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 pounds)</i>					
Venezuela	0	***	***	***	0
Mexico	***	***	***	***	0
Other sources	0	0	0	0	0
Total	***	***	***	***	0
<i>Value (1,000 dollars)</i>					
Venezuela	0	***	***	***	0
Mexico	***	***	***	***	0
Other sources	0	0	0	0	0
Total	***	***	***	***	0

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

⁴¹ Conference TR, pp. 74 and 82.

U.S. Employment, Wages, Compensation, and Productivity

Data on U.S. employment, wages, compensation, and productivity are presented in table 10 and figure 13. All five U.S. producers provided employment data with respect to their U.S. establishments in which phthalic anhydride is produced. As noted earlier, three of the five producing firms produced both molten and flake phthalic anhydride and two firms, BASF-Sterling and Exxon, produced only the molten product during the period for which data were collected.

Production and related workers (PRWs) employed by U.S. producers in all but one plant location are covered by union contracts. The one plant in which such workers are not covered by a union contract is the *** facility. For reasons previously stated, BASF-Sterling was the only producer to indicate that it had experienced a reduction in the number of PRWs it employed during the period for which information was requested.

The combined number of PRWs employed in molten and flake phthalic anhydride operations decreased by 4.5 percent from 1991 to 1992 and by 2.0 percent from 1992 to 1993. Between the interim periods, such employment decreased by 3.4 percent. The number of hours worked by the same PRWs decreased by 6.0 percent from 1991 to 1992, but increased by 1.5 percent from 1992 to 1993. Between the interim periods, the number of hours worked decreased by 4.2 percent. Wages paid increased by 2.5 percent from 1991 to 1992, but decreased by 5.9 percent from 1992 to 1993. Between the interim periods, wages paid decreased by 1.7 percent. Total compensation paid increased by 3.5 percent from 1991 to 1992, but decreased by 3.2 percent from 1992 to 1993. From interim 1993 to interim 1994, total compensation paid increased by 0.8 percent. Productivity, measured in pounds per hour, increased by 9.3 percent from 1991 to 1992, but decreased by 6.5 percent from 1992 to 1993. Between the interim periods, productivity increased by 8.0 percent. Unit labor costs increased by 3.5 percent from 1991 to 1992 and by 2.8 percent from 1992 to 1993. Between the interim periods, unit labor costs decreased by 1.8 percent.

Table 10

Average number of total employees and production and related workers (PRWs) in U.S. establishments wherein phthalic anhydride is produced, hours worked,¹ wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,² by products, 1991-93, Jan.-June 1993, and Jan.-June 1994³

Item	1991	1992	1993	Jan.-June-- 1993	1994
Number of employees					
All products	707	705	708	705	697
Number of production and related workers (PRWs)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Total	157	150	147	146	141
All products	443	436	428	425	423
Hours worked by PRWs (1,000 hours)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Total	349	328	333	166	159
All products	1,119	1,100	1,069	531	532
Wages paid to PRWs ⁴ (1,000 dollars)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Total	4,907	5,028	4,732	2,535	2,493
All products	16,632	16,904	17,540	8,808	8,763
Total compensation paid to PRWs ⁴ (1,000 dollars)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Total	6,414	6,639	6,426	3,287	3,313
All products	21,593	21,851	22,863	11,418	11,381

Table continued. See footnotes at end of table.

Table 10--*Continued*

Average number of total employees and production and related workers (PRWs) in U.S. establishments wherein phthalic anhydride is produced, hours worked,¹ wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,² by products, 1991-93, Jan.-June 1993, and Jan.-June 1994³

Item	1991	1992	1993	Jan.-June-- 1993	1994
Hourly wages paid to PRWs ⁴					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Average	\$16.41	\$17.34	\$16.60	\$17.73	\$18.33
All products	15.68	16.22	17.35	17.51	17.39
Hourly total compensation paid to PRWs ⁴					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Average	\$21.45	\$22.89	\$22.55	\$22.99	\$24.36
All products	20.35	20.97	22.61	22.70	22.58
Productivity (<i>pounds per hour</i>)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Average ⁵	2,499.1	2,732.4	2,555.2	2,582.8	2,789.3
Unit labor costs ⁴ (<i>per 1,000 pounds</i>)					
Molten phthalic anhydride	***	***	***	***	***
Flake phthalic anhydride	***	***	***	***	***
Average ⁵	\$8.57	\$8.87	\$9.13	\$9.30	\$9.13

¹ Includes hours worked plus hours of paid leave time.

² On the basis of total compensation paid.

³ Firms providing employment data accounted for 100 percent of reported total U.S. shipments in 1993.

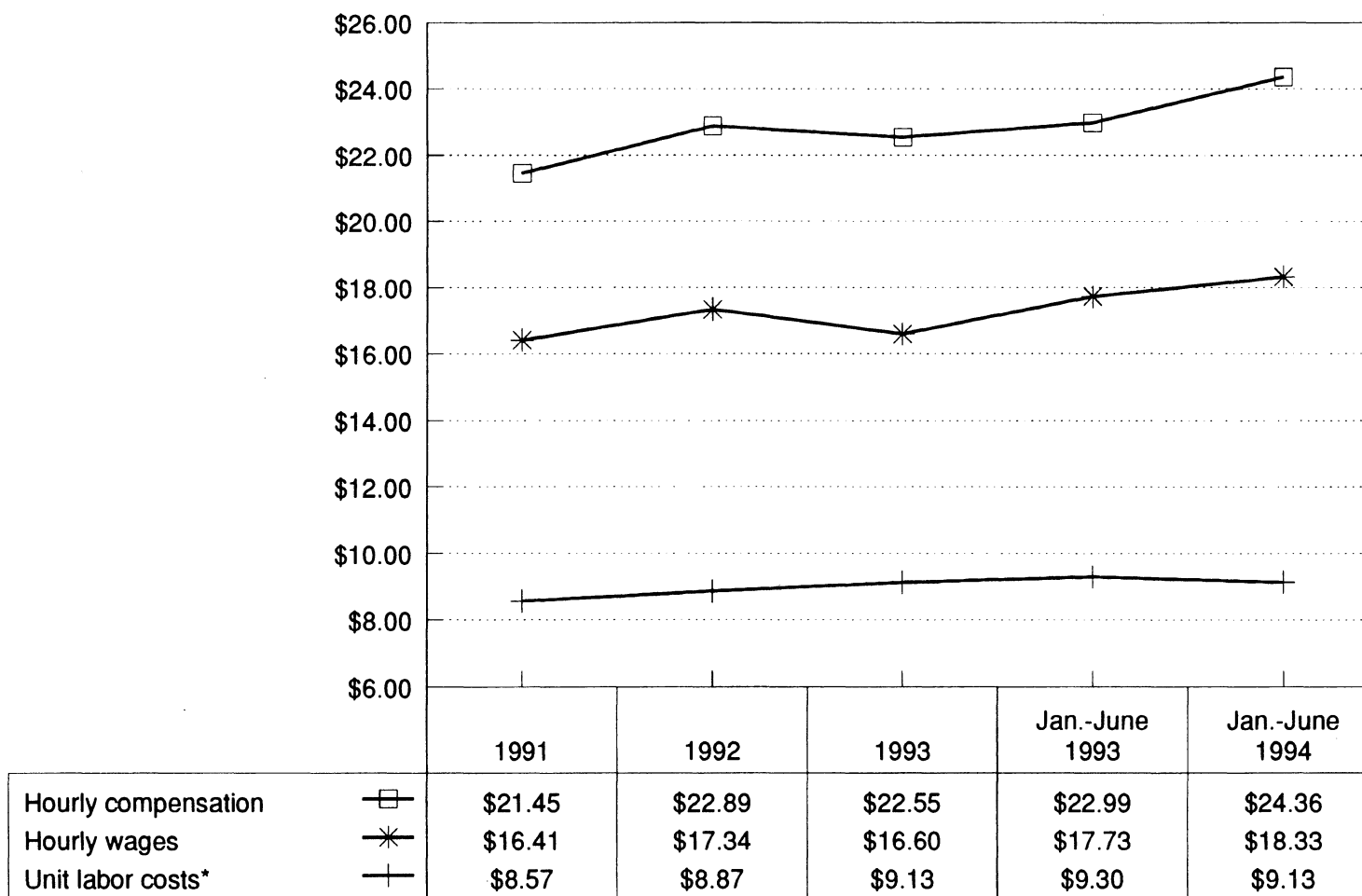
⁴ Includes data for 4 of 5 U.S. producers. ***.

⁵ Figures are calculated using production of molten only to avoid double counting.

Note.--Ratios are calculated using data of firms supplying both numerator and denominator information.

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

Figure 13
Phthalic anhydride: Hourly wages, total compensation,
and unit labor costs, 1991-93, Jan.-June 1993,
and Jan.-June 1994



Source: Table 10.

* Per 1,000 pounds.

Financial Experience of U.S. Producers

All five U.S. producers of molten phthalic anhydride--Aristech, BASF-Sterling, Exxon, Koppers, and Stepan--provided income-and-loss data on their U.S. operations on molten phthalic anhydride and total phthalic anhydride. The three companies producing flake phthalic anhydride--Aristech, Koppers, and Stepan--also provided income-and-loss data on their flake phthalic anhydride operations. Data on overall establishment operations are not being presented because they are incomplete.

A large portion of phthalic anhydride net sales are internal transfers of the product. In fact, a little over half of the molten phthalic anhydride net sales were transfer sales in every period. About 15 to 20 percent of these transfers were further processed into flake phthalic anhydride, with the remainder processed into some downstream product. Virtually all sales of flake phthalic anhydride were to third parties, as opposed to about 55 to 60 percent for all phthalic anhydride. For purposes of this investigation, the producers valued intercompany transfers at fair market value.

The data for both Koppers and Stepan were verified by Commission staff after the hearing. ***. ***.

Operations on Molten Phthalic Anhydride

The income-and-loss data of the five firms on their molten phthalic anhydride operations are presented in table 11, and selected financial data by firms are shown in table 12. Net sales value and all levels of profitability increased from 1991 to 1992, the result of moderate increases in sales quantities, slight increases in unit sales values, and slight decreases in unit cost of goods sold. The situation reversed itself in 1993, as decreases in sales quantities and unit sales values more than offset a decrease in the unit cost of goods sold. Sales and profitability fell again, only this time more sharply, if interim 1994 is compared with interim 1993.

The main reason for the decline was the large *** per pound decrease in unit sales value from *** to ***. This decrease was about double the decrease in unit cost of goods sold and resulted in a 40 percent decrease in operating profit and net income being cut in half.

Table 11

Income-and-loss experience of U.S. producers on their operations producing molten phthalic anhydride, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994¹

* * * * *

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

Table 12

Income-and-loss experience of U.S. producers on their operations producing molten phthalic anhydride, by firms, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

* * * * *

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

***, the low-cost producer in every period, had unit operating costs (cost of goods sold and selling, general, and administrative (SG&A) expense combined) which went from *** percent less than the industry average in 1991 to *** percent less in 1993 and to *** percent less the first six months of 1994. The company's reduced costs were ***. *** was the most profitable producer, and accounted for between *** of operating profits in every period. ***, another relatively low-cost producer, had profit margins second only to ***. The producer's absolute levels of operating profits were held down ***. *** profitability plummeted in 1993 because its unit operating costs ***. Despite a further ***-percent decrease in unit sales values from January-June 1993 to January-June 1994, it was the ***. Although *** had some of the highest unit sales values, it also had ***. This, combined with ***. Despite the fact that *** should have had *** because it *** while the others ***, its unit operating costs ***. ***.

Operations on Flake Phthalic Anhydride

The income-and-loss data of the producers on their flake phthalic anhydride operations are presented in table 13. ***.

* * * * *

Table 13
Income-and-loss experience of U.S. producers on their operations producing flake phthalic anhydride, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994¹

* * * * *

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

Table 14 presents selected financial data for the three flake producers. ***.

Table 14

Income-and-loss experience of U.S. producers on their operations producing flake phthalic anhydride, by firms, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

✱ ✱ ✱ ✱ ✱ ✱ ✱

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

Operations on All Phthalic Anhydride

The income-and-loss data of the five firms on all their phthalic anhydride operations are presented in table 15, selected company-by-company data are shown in table 16, and figure 14 presents operating income and net income before taxes. Because molten phthalic anhydride which is further processed into flake phthalic anhydride is treated as a transfer sale of molten phthalic anhydride, profit-and-loss data for operations on all phthalic anhydride are not the sum of profit-and-loss data for molten phthalic anhydride (table 11) and flake phthalic anhydride (table 13). However, since sales of the molten product account for about 90 percent of total sales every period, the results are very similar to those for operations on molten phthalic anhydride (table 11).

Unit operating costs decreased every period, but were overshadowed by changes in unit sales values and sales quantities. Increased sales quantities and unit sales values resulted in improved results in 1992, while decreases in both areas caused results to deteriorate in 1993. From January-June 1993 to January-June 1994, the \$0.02 per pound (8 percent) decrease in unit operating costs was eclipsed by the \$0.04 per pound (13 percent) decrease in unit sales value, resulting in decreased profits.

Table 15

Income-and-loss experience of U.S. producers on their operations producing phthalic anhydride, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994¹

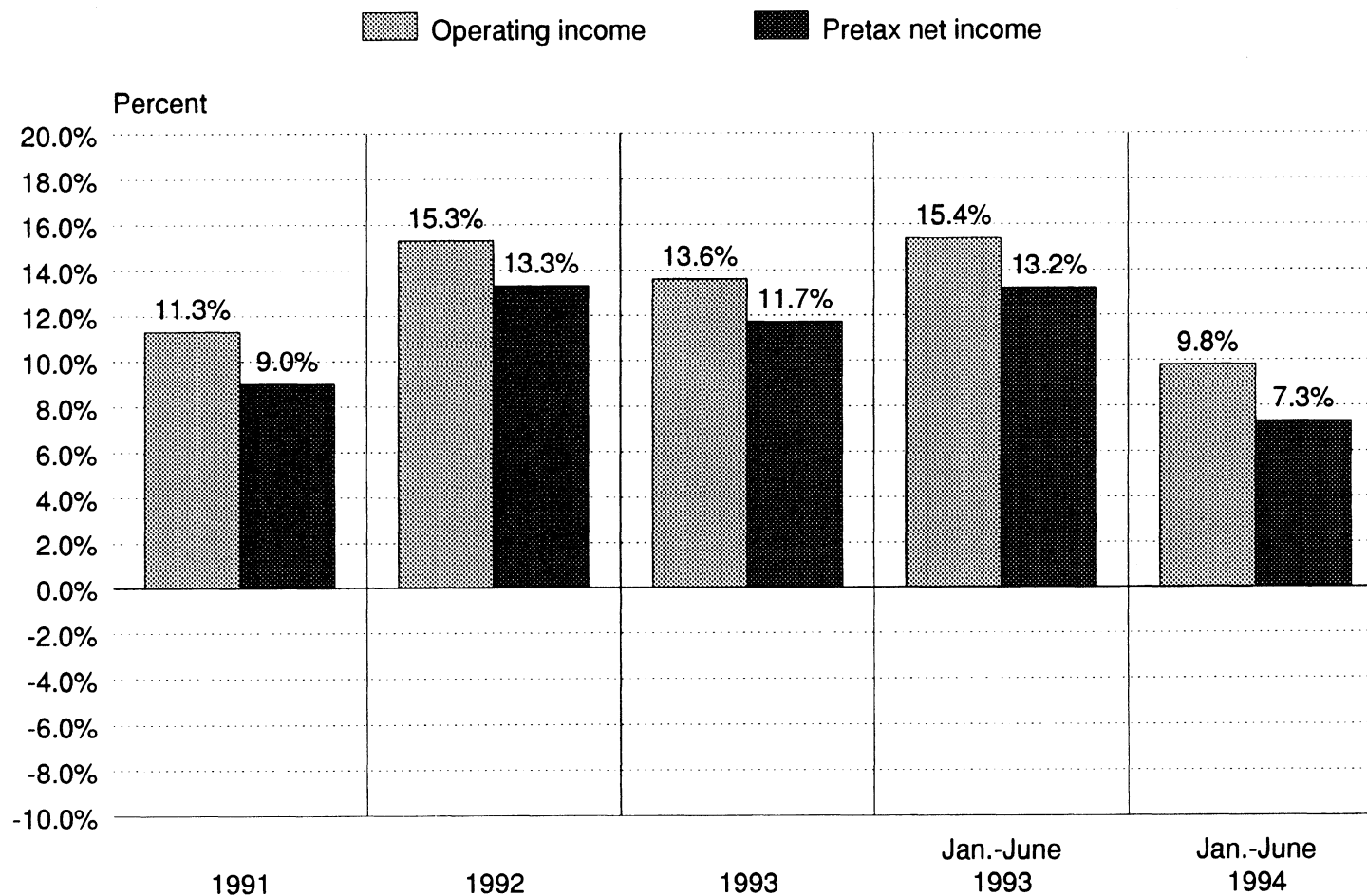
Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 pounds)</i>					
Net sales	868,851	884,617	859,579	438,247	461,108
<i>Value (1,000 dollars)</i>					
Net sales	258,309	271,094	246,975	131,029	119,698
Cost of goods sold	218,505	218,184	198,551	102,908	99,653
Gross profit	39,804	52,910	48,424	28,121	20,045
Selling, general, and administrative expenses	10,518	11,374	14,824	8,000	8,360
Operating income	29,286	41,536	33,600	20,121	11,685
Interest expense	6,913	5,742	5,755	2,795	2,901
Net other income or expense	951	192	979	0	(16)
Net income before income taxes	23,324	35,986	28,824	17,326	8,768
Depreciation and amortization	12,472	13,035	14,523	7,345	7,501
Cash flow ²	35,796	49,021	43,347	24,671	16,269
<i>Value (per pound)</i>					
Net sales	\$0.30	\$0.31	\$0.29	\$0.30	\$0.26
Cost of goods sold	.25	.25	.23	.23	.22
Gross profit	.05	.06	.06	.06	.04
Selling, general, and administrative expenses	.01	.01	.02	.02	.02
Operating income	.03	.05	.04	.05	.03
<i>Ratio to net sales (percent)</i>					
Cost of goods sold	84.6	80.5	80.4	78.5	83.3
Gross profit	15.4	19.5	19.6	21.5	16.7
Selling, general, and administrative expenses	4.1	4.2	6.0	6.1	7.0
Operating income	11.3	15.3	13.6	15.4	9.8
Net income before income taxes	9.0	13.3	11.7	13.2	7.3
<i>Number of firms reporting</i>					
Operating losses	0	0	1	1	1
Net losses	1	0	2	2	3
Data	5	5	5	5	5

¹ Aristech, BASF-Sterling, Exxon, Koppers, and Stepan all have fiscal years ending Dec. 31.

² Cash flow is defined as net income or loss plus depreciation and amortization.

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

Figure 14
Operating income and pretax net income of U.S. producers
on their operations producing phthalic anhydride as a share
of net sales, 1991-93, Jan.-June 1993, and Jan.-June 1994



Source: Table 15.

Table 16

Income-and-loss experience of U.S. producers on their operations producing phthalic anhydride, by firms, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

*	*	*	*	*	*	*
---	---	---	---	---	---	---

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

* * * * * *

The Commission requested producers to submit their cost-of-production data. The results for all five producers are shown below (*in dollars per pound, except for production quantity, which is in thousands of pounds*):

Item	1991	1992	1993	Jan.-June--	
				1993	1994
Production quantity	872,193	896,228	850,312	428,752	443,493
Direct materials ¹	\$0.172	\$0.169	\$0.149	\$0.153	\$0.141
Direct labor ¹	.006	.006	.007	.007	.007
Indirect costs ¹	.067	.069	.073	.073	.070
Total production costs for molten phthalic anhydride	.245	.244	.228	.233	.218
Flaking costs	***	***	***	***	***
Total production costs for flaked phthalic anhydride	***	***	***	***	***

¹ Costs are exclusive of flaking costs.

On an aggregate basis, the unit cost of direct materials (predominantly orthoxylene) steadily decreased over time while direct labor and other costs remained about the same. On a company-by-company basis, though, while most producers had declining material costs, other costs behaved differently.

* * * * *

Interim period data presented in the prehearing report are for the periods January through March 1993 and 1994, while interim period data presented in this report are for the periods January through June 1993 and 1994. Comparisons of quarterly results on operations producing all phthalic anhydride are presented in appendix E.

Investment in Productive Facilities

The investment in property, plant, and equipment and return on assets are shown in table 17. BASF-Sterling did not report any asset data. The operating and net returns on phthalic anhydride operations followed the same general trends as did the ratios of operating income and net income to net sales.

Capital Expenditures

Capital expenditures for the five producers are presented in table 18. Aggregate yearly expenditures gradually dwindled from 1991 to 1993, as increases in expenditures by *** were outpaced by the decreases in expenditures by ***. ***.

Table 17

Value of assets and return on assets of U.S. producers' operations producing phthalic anhydride, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	As of the end of fiscal year--			As of June 30--	
	1991	1992	1993	1993	1994
Value (1,000 dollars)					
All products:					
Fixed assets:					
Original cost	341,968	363,692	413,486	407,620	426,114
Book value	219,180	217,253	236,724	243,688	236,280
Total assets ¹	334,731	334,843	337,687	345,171	334,123
All phthalic anhydride:					
Fixed assets:					
Original cost	187,922	196,754	221,346	154,002	164,111
Book value	116,118	111,131	118,613	94,785	95,149
Total assets ²	116,752	116,231	123,261	125,791	124,818
Return on book value of fixed assets (percent) ³					
All products:					
Operating return ⁴	29.0	34.3	23.3	(⁶)	(⁶)
Net return ⁵	19.1	26.2	16.9	(⁶)	(⁶)
All phthalic anhydride:					
Operating return ⁴	19.9	30.2	21.3	(⁶)	(⁶)
Net return ⁵	15.0	25.5	17.5	(⁶)	(⁶)

¹ Defined as book value of fixed assets plus current and noncurrent assets.

² Total establishment assets are apportioned, by firm, to product groups on the basis of the ratio of the respective book values of fixed assets.

³ Computed using data from only those firms supplying both asset and income-and-loss information and, as such, may not be derivable from data presented. Data for the partial-year periods are calculated using annualized income-and-loss information.

⁴ Defined as operating income or loss divided by asset value.

⁵ Defined as net income or loss divided by asset value.

⁶ Not applicable; partial period data.

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

Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of phthalic anhydride from Venezuela on their growth, investment, ability to raise capital, or on existing development and production efforts (including efforts to develop a derivative or improved version of phthalic anhydride). Their responses are presented in appendix F.

Table 18

Capital expenditures by U.S. producers of phthalic anhydride, by products, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

<i>(1,000 dollars)</i>					
Item	1991	1992	1993	Jan.-June-- 1993	1994
All products	18,743	24,504	16,050	9,434	12,576
Molten phthalic anhydride:					
Exxon	***	***	***	***	***
BASF-Sterling	***	***	***	***	***
Stepan	***	***	***	***	***
Aristech	***	***	***	***	***
Koppers	***	***	***	***	***
Total	***	***	***	***	***
Flake phthalic anhydride:					
Stepan	***	***	***	***	***
Aristech	***	***	***	***	***
Koppers	***	***	***	***	***
Total	***	***	***	***	***
Total phthalic anhydride:					
Exxon	***	***	***	***	***
BASF-Sterling	***	***	***	***	***
Stepan	***	***	***	***	***
Aristech	***	***	***	***	***
Koppers	***	***	***	***	***
Total	10,788	9,237	8,439	5,422	4,828

¹ Data not reported.

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

Research and Development Expenses

Research and development (R&D) expenditures steadily decreased from about *** in 1991, to *** in 1993, and to approximately *** in January-June 1994. *** accounted for virtually all of the expenditures.

CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

Section 771(7)(F)(i) of the Act⁴² provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the merchandise, the Commission shall consider, among other relevant economic factors⁴³--

- (i) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),*
- (ii) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,*
- (iii) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,*
- (iv) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,*
- (v) any substantial increase in inventories of the merchandise in the United States,*
- (vi) the presence of underutilized capacity for producing the merchandise in the exporting country,*
- (vii) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,*

⁴² 19 U.S.C. § 1677(7)(F)(i).

⁴³ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

- (viii) *the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 706 or 736, are also used to produce the merchandise under investigation,*
- (ix) *in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and*
- (x) *the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.*⁴⁴

As indicated previously, Commerce made a negative final determination in its countervailing duty investigation concerning allegedly subsidized imports of phthalic anhydride from Venezuela (item (i) above). The available information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (iii) and (iv) above) is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (x) is presented in appendix F. Available information on U.S. inventories of the subject product (item (v)); foreign producers' operations, including the potential for "product-shifting" (items (ii), (vi), and (viii) above); any other threat indicators, if applicable (item (vii) above); and any dumping in third-country markets, follows. Item (ix) is not applicable.

⁴⁴ Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

U.S. Importers' Inventories

Data on U.S. importers' inventories of flake phthalic anhydride are presented in table 19 (there were no inventories of molten phthalic anhydride). Importers' inventories of imports from Venezuela increased 27.1 percent from 1991 to 1992 and 9.3 percent from 1992 to 1993. Between the interim periods, inventories of imports from Venezuela decreased 67.3 percent. The ratio of inventories to U.S. shipments of imports remained relatively stable throughout 1991-93. However, the interim data show a significant drop in that ratio.

Table 19
Phthalic anhydride: End-of-period Inventories of U.S. Importers, by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 pounds)</i>					
Venezuela	2,109	2,680	2,930	3,025	988
Other sources	0	1,228	375	0	1
Total	2,109	3,908	3,305	3,025	989
<i>Ratio to imports (percent)</i>					
Venezuela	19.7	20.7	22.3	25.7	10.3
Other sources	0	4.4	1.0	0	0
Average	10.1	9.6	6.6	12.0	4.3
<i>Ratio to U.S. shipments of imports (percent)</i>					
Venezuela	22.2	21.9	22.8	29.9	7.6
Other sources	0	5.2	1.1	0	(1)
Average	10.7	10.9	6.9	14.7	3.9
<i>Ratio to total shipments of imports (percent)</i>					
Venezuela	22.2	21.9	22.8	29.9	7.3
Other sources	0	4.7	1.0	0	(1)
Average	10.7	10.1	6.5	12.9	3.6

¹ Less than 0.05 percent.

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

Ability of Foreign Producers To Generate Exports and the Availability of Export Markets other than the United States

Two companies--Oxidaciones Organicas, C.A. (Oxidor) and Petroquimica Sima, C.A. (Petroquimica)--produce phthalic anhydride in Venezuela. Data on their molten and flake phthalic anhydride production capacity, production, capacity utilization, home-market shipments, and exports are presented in tables 20 and 21. Figures 15 and 16 show Venezuelan producers' shipments, by markets, in 1993. The information on foreign producers was provided to the Commission by counsel representing Oxidor and includes data for both Oxidor and Petroquimica.

Table 20

Molten phthalic anhydride: Venezuela's production capacity, production, capacity utilization, home-market shipments, and exports, by firms, 1991-93, Jan.-Mar. 1993, Jan.-Mar. 1994, and projections for 1994-95

*	*	*	*	*	*	*
---	---	---	---	---	---	---

Source: Compiled from data submitted in response to a request for information from foreign producers.

Table 21

Flake phthalic anhydride: Venezuela's production capacity, production, capacity utilization, home-market shipments, and exports, by firms, 1991-93, Jan.-Mar. 1993, Jan.-Mar. 1994, and projections for 1994-95

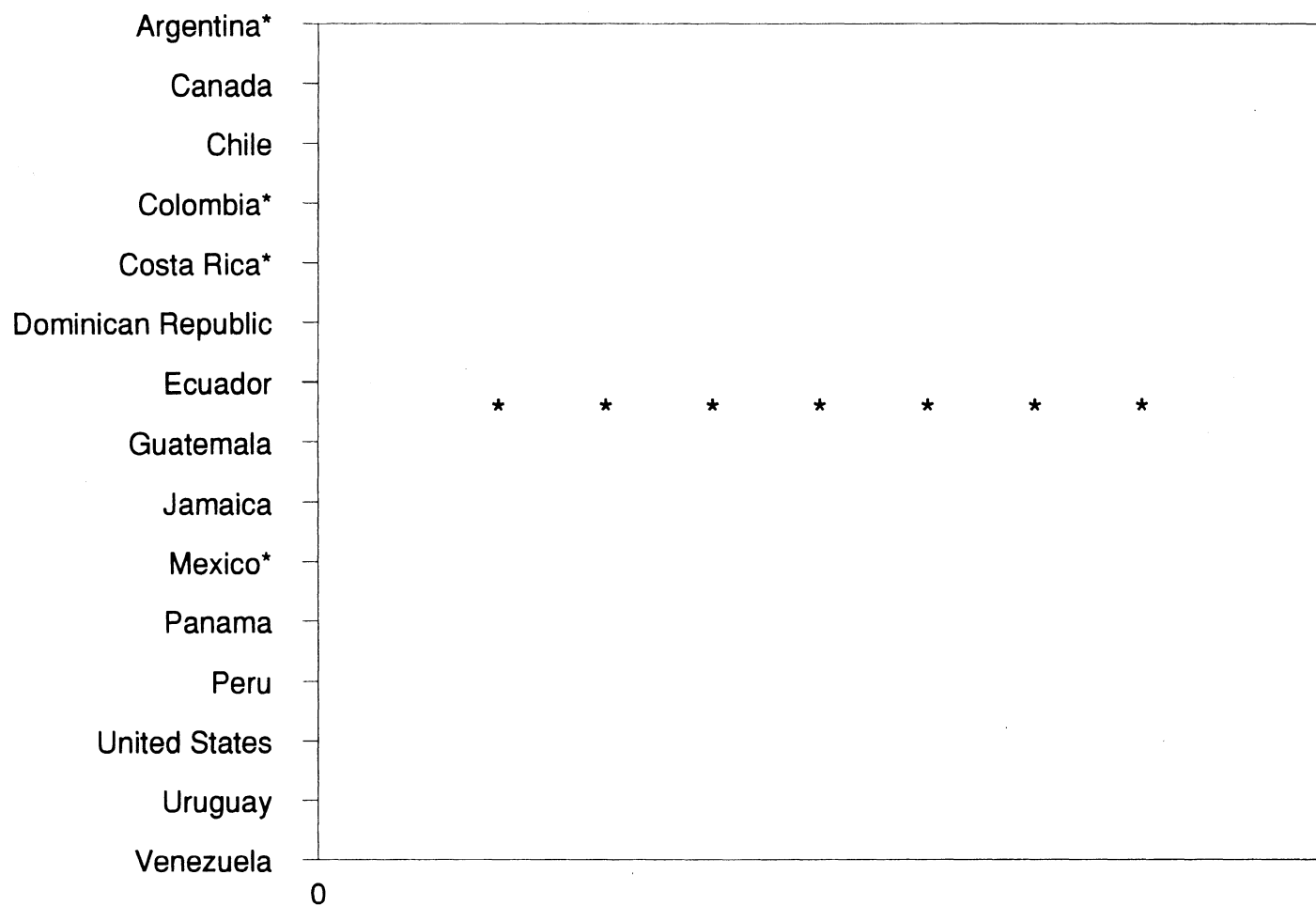
*	*	*	*	*	*	*
---	---	---	---	---	---	---

Source: Compiled from data submitted in response to a request for information from foreign producers.

Figure 15
Phthalic anhydride: Venezuelan producers' shipments,
by markets, 1993

* * * * *

Figure 16
Phthalic anhydride: Venezuelan producers' shipments,
by countries, 1993



Source: Oxidor's Posthearing Brief, app. 2.

* Shipments to these markets are slightly understated.

Oxidor

Oxidor, which produces both molten and flake phthalic anhydride, accounted for *** percent of domestic Venezuelan production of phthalic anhydride in 1993. According to their questionnaire response, Oxidor's production capacity has remained steady at *** million pounds since 1991 and the company indicated that ***. Oxidor has the capability of flaking *** percent of its molten production capacity. Oxidor exported no molten phthalic anhydride to the United States or any other export market.

Exports of flake phthalic anhydride to the United States represented *** percent of the company's total shipments in 1991, *** percent in 1992, and *** percent in 1993. During the interim periods January-March 1993 and January-March 1994, *** percent of the company's total shipments were exported to the United States.

Petroquimica

Petroquimica also produces both molten and flake phthalic anhydride and accounted for *** percent of domestic Venezuelan production of phthalic anhydride in 1993. As indicated in its questionnaire response, Petroquimica stated that ***. Petroquimica has the capability of flaking *** percent of its molten production capacity. Like Oxidor, Petroquimica exported no molten phthalic anhydride to the United States or to any other export market.

Exports of flake phthalic anhydride to the United States represented *** percent of the company's total shipments in 1991, *** percent in 1992, and *** percent in 1993. During the interim periods January-March 1993 and January-March 1994, *** percent and *** percent of the company's total shipments were exported to the United States, respectively.

Chilean Antidumping Orders

There are currently two outstanding Chilean antidumping orders on molten and flake phthalic anhydride imports from Venezuela. On March 22, 1994, the Chilean antidumping authority issued a provisional antidumping duty order of 7 percent on imports of phthalic anhydride produced by Petroquimica.⁴⁵ Also on March 22, 1994, the same authority issued a provisional antidumping duty order of 7 percent on imports of phthalic anhydride produced by Oxidor for a period of one year.⁴⁶

⁴⁵ Chilean antidumping decree No. 273, effective May 11, 1994. See Venezuelan Posthearing Brief, Exhibit 3.

⁴⁶ Chilean antidumping decree No. 274, effective May 11, 1994. See Venezuelan Posthearing Brief, Exhibit 3.

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT MERCHANDISE AND THE ALLEGED MATERIAL INJURY

U.S. Imports

Data on imports of phthalic anhydride throughout this section are based on official statistics of Commerce. Table 22 and figure 17 present U.S. imports of phthalic anhydride for consumption for the period January 1991-June 1994. Data on U.S. imports based on responses to questionnaires of the Commission are presented in appendix C. U.S. importers responding to the importers' questionnaire accounted for approximately 90 percent of imports from Venezuela and 75 percent of imports from all other sources. With the exception of ***,⁴⁷ all imports, including all imports from Venezuela, were of flake phthalic anhydride.

Venezuela

Imports of phthalic anhydride from Venezuela, based on quantity, accounted for 41.1 percent of total imports in 1991, 29.0 percent in 1992, 26.3 percent in 1993, 24.0 percent in January-June 1993, and 27.2 percent in January-June 1994. Imports of phthalic anhydride from Venezuela, based on value, accounted for 38.0 percent of total imports in 1991, 27.5 percent in 1992, 25.0 percent in 1993, 23.7 percent in January-June 1993, and 25.3 percent in January-June 1994.

The quantity of imports of phthalic anhydride from Venezuela increased by 34.1 percent from 1991 to 1992, and increased by 8.4 percent from 1992 to 1993. Between the interim periods, January-June 1993 and January-June 1994, the quantity of imports decreased by 31.7 percent.

The value of imports of phthalic anhydride from Venezuela increased by 41.3 percent from 1991 to 1992, but decreased by 4.8 percent from 1992 to 1993. From January-June 1993 to January-June 1994, the value of imports decreased by 38.1 percent.

The unit value of imports of phthalic anhydride from Venezuela increased by 5.4 percent from 1991 to 1992, but decreased by 12.2 percent from 1992 to 1993. Between the interim periods, January-June 1993 and January-June 1994, the unit value of imports decreased by 9.4 percent.

⁴⁷ ***.

Table 22

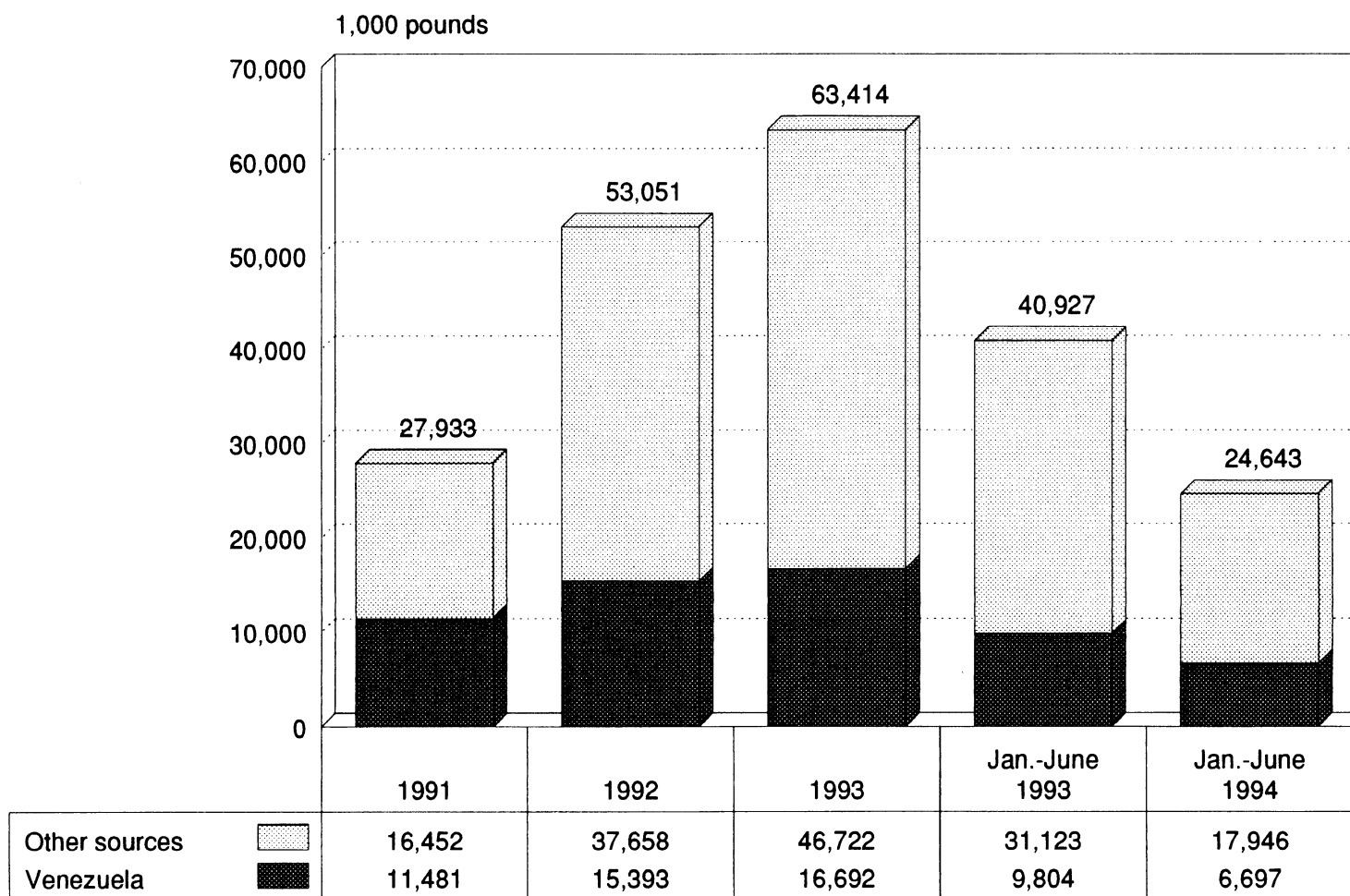
Phthalic anhydride: U.S. Imports, by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 pounds)</i>					
Venezuela	11,481	15,393	16,692	9,804	6,697
Other sources	16,452	37,658	46,722	31,123	17,946
Total	27,933	53,051	63,414	40,927	24,644
<i>Value (1,000 dollars)</i>					
Venezuela	2,967	4,193	3,991	2,450	1,517
Other sources	4,833	11,035	11,973	7,900	4,475
Total	7,800	15,228	15,964	10,351	5,992
<i>Unit value (per 1,000 pounds)</i>					
Venezuela	\$258.44	\$272.38	\$239.08	\$249.92	\$226.49
Other sources	293.79	293.04	256.27	253.84	249.35
Average	279.26	287.05	251.74	252.90	243.14
<i>Share of total quantity (percent)</i>					
Venezuela	41.1	29.0	26.3	24.0	27.2
Other sources	58.9	71.0	73.7	76.0	72.8
Average	100.0	100.0	100.0	100.0	100.0
<i>Share of total value (percent)</i>					
Venezuela	38.0	27.5	25.0	23.7	25.3
Other sources	62.0	72.5	75.0	76.3	74.7
Average	100.0	100.0	100.0	100.0	100.0

Note.--Because of rounding, figures may not add to the totals shown; unit values are calculated from unrounded figures.

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

Figure 17
Phthalic anhydride: U.S. imports, by sources, 1991-93,
Jan.-June 1993, and Jan.-June 1994



Source: Table 22.

Other Sources

Imports of phthalic anhydride from other sources, based on quantity, accounted for 58.9 percent of total imports in 1991, 71.0 percent in 1992, 73.7 percent in 1993, 76.0 percent in January-June 1993, and 72.8 percent in January-June 1994. Imports of phthalic anhydride from sources other than Venezuela, based on value, accounted for 62.0 percent of total imports in 1991, 72.5 percent in 1992, 75.0 percent in 1993, 76.3 percent in January-June 1993, and 74.7 percent in January-June 1994.

The quantity of imports of phthalic anhydride from other sources increased by 128.9 percent from 1991 to 1992 and by 24.1 percent from 1992 to 1993. From January-June 1993 to January-June 1994, the quantity of such imports decreased by 42.3 percent.

The value of imports of phthalic anhydride from other sources increased by 128.3 percent from 1991 to 1992 and by 8.5 percent from 1992 to 1993. From interim 1993 to interim 1994, the value of such imports decreased by 43.4 percent.

The unit value of imports of phthalic anhydride from other sources decreased by 0.3 percent from 1991 to 1992 and by 12.6 percent from 1992 to 1993. Between the interim periods, January-June 1993 and January-June 1994, the unit value of such imports decreased by 1.8 percent.

Market Penetration of Imports

Market penetration ratios of imports of phthalic anhydride as a share of the quantity and value of U.S. consumption are presented in table 23 and figure 18.

Venezuela

The share of U.S. consumption of phthalic anhydride accounted for by imports from Venezuela, based on quantity, was 1.3 percent in 1991, 1.7 percent in 1992, 1.8 percent in 1993, 2.1 percent in January-June 1993, and 1.4 percent in January-June 1994. The share of U.S. consumption of phthalic anhydride taken by imports from Venezuela, based on value, was 1.2 percent in 1991, 1.5 percent in 1992, 1.6 percent in 1993, 1.8 percent in January-June 1993, and 1.2 percent in January-June 1994.

Other Sources

The share of U.S. consumption of phthalic anhydride accounted for by imports from other sources, based on quantity, was 1.9 percent in 1991, 4.1 percent in 1992, 5.2 percent in 1993, 6.6 percent in January-June 1993, and 3.7 percent in January-June 1994. Corresponding shares, based on value, were 1.9 percent in 1991, 4.0 percent in 1992, 4.7 percent in 1993, 5.8 percent in January-June 1993, and 3.6 percent in January-June 1994.

Table 23

Phthalic anhydride: Market penetration ratios, by sources and by products, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June--	
				1993	1994
Share of the quantity of U.S. consumption (<i>percent</i>)					
Molten phthalic anhydride:					
Producers' U.S. shipments	100.0	100.0	100.0	100.0	100.0
U.S. imports from--					
Venezuela	0	0	0	0	0
Other sources	0	0	(2)	0	0
Total	0	0	(2)	0	0
Flake phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
All phthalic anhydride:					
Producers' U.S. shipments ¹	96.7	94.3	93.0	91.3	94.9
U.S. imports from--					
Venezuela	1.3	1.7	1.8	2.1	1.4
Other sources	1.9	4.1	5.2	6.6	3.7
Total	3.3	5.7	7.0	8.7	5.1
Share of the value of U.S. consumption (<i>percent</i>)					
Molten phthalic anhydride:					
Producers' U.S. shipments	100.0	100.0	100.0	100.0	100.0
U.S. imports from--					
Venezuela	0	0	0	0	0
Other sources	0	0	(2)	0	0
Total	0	0	(2)	0	0
Flake phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
All phthalic anhydride:					
Producers' U.S. shipments ¹	96.9	94.5	93.7	92.4	95.1
U.S. imports from--					
Venezuela	1.2	1.5	1.6	1.8	1.2
Other sources	1.9	4.0	4.7	5.8	3.6
Total	3.1	5.5	6.3	7.6	4.9

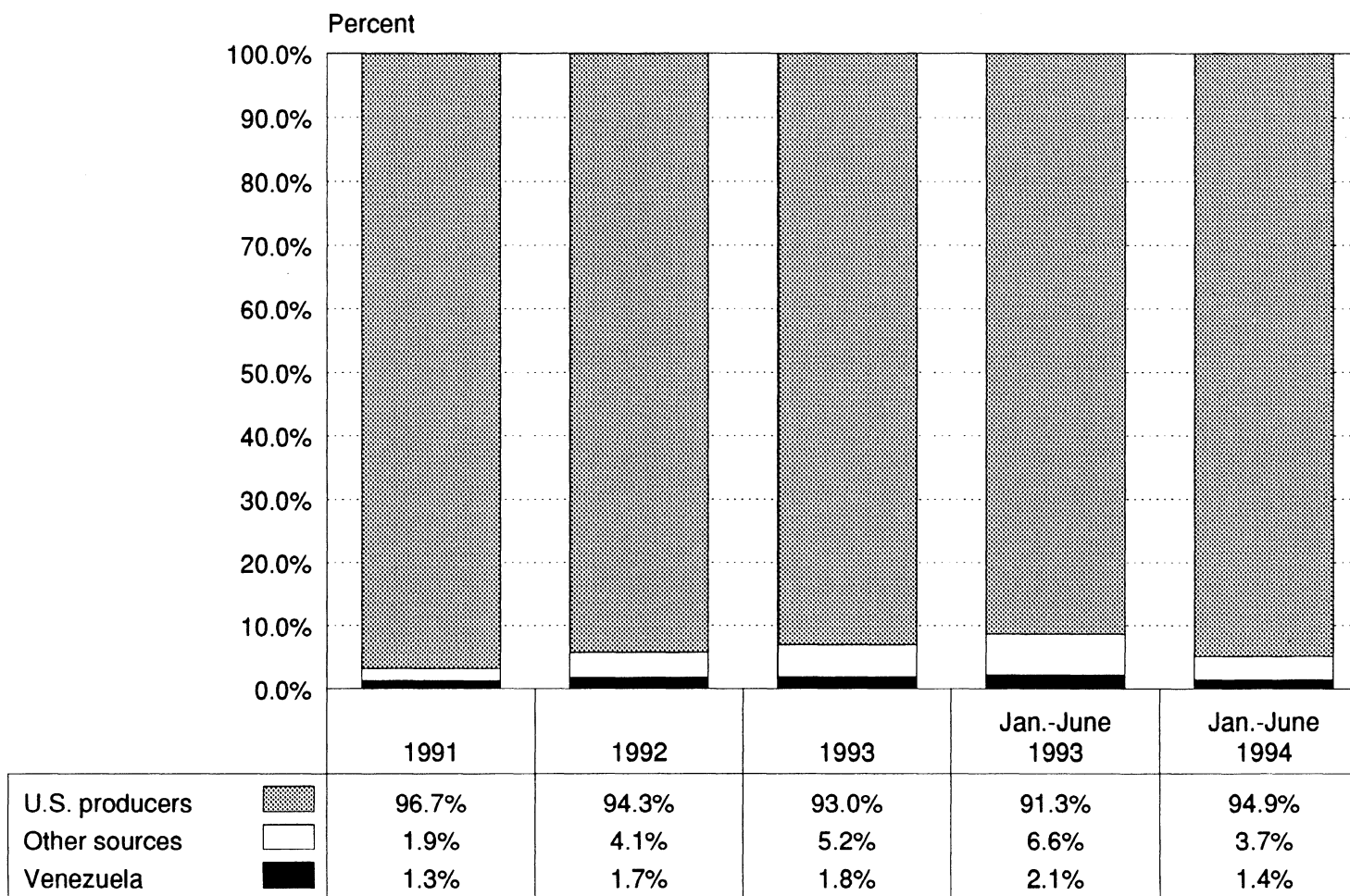
¹ Excludes molten consumed internally to make flake.

² Less than 0.05 percent.

Note.--Because of rounding, figures may not add to the totals shown; shares are computed from the unrounded figures.

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.

Figure 18
Phthalic anhydride: Share of the quantity of U.S.
consumption, by sources, 1991-93, Jan.-June 1993,
and Jan.-June 1994



Source: Table 23.

Pricing and Marketing Considerations

Market Characteristics

As discussed earlier, phthalic anhydride is used to produce a variety of intermediate products, such as plasticizers, unsaturated polyester resins, and alkyd resins, that are then used in the production of an array of products used in the manufacturing and construction sectors, or in households or final consumer goods. U.S. producers and importers generally reported that changes in aggregate demand for phthalic anhydride tend to follow changes in the U.S. gross domestic product (GDP). In addition, these firms noted that the demand for phthalic anhydride tends to be seasonal, with stronger growth during the second and third quarters.⁴⁸

***. For the most part, U.S. producers' consumption is limited to molten phthalic anhydride. All five U.S. producers also sell phthalic anhydride in the merchant market. A significant percentage of these sales consist of molten phthalic anhydride to end users. Some of these end users manufacture products that compete directly with the downstream products of the U.S. phthalic anhydride producers. All of the imports of phthalic anhydride from Venezuela entered the United States in the form of flake. In 1993, U.S. importers reported selling phthalic anhydride primarily to end users (table 3).

The Commission initially sent questionnaires to 30 purchasers of phthalic anhydride. The Commission sent a supplemental questionnaire to these same firms to collect selected pricing and supply information through July 1994. Twenty-five of these firms responded to the initial purchaser questionnaire, and 24 to the supplemental purchaser questionnaire.⁴⁹ Purchasers responding to the Commission's questionnaire accounted for approximately 57 percent of 1993 domestic shipments of U.S.-produced molten phthalic anhydride, for 55 percent of U.S.-produced flake phthalic anhydride, and for 43 percent of Venezuelan-produced flake phthalic anhydride.⁵⁰ Information in the following sections is derived, in part, from the review of these responses, as well as from information supplied by U.S. producers and importers. These sections discuss pricing and marketing trends in terms of overall U.S. demand for phthalic anhydride and U.S. demand for flaked versus molten phthalic anhydride, as appropriate.

⁴⁸ Seasonal fluctuations result, in part, from fluctuations in the construction industry, as well as in such industries as motor vehicles.

⁴⁹ One firm submitted a response to the supplemental questionnaire but did not respond to the initial purchasers' questionnaire. Two firms responded to the initial questionnaire but not to the supplemental questionnaire.

⁵⁰ These figures may understate the coverage to some extent because they exclude purchasing data reported by distributors in order to avoid the possibility of double counting.

Purchase Considerations

In interviews with staff and in response to the Commission's questionnaire, the majority of purchasers identified quality, availability, and the existence of prearranged contracts as the most important factors that influenced their purchasing decisions. In addition, purchasers reported that price was important as well as maintaining multiple sources of supply and favoring traditional suppliers. Table 24 shows the factors influencing purchasing decisions that were identified by respondents to the purchaser questionnaire.

Table 24
Factors affecting purchases of phthalic anhydride, by types of purchase, levels of importance, and frequency of responses

<i>(In percent, except as noted)</i>		
Factor	Spot purchase	Contract purchase
Most important:		
Quality	44	28
Price	28	0
Service/availability	17	0
Prearranged contract	0	33
Other	11	39
Total	100	100
No. of responses	18	18
Second most important:		
Quality	39	25
Price	39	25
Service/availability	22	44
Other	0	6
Total	100	100
No. of responses	18	16
Third most important:		
Service/availability	47	20
Price	29	47
Quality	0	13
Other	24	20
Total	100	100
No. of responses	17	15

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

Conditions of Sale

U.S. producers of phthalic anhydride typically sell molten phthalic anhydride under annual or multi-year contracts; these contracts often are general supply agreements. The sales contracts may or may not specify quantities and frequently allow prices to be adjusted during the contract period. Producers reported that contracts typically contain meet-or-release provisions that assure price flexibility.

U.S. producers reported selling flake phthalic anhydride on both a spot and contract basis during the period of investigation. ***. Importers of Venezuelan-produced flake phthalic anhydride only reported spot sales of the product.

Packaging and Transportation.--For the most part, U.S. producers and importers indicated that transportation costs were a significant factor influencing sales of phthalic anhydride. Molten phthalic anhydride is shipped in bulk by rail or by truck (either insulated or heated). The molten product that is shipped by rail generally solidifies prior to reaching the customers' facilities.⁵¹ Therefore, these purchasers must reheat the product at their own facilities. Shipments of molten phthalic anhydride in insulated trucks generally are limited to customers located within approximately three hours of the phthalic anhydride production facility.⁵² Shipments made using heated trucks can be transported over longer distances without the risk of the product solidifying. Flake phthalic anhydride typically is sold in 1,000-pound disposable supersacks or 50-pound bags and is shipped by rail or truck.

U.S. producers reported in their questionnaire responses that U.S. shipping costs accounted for 5-10 percent of the delivered cost of molten and 3-15 percent of the delivered cost of flake.⁵³ Two of the three firms that reported sales of imported flake indicated that U.S. shipping costs accounted for *** percent of the delivered cost of the product.⁵⁴

The importance of shipping costs is reflected in the U.S. producers' practice of freight equalizing, and is a factor that may limit (to some extent) the marketing range for some U.S. producers and importers.⁵⁵ *** reported selling phthalic anhydride in specific areas of the United States; *** reported selling phthalic anhydride nationwide.⁵⁶ As shown in figure 19,

⁵¹ The rail cars used to ship molten phthalic anhydride are fitted with steam lines that allow the phthalic anhydride to be reheated.

⁵² In order for phthalic anhydride to remain molten, its temperature must remain at approximately 300°F.

⁵³ ***.

⁵⁴ In its questionnaire response, *** indicated that shipping costs were an important consideration, but did not report the share accounted for by these costs.

⁵⁵ ***.

⁵⁶ ***.

the U.S. industry's use of regional warehouses is somewhat limited. *** U.S. producers, ***, reported having regional warehouses.⁵⁷ *** importers of the subject product maintain regional warehouses in various *** locations and in ***.

Pricing Practices.--U.S. producers generally quote prices of molten phthalic anhydride on an f.o.b. plant, freight-collect basis; ***. The firms reported that they freight-equalize to the domestic plant nearest their customers.⁵⁸ U.S. producers typically quote prices for flake phthalic anhydride on a delivered basis.⁵⁹ Importers of the Venezuelan flake also reported selling the product on a delivered basis to U.S. customers, typically arranging and prepaying the freight to their customers.⁶⁰

The sales price of molten phthalic anhydride, for contract and spot sales, is frequently tied to the price of orthoxylene (a primary input). U.S. producers reported selling molten phthalic anhydride on an orthoxylene-plus basis, with the "plus" accounting for value-added and variations in market conditions.⁶¹ Sales of U.S.-produced and imported Venezuelan flake phthalic anhydride may or may not directly track orthoxylene prices.⁶²

Data reported in the Commission's preliminary investigation suggest that the current spread between molten phthalic anhydride and orthoxylene may be at ***.⁶³ However, data developed by ***.⁶⁴

⁵⁷ ***.

⁵⁸ When BASF-Sterling closed its New Jersey plant in 1990, the freight equalization point for customers on the East Coast moved west and, as a result, some purchasers reportedly began to pay more freight for phthalic anhydride shipments from U.S. producers.

⁵⁹ ***.

⁶⁰ ***.

⁶¹ ***.

⁶² ***.

⁶³ Confidential data reported by COPAP in its postconference brief (p. 8) include ***. The ratio of aggregate phthalic anhydride sales unit values over orthoxylene unit values that are published annually by the U.S. International Trade Commission shows a similar trend over the same period (U.S. International Trade Commission, *Synthetic Organic Chemicals: United States Production and Sales*, various years). These trends are shown in figure G-1 in app. G.

⁶⁴ ***. Conversation with ***, Aug. 26 and Sept. 7, 1994.

Figure 19
Phthalic anhydride: Location of regional storage facilities
of U.S. producers and U.S. importers, 1994

* * * * *

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

Supply Availability.--With the ***, *** of the U.S. producers reported no difficulty supplying their respective customers with molten and flake phthalic anhydride during the January 1991-June 1994 period.⁶⁵ Petitioners also reported that ***.⁶⁶

In its supplemental questionnaire the Commission asked purchasers to describe current supply conditions in the U.S. market. Purchasers were asked whether their firms experienced any problems procuring any type of phthalic anhydride products, wholly or partially, in a timely manner at prevailing market prices. Of the 23 firms that answered the question, 78 percent reported experiencing such problems.⁶⁷ Forty-eight percent of the firms responding to the questionnaire indicated that their firm had been placed on allocation or sales control of some type. Finally, 22 percent of the firms indicated that problems with supply had resulted in altered production levels. Purchasers also reported that the spot price of flake, in particular, increased significantly during July-August 1994. Although firms indicated that spot prices quoted by brokers or distributors reportedly were as high as \$0.60 or more per pound, actual purchase price data supplied by firms responding to the Commission's questionnaire show price increases of a lesser magnitude.⁶⁸

Product Comparisons

Although molten and flake phthalic anhydride are chemically identical, the products are not entirely substitutable. Molten phthalic anhydride requires significant capital investment in handling and manufacturing systems. Flake phthalic anhydride requires less capital investment, but users reported higher labor costs associated with its use, as well as higher production costs associated with throughput times.

Phthalic anhydride consumers that have not invested in storage and manufacturing systems designed for molten phthalic anhydride are not able to substitute the two product types. Firms that typically use phthalic anhydride in its molten form reported substituting the two product types to varying degrees. However, molten purchasers that responded to the Commission's questionnaire reported that 100-percent substitution of flake for molten generally was not feasible, given production considerations, environmental concerns, and additional labor costs. All *** of molten phthalic anhydride reported that flake phthalic

⁶⁵ ***.

⁶⁶ Petitioners' posthearing brief, pp. 23-24. ***. Petitioners posthearing brief states that--
***. As noted elsewhere in the report, Stepan has an agreement with Koppers to supply flake to its customers. ***. The shutdown of Stepan's flaker during the first quarter of 1994 appears to have exacerbated the current shortfall that arose during the second through third quarters of 1994 as a result of ***, increased U.S. demand, and the reported shift in supply of foreign-produced phthalic anhydride to other third-country markets. ***.

⁶⁷ For example, ***.

⁶⁸ Pricing trends are discussed in the "Purchaser Price and Quantity Trends" section below.

anhydride was not a commercially viable substitute in their manufacturing processes.⁶⁹ However, two U.S. producers noted that their customers were able to substitute the two types of phthalic anhydride.⁷⁰

Although there may be some variance in the by-product content of the phthalic anhydride produced by U.S. and Venezuelan suppliers, the majority of the firms responding to the Commission's questionnaires indicated that such differences are not significant. Nonetheless, purchasers responding to the Commission's questionnaire did report other types of quality differences between U.S. and Venezuelan-produced flake phthalic anhydride. In particular, purchasers reported that the Venezuelan product tended to cake or solidify; as a result, it was more difficult to handle, potentially caused quality control problems, and generally increased production costs. Of the purchasers that were able to rank U.S.- and Venezuelan-produced flake phthalic anhydride, 56 percent reported that the Venezuelan product was inferior and 44 percent indicated that the product was comparable to U.S.-produced flake phthalic anhydride. All of the firms that were able to compare the price of the Venezuelan product to the U.S. product reported lower prices for the imported product.

Purchasers were asked to rank various factors affecting their decisions to purchase phthalic anhydride sourced from the United States versus Venezuela. In addition to price, factors such as product performance, reliability of delivery, maintaining several sources of supply, and service were cited as very or somewhat important factors by these firms. There was little difference in the pattern of purchaser responses associated with the country of origin of the phthalic anhydride being purchased. Purchasers responding to the questionnaire reported that despite the lower price of the Venezuelan product, they continued to purchase U.S.-produced flake. The firms indicated that either quality or delivery considerations influenced their decision to pay more for the U.S. material or their firms were willing to pay a price premium in order to minimize the risk of supply shortfalls.

Producer and Importer Price and Quantity Trends

The Commission requested U.S. producers and importers of Venezuelan phthalic anhydride to submit quarterly pricing data for sales of flake and molten phthalic anhydride to unrelated U.S. customers. The Commission asked these firms to separate their sales depending on whether the transactions were made on a contract versus spot and delivered versus f.o.b. basis. All five U.S. producers provided the Commission with useable pricing data for U.S.-produced molten phthalic anhydride. Three of these firms also reported sales of U.S.-produced flake phthalic anhydride. Four importers, of which two were end users, reported useable pricing data for the subject imported flake phthalic anhydride. The Commission also requested U.S. producers to provide pricing data for orthoxylene, which are

⁶⁹ ***.

⁷⁰ ***.

presented in appendix H. Four of the U.S. producers reported monthly pricing data for this product.

The pricing data provided by U.S. producers accounted for over 100 percent of the total quantity of domestic shipments of U.S.-produced phthalic anhydride in 1993.⁷¹ Data submitted by importers accounted for 87.9 percent of the total quantity of U.S. shipments of the Venezuelan product that were reported by firms responding to the Commission's questionnaire.

Price Trends

The trends discussed in the following sections are based on the net weighted-average quarterly U.S. delivered and/or f.o.b. selling prices of phthalic anhydride reported by U.S. producers and importers. Price trends for U.S.-produced molten and flake phthalic anhydride are shown in figures 20 and 21 and in appendix I.

United States.--U.S. producers reported spot and contract sales of molten and flake phthalic anhydride on a delivered and f.o.b. basis. The reported net weighted-average prices of molten and flake phthalic anhydride fluctuated during January 1991-June 1994, but declined overall. For the most part, reported prices of molten phthalic anhydride (regardless of the sales basis) declined during 1991, increased during 1992 through the first quarter of 1993, and then declined during the remainder of the period through March 1994. Prices generally remained the same or increased in the second quarter of 1994. Reported prices of flake phthalic anhydride generally exhibited a similar pattern. As shown in tables I-1 and I-2, overall price declines for molten and flake phthalic anhydride ranged from 12.5 to 33.3 percent during the period. Reported contract f.o.b. sales of molten phthalic anhydride, which accounted for the largest share of overall sales, declined by 15.6 percent.

As figure 20 illustrates, prices for molten phthalic anhydride generally followed the price of orthoxylene during 1991.⁷² However, in 1992 the sales prices of molten phthalic anhydride, particularly spot prices, diverged from orthoxylene prices. During 1993, the prices of orthoxylene and phthalic anhydride show similar declines.

⁷¹ Specifically, reported sales of molten and flake phthalic anhydride account for approximately 104 and 106 percent of respective domestic shipments in 1993. These differences primarily stem from the sales data reported by ***.

⁷² Average orthoxylene prices are shown in appendix H.

Figure 20

Selling price trends: Weighted-average net f.o.b. and delivered prices for sales of molten phthalic anhydride and orthoxylene reported by U.S. producers, by quarters, Jan. 1991-June 1994

* * * * *

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

Venezuela.--For the most part, U.S. importers reported selling flake on a delivered basis.⁷³ As shown in figure 21, the reported average prices of imported flake fluctuated during the January 1991-June 1994 period. Prices generally declined during 1991, increased during 1992, and then declined during 1993-94. During the entire period, reported spot prices (delivered and f.o.b.) of flake declined by 28.6 and 22.9 percent, respectively. Reported contract prices declined by 27.5 percent.

Figure 21

Selling price trends: Weighted-average net f.o.b. and delivered prices for sales of flake phthalic anhydride reported by U.S. producers and U.S. importers, by quarters, Jan. 1991-June 1994

* * * * *

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

⁷³ ***.

Price Comparisons

Thirty-seven comparisons between U.S. and Venezuelan average unit values were possible for contract and spot sales of flake phthalic anhydride in the U.S. market. In 36 of these comparisons, the Venezuelan product undersold the domestic product, with margins ranging from *** percent (table 25 and figure 22). In one instance the Venezuelan flake was priced *** percent above the U.S.-produced flake.

Table 25

Flake phthalic anhydride: Margins of under/(over)selling for unit values of U.S. sales, by type of sale and by quarters, Jan. 1991-June 1994

* * * * *

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

Figure 22

Margins of under/overselling for unit values of U.S. sales of flake phthalic anhydride, Jan. 1991-June 1994

* * * * *

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

Purchaser Price and Quantity Trends

The Commission requested purchasers of phthalic anhydride to provide quarterly weighted-average price and quantity data for purchases of flake and molten phthalic anhydride during January 1991-June 1994. In addition, purchasers were asked to provide data for the month of July 1994. Firms were asked to disaggregate the pricing data on the basis of whether the purchases were (1) of flake or molten, (2) for their own use or for resale, and (3) on a contract or spot basis. The data were reported on a delivered basis.

As shown in figure 23 and appendix J, the weighted-average prices reported by purchasers tend to follow the same general trends as prices reported by producers and importers, but with a greater degree of variation.⁷⁴ The weighted-average price increases reported for virtually all types of phthalic anhydride in the second quarter and July 1994 are consistent with other information reported by purchasers regarding supply shortfalls that developed in the United States during this period.

Figure 23

Purchase price trends: Weighted-average delivered prices for purchases of molten and flake phthalic anhydride reported by U.S. purchasers, by quarters, Jan. 1991-June 1994, and July 1994

* * * * *

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

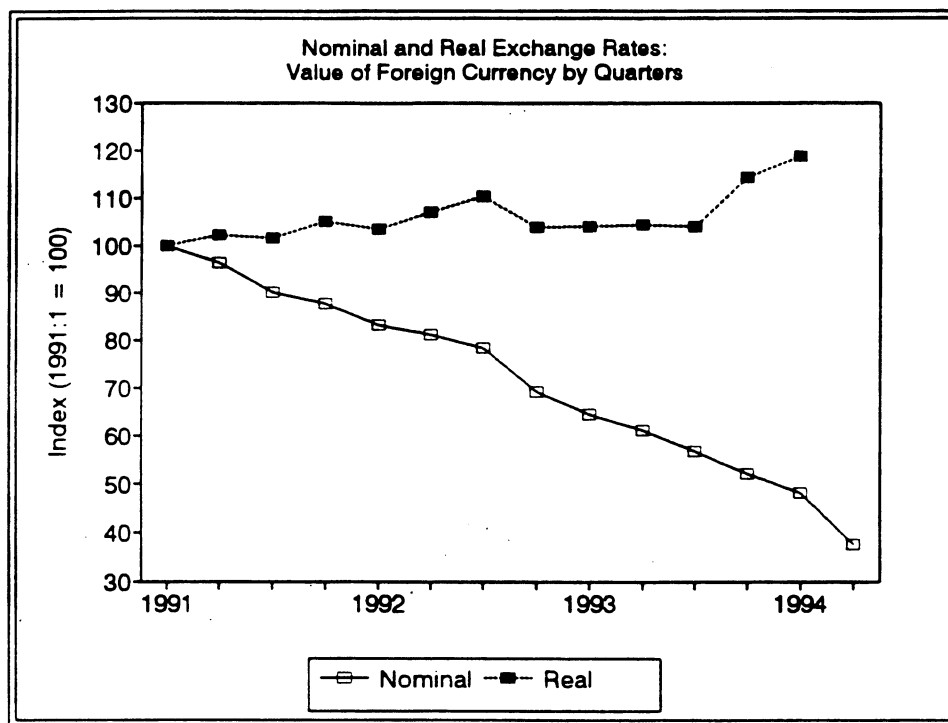
⁷⁴ In particular, the weighted-average prices reported by purchasers for flake phthalic anhydride tended to fluctuate more than the corresponding producer or importer weighted-average sales prices. One factor that may contribute to these variations is the relatively limited number of firms that reported purchases of flake phthalic anhydride (see app. J).

Exchange Rates

As shown in figure 24, the nominal value of the Venezuelan bolivar depreciated by 51.7 percent against the U.S. dollar between January 1991 and March 1994 and by 62.3 percent between January 1991 and June 1994. However, because of inflation of 148.9 percent in Venezuela compared to 1.3 percent in the United States during this period, the real value of the bolivar appreciated by 18.7 percent during the January 1991 to March 1994 period.⁷⁵

Figure 24

Exchange rates: Indexes of nominal and real exchange rates of the U.S. dollar and the Venezuelan bolivar, by quarters, Jan. 1991-June 1994



Note: Exchange rates are in U.S. dollars per unit of foreign currency.

Source: U.S. International Monetary Fund, *International Financial Statistics*, August 1994.

⁷⁵ Complete data covering producer prices are not available for the second quarter of 1994.

Lost Sales and Lost Revenues

The Commission received a total of *** allegations of lost sales and revenues from ***.⁷⁶ ***.⁷⁷ ⁷⁸ ***.⁷⁹ The reported allegations are summarized as follows:

* * * * *

The Commission contacted all but one of the firms cited by U.S. producers. In general, the majority of allegations could only be partially confirmed. In some cases, purchasers substituted lower priced Venezuelan flake for U.S.-produced phthalic anhydride. However, in other instances, U.S. producers appear to be competing against each other and with actual or potential imports of flake from a variety of countries (including but not limited to Venezuela). Moreover, in some cases the quantities alleged overstate the quantities actually purchased by the firms cited in the allegations. Company specific information is contained in appendix K.

⁷⁶ In addition to the information provided below, ***.

⁷⁷ ***.

⁷⁸ ***.

⁷⁹ In its questionnaire response, *** stated that ***.

APPENDIX A

FEDERAL REGISTER NOTICES

[Inv. No. 731-TA-668 (Final)]

Phthalic Anhydride From Venezuela

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of final antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-668 (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 Venezuela of phthalic anhydride (PAN), provided for in subheading 2917.35.00 of the Harmonized Tariff Schedule of the

United States, that are alleged to be sold in the United States at less than fair value.

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

EFFECTIVE DATE: May 25, 1994.

FOR FURTHER INFORMATION CONTACT: Fred H. Fischer (202-205-3179), Office of Investigations, U.S. International Trade Commission, 500 E Street S.W., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. Information can also be obtained by calling the Office of Investigations' remote bulletin board system for personal computers at 202-205-1895 (N.8.1).

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted as a result of an affirmative preliminary determination by Commerce that imports of PAN from Venezuela are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. § 1673b). The investigation was requested in a petition filed on October 22, 1993, by Aristech Chemical Corporation, Pittsburgh, PA; BASF Corporation, Parsippany, NJ; Koppers Industries, Inc., Pittsburgh, PA; and Stepan Company, Northfield, IL.

Participation in the investigation and public service list.—Persons wishing to participate in the 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, not later than twenty-one (21) days after publication of this notice in the *Federal Register*. The Secretary will prepare a public 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.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this final investigation available to

authorized applicants under the APO issued in the investigation, provided that the application is made not later than twenty-one (21) days after the publication.

Staff report.—The prehearing staff report in this investigation will be placed in the nonpublic record on July 27, 1994, and a public version will be issued thereafter, pursuant to § 207.21 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with this investigation beginning at 9:30 a.m. on August 9, 1994, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before July 29, 1994. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on August 2, 1994, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.23(b) of the Commission's rules. Parties are strongly encouraged to submit as early in the investigation as possible any requests to present a portion of their hearing testimony in camera.

Written submissions.—Each party is encouraged to submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.22 of the Commission's rules; the deadline for filing is August 3, 1994. Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.23(b) of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.24 of the Commission's rules. The deadline for filing posthearing briefs is August 17, 1994; witness testimony must be filed no later than three (3) days before the hearing. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before August 17, 1994. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules. In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other

parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

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.

By order of the Commission.

Issued: June 17, 1994.

Donna R. Koehnke,
Secretary.

[FR Doc. 94-15167 Filed 6-21-94; 8:45 am]

BILLING CODE 7020-02-P

On May 27, 1994, we issued a deficiency letter to Oxidaciones Organicas, C.A. (Oxidor), respondent in this investigation, regarding its response to Section D of the antidumping questionnaire. (Section D requests information on cost of production and constructed value.)

On June 6, 1994, Oxidor informed the Department that it would no longer be participating in the investigation due to the cost and time required to fully respond to the supplemental cost questionnaire and participate in the verification.

Scope of Investigation

The product covered by this investigation is PA, an aromatic synthetic organic chemical usually produced from a primary petrochemical called orthoxylene, although it is sometimes produced from naphthalene. PA is predominately used in the production of plasticizers, unsaturated polyester resins, and alkyd resins, which in turn are generally used to produce plastics and paints. This investigation covers PA sold in either flaked or molten form.

PA is classifiable under subheading 2917.35.00 of the *Harmonized Tariff Schedule of the United States* (HTSUS). The HTSUS subheading is provided for convenience and customs purposes. Our written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation is May 1, 1993, to October 31, 1993.

Best Information Available

As noted in the "Case History" section of this notice, Oxidor informed the Department that it would not reply to the Department's Section D deficiency letter and that it would not participate in verification. Section 776(c) of the Act provides that whenever a party refuses or is unable to produce information requested in a timely manner and in the form required, or otherwise significantly impedes an investigation, the Department shall use the best information otherwise available (BIA). We have done so in this investigation.

In assigning BIA, the Department applies a two-tiered methodology based on the degree of a respondent's cooperation. Under this methodology, the Department imposes the most adverse rate upon those respondents who refuse to cooperate or otherwise significantly impede the proceeding. *See Final Determination: Antifriction Bearings (other than Tapered Roller Bearings) and Parts thereof from the*

[A-307-809]

Notice of Final Determination of Sales at Less Than Fair Value: Phthalic Anhydride From Venezuela

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: August 10, 1994.

FOR FURTHER INFORMATION CONTACT: Kimberly Hardin, Office of Antidumping Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482-0371.

Final Determination

The Department of Commerce (the Department) determines that phthalic anhydride (PA) from Venezuela is being, or is 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 (the Act). The estimated margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the publication of our affirmative preliminary determination on May 27, 1994 (58 FR 27532), the following events have occurred.

Federal Republic of Germany, 54 FR 18992, 19033 (1989). The Department's two-tiered methodology for assigning BIA has been upheld by the U.S. Court of Appeals for the Federal Circuit. (See *Allied-Signal v. U.S.*, 996 F.2d 1185 (Fed. Cir. 1993) (CAFC) (June 22, 1993); see also *Krupp Stahl AG et al. v. U.S.*, 822 F. Supp. 789 (CIT 1993).)

Because Oxidor refused to reply to the Department's deficiency questionnaire and refused verification, we find it has been uncooperative in this investigation. As BIA for Oxidor, we are assigning the highest margin alleged in the petition because that margin is higher than the only calculated rate in this investigation. The highest margin in the petition is 52.00 percent. (See *Initiation of Antidumping Duty Investigations: Phthalic Anhydride from Brazil, Hungary, Israel, Mexico and Venezuela* (58 FR 60847, November 18, 1993), for a description of the United States price and foreign market value used to calculate the above-mentioned margin.)

Continuation of Suspension of Liquidation

In accordance with section 735(c)(4) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of PA from Venezuela, as defined in the "Scope of Investigation" section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or posting of a bond equal to the margins below on all entries of PA from Venezuela. The suspension of liquidation will remain in effect until further notice. The estimated dumping margins are as follows:

Manufacturer/producer/exporter	Margin percent
Oxidaciones Organicas, C.A.	52.00
All Others	52.00

International Trade Commission Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry within 45 days.

If the ITC determines that material injury or threat of material injury does not exist, the 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 antidumping duties on PA from Venezuela entered or withdrawn from warehouse, for consumption on or after the date of suspension of liquidation.

Notification to Interested Parties

This notice also serves as the only reminder to parties subject to administrative protective order (APO) of their responsibility covering the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 353.34(d). Failure to comply is a violation of the APO.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)), and 19 CFR 353.20(a)(4).

Dated: August 3, 1994.

Susan G. Esserman,
Assistant Secretary for Import
Administration.

[FR Doc. 94-19540 Filed 8-9-94; 5:45 am]
BILLING CODE 3510-03-P

Scope of Investigation

For purposes of this investigation, phthalic anhydride ("PA") is an aromatic synthetic organic chemical usually produced from a primary petrochemical called orthoxylene, although sometimes it is produced from naphthalene. PA is predominately used in the production of plasticizers, unsaturated polyester resins, and alkyd resins, which in turn are generally used to produce plastics and paints. The subject PA is produced in two physical forms, molten and flaked.

The PA subject to this investigation is currently classified under subheading 2917.35.00 of the Harmonized Tariff Schedule of the United States (HTSUS). The HTSUS subheading is provided for convenience and customs purposes. Our written description of the scope of this investigation is dispositive.

Injury Test

On August 31, 1990, Venezuela became a contracting party to the General Agreement on Tariffs and Trade (GATT). Since a country cannot qualify as a "country under the Agreement" under section 701(b)(3) of the Tariff Act of 1930, as amended ("the Act") if it is a contracting party to the GATT, Venezuela is no longer eligible for treatment as a "country under the Agreement" within the meaning of section 701(b)(3) of the Act. However, because Venezuela is a GATT contracting party and the merchandise under investigation is non-dutiable, the ITC is required to determine whether, pursuant to section 303(a)(2) of the Act, imports of the merchandise from Venezuela materially injure, or threaten material injury to, a U.S. industry. On December 1, 1993, the ITC preliminary determined that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of PA from Venezuela.

Petitioners

Petitioners are Aristech Chemical Corporation, BASF Corporation, Koppers Industries, Inc. and Stepan Company. Petitioners state that they represent 75 percent of the domestic PA industry.

Respondents

The Government of Venezuela ("GOV") and Oxidaciones Organicas, C.A. ("Oxidor") are respondents. While there are two producers of PA in Venezuela, Oxidor accounted for over 85 percent of exports to the United States during the POI and, hence, was selected as the sole respondent.

[C-307-810]

Final Negative Countervailing Duty Determination: Phthalic Anhydride From Venezuela

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: August 10, 1994.

FOR FURTHER INFORMATION CONTACT:

Kristin M. Heim, Office of Countervailing Investigations, Import Administration, U.S. Department of Commerce, Room B099, 14th Street and Constitution Avenue NW., Washington, DC 10130; telephone (202) 482-3798.

Final Determination

Case History

Since the publication of the preliminary negative determination in the Federal Register (59 FR 3842, January 27, 1994) the following events have occurred.

On March 4, 1994, we published a notice aligning this investigation with the companion antidumping duty investigation in the Federal Register (59 FR 10372). We conducted verification from March 22 through 25, 1994. A case brief was filed by petitioners on June 1, 1994, and a rebuttal brief was filed by Oxidor on June 10, 1994. A public hearing was not requested.

Analysis of Programs

For purposes of this determination, the period of investigation ("the POI") is April 1, 1992 to March 30, 1993, which corresponds to Oxidor's fiscal year.

Based upon our analysis of the petition and the responses to our questionnaires, we determine the following:

I. Program Determined Not To Be Countervailable

Preferential Pricing of Orthoxylene Feedstock

Petitioners alleged that the government-owned petrochemical company, Petroquímica de Venezuela, C.A. ("Pequiven"), is selling orthoxylene (an input product to PA) to Venezuelan producers of PA at preferential prices, thus providing a subsidy under section 771(5)(A)(ii)(II) of the Act.

In order to measure the preferential provision of goods, the Department has developed a hierarchy of benchmarks to compare with the government's price for the good. The Department's preferred benchmark is non-selective prices the government charges to the same or other users (*See, Notice of Proposed Rulemaking and Request for Public Comments*, 54 FR 23366 (May 31, 1989), Section 355.44(f)(1) ("Proposed Regulations"). If there is no non-selective benchmark price, the Department normally looks to the alternative benchmarks listed in section 355.44(f)(2) of the *Proposed Regulations*. The alternative benchmarks are as follows: (1) The price charged by the same seller for a similar or related good, (2) the price charged by other sellers in the same jurisdiction for an identical good, (3) the same seller's cost of producing the good, and (4) the price paid outside the jurisdiction for an identical good.

For the preliminary determination, the Department had no information to indicate that there was a non-specific price for orthoxylene. Pequiven reported that within Venezuela it sold orthoxylene only to the two PA producers, Oxidor and Anhiven, who were charged the same price. However, we discovered at verification that Pequiven also made one sale during the POI to a non-PA producer who was charged a different price.

The Department has faced a similar situation in the past. In the *Final Countervailing Duty Determination: Aluminum Sulfate from Venezuela* 54 FR 43440 (October 25, 1989) ("Aluminum Sulfate"), the Department examined a government-owned

company which sold to two producers of the subject merchandise, SULFORCA and FERRALCA. These two producers were charged different prices for the input product. One factor we evaluated in *Aluminum Sulfate* to determine whether the price charged to FERRALCA could be used as a benchmark for SULFORCA, was to compare the quantity and other terms of sale to the two companies. "After comparing the quantities and terms of SULFORCA's contract to the quantities and terms of FERRALCA's purchase orders, we determined that these [the quantities and terms] did not provide a basis for justifying the price difference involved." (*Aluminum Sulfate*, at 43441). Because the difference in price could not be attributed to the difference in quantity and terms, the price charged to FERRALCA was determined to be a reliable benchmark.

Consistent with the analysis performed in *Aluminum Sulfate*, we have examined the quantities and terms of Pequiven's sales to the non-PA producer and compared them to the quantities and terms of Pequiven's sales to Oxidor. We have concluded that Pequiven's price to the non-PA producer would not be a reliable benchmark price because there was only one sale in the POI and the sale involved too small a quantity to be comparable to the sales made to Oxidor and Anhiven. In addition, there is no other evidence on the record indicating that this price could serve as a proper benchmark. Therefore, we have determined that the price charged to the non-PA producer cannot serve as an appropriate benchmark. Due to the proprietary nature of the quantities and terms of these sales, we cannot address them in this notice; however there is a proprietary concurrence memorandum on the record that explains the basis of our determination (*see, Concurrence Memorandum*, August 3, 1994).

Since we have concluded that we cannot use the government's price for the same good as our benchmark, we have evaluated the alternative benchmarks in our hierarchy. The first alternative in the hierarchy is the price charged by the same seller for a similar or related good. Consistent with our preliminary determination, we have determined that we cannot use the first alternative benchmark because Pequiven does not sell any of the products identified on the record as being similar to orthoxylene (*i.e.*, paraxylene, metaxylene and mixed-xylene).

The second alternative listed in the *Proposed Regulations* is the price charged within the jurisdiction by other

sellers for an identical good or service. As stated in *Carbon Black from Mexico: Preliminary Results of Countervailing Duty Administrative Review* (51 FR 13269, April 18, 1986), "[t]hese other sellers may include private sellers within the jurisdiction or foreign sellers selling into the jurisdiction * * *". Pequiven is the only domestic producer/seller of orthoxylene in Venezuela. However, orthoxylene was imported into Venezuela during the POI.

In the preliminary determination, we used U.S. export statistics on shipments of orthoxylene to Venezuela during the period 1992-1993. From these statistics, we used the information on the one entry that occurred during the POI to calculate a benchmark price, since this was "a price charged within the jurisdiction by other sellers for an identical good." Based on our comparison of Pequiven's price for orthoxylene with the U.S. export price (adjusted for freight and insurance), we preliminarily determined that the Pequiven's price to Oxidor was non-preferential.

We have examined this transaction carefully for purposes of our final determination to determine whether it can serve as a proper benchmark for sales of orthoxylene by Pequiven. First, we have considered the quantity involved and the terms of sale. Based on a comparison of the U.S. export to Pequiven's monthly sales to the two PA producers, we have determined that this sale is within the range of quantities purchased from Pequiven each month and, therefore, involves sufficiently large quantities to serve as an appropriate benchmark.

Second, with respect to the terms of sale, petitioners argued that the prices reported in the U.S. export statistics are spot prices, whereas Pequiven's prices are on a contract basis. Petitioners stated that this fact should preclude the Department from using the U.S. export data as a benchmark since they are incomparable to Pequiven's prices. Respondents countered that, while Pequiven did have a contract with its customers, the terms of "contract" and "spot" sales are different in Venezuela than in the United States. Specifically, they argued that contract needs and obligations of secured quantity are much greater in the U.S. than in Venezuela. Because the Venezuelan market is so small, respondents took the position that a spot price is a more appropriate benchmark. Both parties have submitted world market prices for orthoxylene as reported by the industry publications of several private reporting agencies to support their arguments.

Based on the information provided by both parties, we determined that there is a consistent difference between contract and spot prices as reported by the private reporting agencies. Given that the degree of difference is consistent throughout the POI, we believe it is possible to adjust the U.S. export spot price to make it comparable to a contract price. To calculate the adjustment, we averaged the difference between monthly contract and spot prices as reported by the three reporting services, and added the average spread for April, 1992 (the month of the single importation) to the U.S. export price.

In addition, because this import into Venezuela was reported on a FAS basis, we added an amount for ocean freight and insurance from the United States to Venezuela. The amount for ocean freight and insurance was obtained from an independent shipping company (see memorandum from case analyst to the file, January 14, 1994).

We then compared the adjusted U.S. export price to the price Pequiven charged for orthoxylene in the month that orthoxylene was exported from the United States. Based on this comparison, we found that Pequiven's price was greater than the price of imported U.S. orthoxylene.

As a final check on the validity of the single importation as a benchmark, we averaged U.S. export prices (adjusted for freight and insurance as well as the difference between the spot and contract prices) for the three months in which we had data (one within the POI and two outside of the POI). For the two exports occurring outside of the POI, we added the average spread between spot and contract prices for the POI to the export prices because monthly data on the difference between spot and contract prices outside of the POI was not available. We compared the average of the adjusted U.S. export prices to the average price Pequiven charged in the same three months and found that Pequiven's average price was greater than the average price of the imports from the United States.

Therefore, we find that the GOV, through Pequiven, did not provide orthoxylene to PA producers at preferential rates. Accordingly, we determine that no benefits which constitute bounties or grants within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters of PA from Venezuela.

II. Programs Determined not to be Used

We determine that producers or exporters in Venezuela of the subject merchandise did not receive benefits

during the POI for exports of the subject merchandise to the United States under the following programs:

- A. *FINEXPO Preferential Short-Term Export Loans*
- B. *FINEXPO Preferential Long-Term Export Loans*
- C. *Excessive Tariff Drawback*
- D. *Preferential Tax Exemptions Under the 1966 Income Tax Law*

Because we find that the GOV did not provide orthoxylene at preferential rates and all other alleged programs were not used, we determine that no benefits which constitute bounties or grants within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters of PA from Venezuela.

Comments

All written comments submitted by the interested parties in this investigation either have been previously addressed in this notice or relate to alternative benchmarks that are lower in the preferential hierarchy than the one we used to reach our final determination.

Verification

In accordance with section 776(b) of the Act, we verified the information used in making our final determination. We followed standard verification procedures, including meeting with government and company officials, examination of relevant accounting records, and examination of original source documents. Our verification results are outlined in detail in the public versions of the verification reports, which are on file in the Central Records Unit (Room B-099 of the Main Commerce Building).

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. Since we have determined that no bounties or grants are being provided to manufacturers, producers or exporters of PA in Venezuela, the investigation will be terminated upon publication of this notice in the Federal Register. Hence, the ITC is not required to make a final injury determination with respect to this countervailing duty proceeding.

Return or Destruction of Proprietary Information

This notice serves as the only reminder to parties subject to Administrative Protective Order (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 355.34(d).

Failure to comply is a violation of the APO.

This determination is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)).

Dated: August 3, 1994.

Susan G. Esserman,
Assistant Secretary for Import
Administration.

[FR Doc: 94-19541 Filed 8-9-94; 8:45 am]

BILLING CODE 2510-08-P

APPENDIX B

CALENDAR OF PUBLIC HEARING

CALENDAR OF PUBLIC HEARING

Investigation No. 731-TA-668 (Final) Phthalic Anhydride from Venezuela

Those listed below appeared at the United States International Trade Commission's hearing held in connection with the subject investigation on August 9, 1994, in the main hearing room of the USITC Building, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties

Albondi, Foster & Sobin--Counsel
Washington, DC
on behalf of--

U.S. Phthalic Anhydride Producers:
Aristech Chemical Corporation
BASF Corporation
Koppers Industries, Inc.
Stepan Co.

Matt Cottrill, Product Manager-Dibasics, Aristech Chemical Corporation
Gilbert Muller, Business Director, plasticizer chemicals, BASF Corporation
Bob Mason, Chemical Technology & Marketing, Koppers Industries, Inc.
Richman H. Wehman, Jr., Business Manager/Phthalic Anhydride, Stepan Co.
Robert N. Roach, Jr., President, The Chemical Company

Peter J. Koenig--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties

Morrison & Foerster--Counsel
Washington, DC
on behalf of--

Oxidaciones Organicas, C.A.

George Frye, Purchasing Director, Reichhold Chemicals, Inc.
Al Preusse, Purchasing Director, Reichhold Chemicals, Inc.
Susan McKown, Corporate Director of Materials, Guardsman Products, Inc.

Julie C. Mendoza)
Donald B. Cameron)--OF COUNSEL
Neal J. Reynolds)

In Opposition to the Imposition of Antidumping Duties—*Continued*

Trade Resources
Washington, D.C.

Seth Kaplan, Economist
Richard Boltuck, Economist

APPENDIX C

COMPANION TABLES BASED ON IMPORT DATA COMPILED FROM QUESTIONNAIRES

Table C-1

Phthalic anhydride: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, by products, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 pounds)</i>					
Molten phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
Importers' U.S. shipments:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
Flake phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
Importers' U.S. shipments:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
All phthalic anhydride:					
Producers' U.S. shipments ¹	830,688	871,952	842,835	431,462	457,361
Importers' U.S. shipments:					
Venezuela	9,482	12,918	13,851	5,056	6,459
Other sources	11,949	23,481	34,915	5,226	6,196
Total	21,431	36,399	48,766	10,282	12,655
Apparent consumption	852,119	908,351	891,601	441,744	470,016
<i>Value (1,000 dollars)</i>					
Molten phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
Importers' U.S. shipments:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
Flake phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
Importers' U.S. shipments:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
All phthalic anhydride:					
Producers' U.S. shipments ¹	243,731	261,901	237,723	125,834	116,974
Importers' U.S. shipments:					
Venezuela	3,050	4,217	3,853	1,507	1,883
Other sources	3,696	7,650	9,660	1,483	1,521
Total	6,746	11,867	13,513	2,990	3,404
Apparent consumption	250,477	273,768	251,236	128,824	120,378

Table continued...

Table C-1--Continued

Phthalic anhydride: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, by products, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Share of the quantity of U.S. consumption (percent)</i>					
Molten phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
Importers' U.S. shipments:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
Flake phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
Importers' U.S. shipments:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
All phthalic anhydride:					
Producers' U.S. shipments ¹	97.5	96.0	94.5	97.7	97.3
Importers' U.S. shipments:					
Venezuela	1.1	1.4	1.6	1.1	1.4
Other sources	1.4	2.6	3.9	1.2	1.3
Total	2.5	4.0	5.5	2.3	2.7
<i>Share of the value of U.S. consumption (percent)</i>					
Molten phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
Importers' U.S. shipments:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
Flake phthalic anhydride:					
Producers' U.S. shipments	***	***	***	***	***
Importers' U.S. shipments:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Apparent consumption	***	***	***	***	***
All phthalic anhydride:					
Producers' U.S. shipments ¹	97.3	95.7	94.6	97.7	97.2
Importers' U.S. shipments:					
Venezuela	1.2	1.5	1.5	1.2	1.6
Other sources	1.5	2.8	3.8	1.2	1.3
Total	2.7	4.3	5.4	2.3	2.8

¹ Excludes molten consumed internally to make flake.² Positive figure, but less than significant digits displayed.

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

Table C-2

Phthalic anhydride: U.S. Imports, by products and by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 pounds)</i>					
Molten phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Flake phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
All phthalic anhydride:					
Venezuela	10,726	13,619	14,101	5,890	4,792
Other sources	11,544	27,616	37,245	6,714	6,659
Total	22,270	41,235	51,346	12,604	11,451
<i>Value (1,000 dollars)</i>					
Molten phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Flake phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
All phthalic anhydride:					
Venezuela	3,218	3,937	3,409	1,434	1,104
Other sources	3,225	9,006	8,771	1,650	1,413
Total	6,443	12,943	12,180	3,084	2,517
<i>Unit value (per pound)</i>					
Molten phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Flake phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
All phthalic anhydride:					
Venezuela	\$0.30	\$0.29	\$0.24	\$0.24	\$0.23
Other sources	.28	.33	.24	.25	.21
Average	.29	.31	.24	.24	.22

Table continued...

Table C-2--*Continued*

Phthalic anhydride: U.S. Imports, by products and by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June--	
				1993	1994
Share of total quantity (percent)					
Molten phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
Flake phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
All phthalic anhydride:					
Venezuela	48.2	33.0	27.5	46.7	41.8
Other sources	51.8	67.0	72.5	53.3	58.2
Total	100.0	100.0	100.0	100.0	100.0
Share of total value (percent)					
Molten phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
Flake phthalic anhydride:					
Venezuela	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
All phthalic anhydride:					
Venezuela	49.9	30.4	28.0	46.5	43.9
Other sources	50.1	69.6	72.0	53.5	56.1
Total	100.0	100.0	100.0	100.0	100.0

¹ Not applicable.

Note.--Because of rounding, shares may not add to the totals shown. Unit values are calculated using data of firms supplying both numerator and denominator information.

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

APPENDIX D

SUMMARY DATA CONCERNING THE U.S. MARKET

Table D-1

Molten phthalic anhydride: Summary data concerning the U.S. market, 1991-93, Jan.-June 1993, and Jan.-June 1994

* * * * *

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

Table D-2

Flake phthalic anhydride: Summary data concerning the U.S. market, 1991-93, Jan.-June 1993, and Jan.-June 1994

* * * * *

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

Table D-3

All phthalic anhydride: Summary data concerning the U.S. market, 1991-93, Jan.-June 1993, and Jan.-June 1994

(Quantity=1,000 pounds; value=1,000 dollars; unit values/COGS are per pound; period changes=percent, except where noted)

Item	Reported data					Period changes			
	1991	1992	1993	Jan.-June--		1991-93	1991-92	1992-93	Jan.-June 1993-94
				1993	1994				
U.S. consumption quantity:									
Amount	858,621	925,003	906,249	472,389	482,005	+5.5	+7.7	-2.0	+2.0
Producers' share ^{1 2}	96.7	94.3	93.0	91.3	94.9	-3.7	-2.5	-1.3	+3.6
Importers' share: ¹									
Venezuela	1.3	1.7	1.8	2.1	1.4	+0.5	+0.3	+0.2	-0.7
Other sources	1.9	4.1	5.2	6.6	3.7	+3.2	+2.2	+1.1	-2.9
Total	3.3	5.7	7.0	8.7	5.1	+3.7	+2.5	+1.3	-3.6
U.S. consumption value:									
Amount	251,531	277,129	253,687	136,185	122,966	+0.9	+10.2	-8.5	-9.7
Producers' share ¹²	96.9	94.5	93.7	92.4	95.1	-3.2	-2.4	-0.8	+2.7
Importers' share: ¹									
Venezuela	1.2	1.5	1.6	1.8	1.2	+0.4	+0.3	+0.1	-0.6
Other sources	1.9	4.0	4.7	5.8	3.6	+2.8	+2.1	+0.7	-2.2
Total	3.1	5.5	6.3	7.6	4.9	+3.2	+2.4	+0.8	-2.7
U.S. imports from--									
Venezuela:									
Imports quantity	11,481	15,393	16,692	9,804	6,697	+45.4	+34.1	+8.4	-31.7
Imports value	2,967	4,193	3,991	2,450	1,517	+34.5	+41.3	-4.8	-38.1
Unit value	\$0.26	\$0.27	\$0.24	\$0.25	\$0.23	-7.5	+5.4	-12.2	-9.4
Ending inventory (quantity)	2,109	2,680	2,930	3,025	988	+38.9	+27.1	+9.3	-67.3
Other sources:									
Imports quantity	16,452	37,658	46,722	31,123	17,946	+184.0	+128.9	+24.1	-42.3
Imports value	4,833	11,035	11,973	7,900	4,475	+147.7	+128.3	+8.5	-43.4
Unit value	\$0.29	\$0.29	\$0.26	\$0.25	\$0.25	-12.8	-0.3	-12.6	-1.8
Ending inventory (quantity)	0	1,228	375	0	1	(3)	(3)	-69.5	(3)
All sources:									
Imports quantity	27,933	53,051	63,414	40,927	24,644	+127.0	+89.9	+19.5	-39.8
Imports value	7,800	15,228	15,964	10,351	5,992	+104.7	+95.2	+4.8	-42.1
Unit value	\$0.28	\$0.29	\$0.25	\$0.25	\$0.24	-9.9	+2.8	-12.3	-3.9
U.S. producers'--									
Average capacity quantity ⁴	975,000	995,000	995,000	502,500	502,500	+2.1	+2.1	0	0
Production quantity ⁴	872,193	896,228	850,878	428,752	443,493	-2.4	+2.8	-5.1	+3.4
Capacity utilization ¹	89.5	90.1	85.5	85.3	88.3	-3.9	+0.6	-4.6	+2.9
U.S. shipments: ²									
Quantity	830,688	871,952	842,835	431,462	457,361	+1.5	+5.0	-3.3	+6.0
Value	243,731	261,901	237,723	125,834	116,974	-2.5	+7.5	-9.2	-7.0
Unit value	\$0.29	\$0.30	\$0.28	\$0.29	\$0.26	-3.9	+2.4	-6.1	-12.3
Export shipments:									
Quantity	38,164	12,665	17,181	6,952	3,873	-55.0	-66.8	+35.7	-44.3
Exports/shipments ¹	4.4	1.4	2.0	1.6	0.8	-2.4	-3.0	+0.6	-0.7
Value	10,880	2,822	3,076	1,354	803	-71.7	-74.1	+9.0	-40.7
Unit value	\$0.29	\$0.22	\$0.18	\$0.19	\$0.21	-37.2	-21.8	-19.6	+6.5

Table continued...

Table D-3--Continued

All phthalic anhydride: Summary data concerning the U.S. market, 1991-93, Jan.-June 1993, and Jan.-June 1994

(Quantity=1,000 pounds; value=1,000 dollars; unit values/COGS are per pound; period changes=percent, except where noted)

Item	Reported data			Jan.-June--		Period changes			
	1991	1992	1993	1993	1994	1991-93	1991-92	1992-93	Jan.-June 1993-94
U.S. producers'--									
Ending inventory (quantity)	34,596	45,721	36,013	36,397	20,734	+4.1	+32.2	-21.2	-43.0
Inventory/shippments ^{1 2}	4.0	5.2	4.2	4.2	2.2	+0.2	+1.2	-1.0	-1.9
Production workers	157	150	147	146	141	-6.4	-4.5	-2.0	-3.4
Hours worked (1,000s)	349	328	333	166	159	-4.6	-6.0	+1.5	-4.2
Total comp. (\$1,000)	6,414	6,639	6,426	3,287	3,313	+0.2	+3.5	-3.2	+0.8
Hourly total compensation	\$21.45	\$22.89	\$22.55	\$22.99	\$24.36	+5.1	+6.7	-1.5	+6.0
Productivity (lbs/hr) ⁵	2,499.1	2,732.4	2,555.2	2,582.8	2,789.3	+2.2	+9.3	-6.5	+8.0
Unit labor costs (per 1,000 pounds) ⁵	\$8.57	\$8.87	\$9.13	\$9.30	\$9.13	+6.4	+3.5	+2.8	-1.8
Net sales--									
Quantity	868,851	884,617	859,579	438,247	461,108	-1.1	+1.8	-2.8	+5.2
Value	258,309	271,094	246,975	131,029	119,698	-4.4	+4.9	-8.9	-8.6
Cost of goods sold (COGS)	218,505	218,184	198,551	102,908	99,653	-9.1	-0.1	-9.0	-3.2
Gross profit (loss)	39,804	52,910	48,424	28,121	20,045	+21.7	+32.9	-8.5	-28.7
SG&A expenses	10,518	11,374	14,824	8,000	8,360	+40.9	+8.1	+30.3	+4.5
Operating income (loss)	29,286	41,536	33,600	20,121	11,685	+14.7	+41.8	-19.1	-41.9
Capital expenditures	10,788	9,237	9,566	5,422	4,986	-11.3	-14.4	+3.6	-8.0
Unit COGS	\$0.25	\$0.25	\$0.23	\$0.23	\$0.22	-8.2	-1.9	-6.3	-8.0
COGS/sales ¹	84.6	80.5	80.4	78.5	83.3	-4.2	-4.1	-0.1	+4.7
Operating income (loss)/sales ¹	11.3	15.3	13.6	15.4	9.8	+2.3	+4.0	-1.7	-5.6

¹ "Reported data" are in percent and "period changes" are in percentage points.² Excludes molten consumed internally to make flake.³ Not applicable.⁴ To avoid double counting, capacity and production figures are for molten only.⁵ Calculated using production of molten.

Note.--Period changes are derived from the unrounded data. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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.

APPENDIX E

COMPARISONS OF QUARTERLY FINANCIAL RESULTS

Table E-1

Income-and-loss experience of U.S. producers on their operations producing phthalic anhydride, Jan.-Mar. 1993, Jan.-Mar. 1994, Apr.-June 1993, and Apr.-June 1994¹

Item	Jan.-Mar. 1993	Jan.-Mar. 1994	Apr.-June 1993	Apr.-June 1994
<i>Quantity (1,000 pounds)</i>				
Net sales	213,297	214,274	224,950	246,834
<i>Value (1,000 dollars)</i>				
Net sales	64,398	53,852	66,631	65,846
Cost of goods sold	52,271	46,481	50,637	53,172
Gross profit	12,127	7,371	15,994	12,674
Selling, general, and administrative expenses	3,433	3,695	4,567	4,665
Operating income	8,694	3,676	11,427	8,009
<i>Value (per pound)</i>				
Net sales	\$0.302	\$0.251	\$0.296	\$0.267
Cost of goods sold	.245	.217	.225	.215
Gross profit	.057	.034	.071	.051
Selling, general, and administrative expenses	.016	.017	.020	.019
Operating income	.041	.017	.051	.032
<i>Ratio to net sales(percent)</i>				
Cost of goods sold	81.2	86.3	76.0	80.8
Gross profit	18.8	13.7	24.0	19.2
Selling, general, and administrative expenses	5.3	6.9	6.9	7.1
Operating income	13.5	6.8	17.1	12.2

¹ Aristech, BASF-Sterling, Exxon, Koppers, and Stepan all have fiscal years ending Dec. 31.

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

APPENDIX F

EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of phthalic anhydride from Venezuela on their growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product. The Commission also asked U.S. producers to report the influence of such imports on their scale of capital investments undertaken. ***. The responses of *** producers are as follows:

* * * * *

APPENDIX G

RATIO OF PHTHALIC ANHYDRIDE UNIT VALUES TO ORTHOXYLENE UNIT VALUES

Figure G-1
Ratio of phthalic anhydride unit values to orthoxylyene unit values, 1980-93

* * * * *

Source: U.S. International Trade Commission and data submitted by COPAP in its Postconference Brief.

APPENDIX H

QUARTERLY ORTHOXYLENE PRICE DATA

Table H-1

Orthoxylene: Average quarterly f.o.b. prices reported by U.S. producers, Jan. 1991-June 1994, and July 1994

* * * * *

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

APPENDIX I

PRICE TREND DATA

Table I-1

Net weighted-average delivered and f.o.b. U.S. selling prices and quantities of U.S.-produced molten phthalic anhydride, by quarters, Jan. 1991-June 1994

* * * * *

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

Table I-2

Net weighted-average delivered and f.o.b. U.S. selling prices and quantities of U.S.-produced flake phthalic anhydride, by quarters, Jan. 1991-June 1994

* * * * *

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

Table I-3

Net weighted-average delivered and f.o.b. U.S. selling prices and quantities of Venezuelan-produced flake phthalic anhydride, by quarters, Jan. 1991-June 1994

* * * * *

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

APPENDIX J

PURCHASER PRICE DATA

Table J-1

Net weighted-average delivered U.S. purchase prices and quantities of U.S.-produced molten phthalic anhydride reported by end-users, by quarters, Jan. 1991-June 1994, and July 1994

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

Table J-2

Net weighted-average delivered U.S. purchase prices and quantities of flake phthalic anhydride reported by end-users, by countries of origin and by quarters, Jan. 1991-June 1994, and July 1994

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

Table J-3

Net weighted-average delivered U.S. purchase prices and quantities of molten and flake phthalic anhydride reported by distributors, by countries of origin and by quarters, Jan. 1991-June 1994, and July 1994

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

APPENDIX K

LOST SALES AND LOST REVENUE ALLEGATIONS

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