

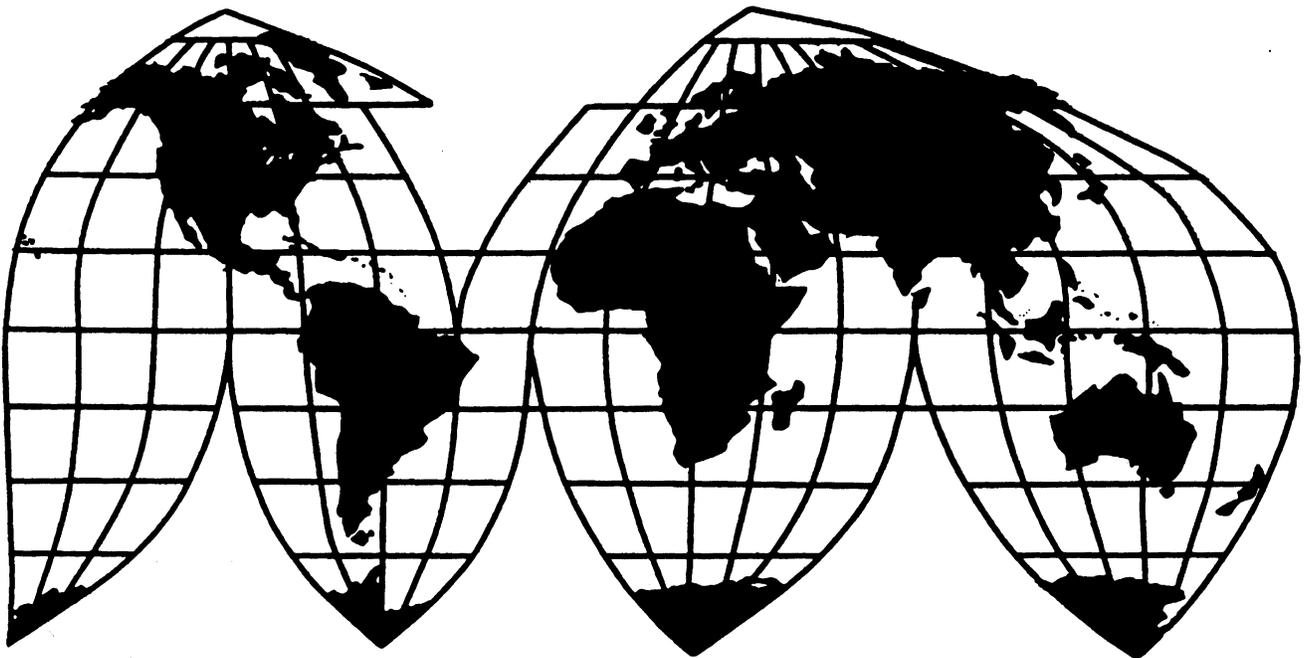
# Folding Gift Boxes From China

Investigation No. 731-TA-921 (Final)

Publication 3480

December 2001

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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---

### *Staff assigned:*

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Fred Forstall, *Industry Analyst*  
Clark Workman, *Economist*  
Tracy Quilter, *Accountant*  
Rhonda Hughes, *Attorney*

George Deyman, *Supervisory Investigator*

**Address all communications to**  
**Secretary to the Commission**  
**United States International Trade Commission**  
**Washington, DC 20436**

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

## GLOSSARY

American Greetings	American Greetings Corporation
Bigfield	Bigfield Goldenford Holdings, Ltd.
Boxit	Boxit Corporation
C.i.f.	Cost, insurance, freight
Climax	Climax Manufacturing Company
COGS	Cost of goods sold
Commerce	U.S. Department of Commerce
Commission	U.S. International Trade Commission
FR	Federal Register
FGBs	“In-scope” folding gift boxes
Field	Field Container Company, L.P.
F.o.b.	Free on board
Gift Box	Gift Box Corporation of America
Harvard	Harvard Folding Box Company, Inc.
HTS	Harmonized Tariff Schedule of the United States
Ideal	Ideal Boxmakers
Lindy Bowman	The Lindy Bowman Company
LTFV	Less-than-fair-value
Luk Ka	Luk Ka Printing Company, Ltd.
Max Fortune	Max Fortune Industrial, Ltd.
Mid-Cities	Mid-Cities Paper Box
PlusMark	PlusMark, Inc.
PPC	Paperboard Packaging Council
PRWs	Production and related workers
R&D	Research and development
Red Point	Red Point Paper Products Company, Ltd.
SG&A	Selling, general, and administrative
Sheboygan	Sheboygan Paper Box Company
Simkins	Simkins Industries, Inc.
St. Joseph	St. Joseph Packaging, Inc.
Sterling	Sterling Packaging Corporation
Superior	Superior Packaging, Inc.
Yun Choy	Yun Choy Paper Products, Ltd.

# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-921 (Final)

## FOLDING GIFT BOXES FROM CHINA

### DETERMINATION

On the basis of the record<sup>1</sup> developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is materially injured by reason of imports from China of folding gift boxes, provided for in subheadings 4819.20.00 and 4819.50.40 of the Harmonized Tariff Schedule of the United States, 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 February 20, 2001, following receipt of a petition filed with the Commission and Commerce by Harvard Folding Box Company, Inc., Lynn, MA, and Field Container Company, L.P., Elk Grove, IL. The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by Commerce that imports of folding gift boxes from China were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling 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 August 30, 2001 (66 FR 45864). The hearing was held in Washington, DC, on November 15, 2001, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).



## VIEWS OF THE COMMISSION

Based on the record in this final investigation, we determine that an industry in the United States is materially injured by reason of imports of certain folding gift boxes from China that the U.S. Department of Commerce (“Commerce”) has determined to be sold in the United States at less than fair value (“LTFV”).

### I. DOMESTIC LIKE PRODUCT AND INDUSTRY

#### A. In General

To determine whether an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”<sup>1</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Act”), defines the relevant domestic industry as the “producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>2</sup> In turn, the Act defines “domestic 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.”<sup>3</sup>

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.<sup>4</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.<sup>5</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>6</sup> Although the Commission must accept the determination of Commerce as to the scope of the imported merchandise that has been found to be sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>7</sup>

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<sup>1</sup> 19 U.S.C. § 1677(4)(A).

<sup>2</sup> Id.

<sup>3</sup> 19 U.S.C. § 1677(10).

<sup>4</sup> See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749, n.3 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 & n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

<sup>5</sup> See, e.g., S. Rep. No. 96-249, at 90-91 (1979).

<sup>6</sup> Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249, at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

<sup>7</sup> Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single

(continued...)

## **B. Product Description**

In its final determination, Commerce defined the imported merchandise within the scope of this investigation as:

a type of folding or knock-down carton manufactured from paper or paperboard. Certain folding gift boxes are produced from a variety of recycled and virgin paper or paperboard materials, including, but not limited to, clay-coated paper or paperboard and kraft (bleached or unbleached) paper or paperboard. The scope of the investigation excludes gift boxes manufactured from paper or paperboard of a thickness of more than 0.8 millimeters, corrugated paperboard, or paper mache. The scope of the investigation also excludes those gift boxes for which no side of the box, when assembled, is at least nine inches in length.

Certain folding gift boxes are typically decorated with a holiday motif using various processes, including printing, embossing, debossing, and foil stamping, but may also be plain white or printed with a single color. The subject merchandise includes certain folding gift boxes, with or without handles, whether finished or unfinished, and whether in one-piece or multi-piece configuration. One-piece gift boxes are die-cut or otherwise formed so that the top, bottom, and sides form a single, contiguous unit. Two-piece gift boxes are those with a folded bottom and a folded top as separate pieces. Certain folding gift boxes are generally packaged in shrink-wrap, cellophane, or other packaging materials, in single or multi-box packs for sale to the retail customer. The scope of the investigation excludes folding gift boxes that have a retailer's name, logo, trademark or similar company information printed prominently on the box's top exterior (such folding gift boxes are often known as "not-for-resale" gift boxes or "give-away" gift boxes and may be provided by department and specialty stores at no charge to their retail customers). The scope of the investigation also excludes folding gift boxes where both the outside of the box is a single color and the box is not packaged in shrink-wrap, cellophane, other resin-based packaging films, or paperboard.

Imports of the subject merchandise are currently classifiable under Harmonized Tariff Schedule of the United States (HTSUS) subheadings 4819.20.00 and 4819.50.40. These subheadings also cover products that are outside the scope of this investigation.<sup>8</sup>

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<sup>7</sup> (...continued)

like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

<sup>8</sup> 66 Fed. Reg. 58115, 58116 (Nov. 20, 2001).

### C. Domestic Like Product<sup>9</sup>

In the preliminary phase of the investigation, the Commission defined the domestic like product as certain folding gift boxes for resale, coextensive with the scope of the investigation.<sup>10</sup> In this final phase of the investigation petitioners continue to argue, as they did in the preliminary phase, that “not-for-resale” or “give-away” gift boxes should not be included in the definition of the domestic like product.<sup>11</sup> Respondents continue to assert, as they did in the preliminary phase of the investigation, that there is one domestic like product that includes all folding gift boxes, or in the alternative, that unpackaged plain white boxes (which are outside the scope of the imports subject to investigation) should be considered to be part of the domestic like product.<sup>12</sup>

We first note that respondents have also argued that the scope as written does not distinguish between for-resale and give-away boxes, mainly because some for-resale boxes are excluded from the scope.<sup>13</sup> We find that, for the most part, the scope language does separate the two types of boxes. Most for-resale folding gift boxes are printed with holiday motifs,<sup>14</sup> or to a lesser extent are plain white,<sup>15</sup> and shrink-wrapped in multi-box packs.<sup>16</sup> These boxes are within the scope of the investigation. Most give-away folding gift boxes are printed with company names or logos, or are single colors, and are sold in bulk.<sup>17</sup> These boxes are outside the scope.

It is true, as claimed by respondents, that some for-resale boxes are excluded from the scope, primarily white boxes that are not shrink-wrapped or otherwise packaged. The number of these boxes appears to be relatively minor as compared to other for-resale boxes.<sup>18</sup>

With respect to the definition of the domestic like product, we again define the domestic like product as we did in the preliminary phase of the investigation: certain folding gift boxes for resale,

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<sup>9</sup> Commissioner Bragg does not join Section I.C. of these views. She finds that there is one like product consisting of all folding gift boxes, including “not-for-resale,” or give-away, folding gift boxes. The final record indicates that resale and give-away folding gift boxes are often sold in different channels of distribution, some producers do not use the same equipment and facilities to produce both products, and price comparisons are mixed. However, Commissioner Bragg also finds that the final record indicates that: (1) resale and give-away folding gift boxes share similar physical characteristics (sizes and colors/motifs) and uses; (2) there is interchangeability between resale and give-away folding gift boxes for both producers and consumers, especially regarding white boxes within the scope; (3) producers manufacture other folding boxes on the same equipment, with the same production workers used to produce resale folding gift boxes; and (4) the range of prices overlap. CR at I-5 - I-8, PR at I-3 - I-6. Accordingly, Commissioner Bragg finds that the record fails to establish a significantly clear dividing line distinguishing for-resale folding gift boxes from give-away folding gift boxes.

<sup>10</sup> Folding Gift Boxes from China, Inv. No. 731-TA-921 (Preliminary), USITC Pub. 3411 (Apr. 2001), at 7.

<sup>11</sup> See Petitioners’ Prehearing Brief at 5; Petitioners’ Posthearing Brief at 1-6.

<sup>12</sup> Lindy Bowman’s Posthearing Brief at Ex. 2.

<sup>13</sup> See, e.g., Lindy Bowman’s Posthearing Brief at 4-5.

<sup>14</sup> See Confidential Report (“CR”) at I-3, Public Report (“PR”) at I-2.

<sup>15</sup> Sales of white for-resale folding gift boxes account for 20 to 30 percent of the total for-resale folding gift box market. CR at I-7 n.31, PR at I-5 n.31.

<sup>16</sup> CR at I-3, PR at I-2.

<sup>17</sup> See CR at I-3, PR at I-2.

<sup>18</sup> Domestic producers estimated the value of for-resale white boxes that were not shrink-wrapped as \$\*\*\* in 2000, or \*\*\* percent of the total reported value of for-resale folding gift boxes. See Staff Telephone Survey Notes and Summary Table. Also, the instances in which boxes with company names or logos are sold to consumers appear to be relatively limited. See CR at I-9 n.42, PR at I-6 n.42.

coextensive with the scope of the investigation, not including give-away gift boxes, for the reasons discussed below.

Although for-resale gift boxes may be printed with a single color or left plain white, the majority of for-resale gift boxes, as set forth in the scope, have distinctive holiday motifs or colors. By contrast, most give-away gift boxes are either plain or have a company name, logo, or other such identification.<sup>19</sup> For-resale gift boxes are generally shrink-wrapped and packaged for retail sale whereas give-away boxes are packaged in bulk.<sup>20</sup> While all folding gift boxes are used to package gifts, for-resale gift boxes generally require no additional wrapping by the end users.<sup>21</sup>

The design phase, which is the first step in the manufacture of for-resale gift boxes, includes determining the size and shape of the box as well as the graphic designs, and begins 12 to 18 months before the holiday season for which the boxes are intended. The design phase is not necessary for give-away boxes because customers typically own their designs, which are tailored specifically to their product.<sup>22</sup>

The manufacturing phase begins by printing the selected design on paperboard using either a flexographic or a lithographic printer. Next, the printed sheets are fed through a die cutter, which cuts the material to shape and creates the appropriate creases, scores or perforations. This phase of production concludes as the boxes are fed through machines that apply glue to the appropriate areas and fold the boxes. Up to this point, the manufacture of give-away boxes is identical to that of the for-resale boxes. The former are then packed in corrugated containers and shipped in bulk to customers. For-resale boxes, however, require collating, packaging, and labeling for retail sale. Because manufacturers of for-resale boxes offer many different designs, they employ collating equipment to include tops with different designs in a single pack. For two-piece boxes, the equipment will also add the appropriate number of tops and bottoms to each pack. Once properly assembled, the packs of boxes are compressed, wrapped in plastic and packed in cartons for shipment or storage.<sup>23</sup> Because of their highly seasonal nature, for-resale boxes must be stored in warehouses until late summer and early fall, while non-seasonal give-away boxes do not require warehousing.<sup>24</sup>

Much of the for-resale market is seasonal or holiday business, while give-away boxes are very rarely printed with holiday designs. Moreover, there is evidence on the record that sizes of for-resale and give-away boxes are somewhat different, with for-resale gift boxes being slightly smaller than the give-away boxes.<sup>25</sup>

There is some degree of interchangeability in that both types of boxes may be used for the same purpose – *i.e.*, gift giving. Interchangeability is further supported by the fact that certain white gift boxes

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<sup>19</sup> CR at I-3 - I-4, I-7, PR at I-2-3, I-5.

<sup>20</sup> CR at I-6, I-8, PR at I-4, I-5.

<sup>21</sup> See hearing transcript (Tr.) at 29 (Mr. Lencsak), 59 (Mr. Lanford), 73 (Mr. Graham).

<sup>22</sup> CR at I-5 - I-6, PR at I-4.

<sup>23</sup> CR at I-6 - I-7, PR at I-4, I-5. At least one domestic producer, Harvard, has two facilities dedicated to packaging and collating gift boxes. Tr. at 85 (Mr. Lencsak).

<sup>24</sup> CR at I-7 - I-8, PR at I-5. The seasonal aspect of the product is evident from a comparison of data regarding for-resale boxes with data pertaining to give-away boxes. For example, the value of consumption for for-resale boxes in the January-June interim periods is a fraction of the value of consumption in the full years. See CR/PR at Table C-1. By contrast, the value of consumption for give-away boxes in the interim periods is almost one-half of the value of consumption during the full years. See CR/PR at Table C-2.

<sup>25</sup> Petitioners' Prehearing Brief at 8.

are within the scope (estimated to be 20 to 30 percent of the for-resale folding gift box market).<sup>26</sup> However, the fact that the overwhelming percentage of for-resale gift boxes have seasonal designs and/or value-added packaging, and that their use at other times of the year generally is limited as a result, is indicative of limited rather than broad interchangeability. The fact that only two of 23 purchasers responding to the Commission's questionnaire indicated that they purchased both for-resale and give-away gift boxes<sup>27</sup> also indicates very little interchangeability for first-tier purchasers.

Customer and producer perceptions of folding gift boxes suggest recognizable distinctions between for-resale and other folding gift boxes. As noted above, few purchasers of for-resale boxes actually purchase other types of boxes.<sup>28</sup> Moreover, producers of for-resale boxes either specialize in sales of such boxes or have a separate division responsible for such sales.<sup>29</sup>

For-resale boxes are sold through specialized channels of distribution, primarily independent representatives that specialize in seasonal items. Other types of folding gift boxes, in contrast, are sold through general distributors for delivery to customers' stores nationwide.<sup>30</sup>

The record in this investigation indicates that a substantial price differential exists between for-resale folding gift boxes and other folding gift boxes. In 2000, domestic producers reported U.S. shipments of for-resale folding gift boxes with average unit values of \$0.17 per box, compared to \$\*\*\* per box for give-away folding gift boxes.<sup>31</sup> Witness testimony suggests that price differentials reflect the need for for-resale folding gift boxes to be collated or packaged for retail sale.<sup>32</sup>

In view of the differences in physical characteristics, production processes and workers, channels of distribution, customer and producer perceptions, and the limited interchangeability between for-resale and give-away folding gift boxes, we define the domestic like product as we did during the preliminary phase of the investigation: certain folding gift boxes for resale, coextensive with the scope of the investigation, and not including give-away gift boxes.<sup>33</sup>

#### **D. Domestic Industry**<sup>34</sup>

Section 771(4) of the Act defines the relevant industry as "the producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes the major proportion of the total domestic production of the product."<sup>35</sup> In defining the domestic industry, the Commission's general practice has been to include in the industry all of the domestic

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<sup>26</sup> CR at I-7 n.31, PR at I-5 n.31.

<sup>27</sup> CR at I-7, PR at I-5; see Tr. at 138 (Mr. Bowman).

<sup>28</sup> We also note the different promotional arrangements between customers and producers. See Tr. at 140 (Mr. Bowman).

<sup>29</sup> CR at I-7 & n.27, PR at I-4 - I-5 & n.27; see Tr. at 45 (Mr. Lencsak) (Harvard does not manufacture give-away boxes).

<sup>30</sup> CR at I-7, PR at I-5.

<sup>31</sup> Compare Table C-1 with Table C-2.

<sup>32</sup> Tr. at 26 (Mr. Tulch).

<sup>33</sup> Information obtained regarding give-away boxes may be found in Table C-2 of the Report.

<sup>34</sup> Based upon her definition of the domestic like product, Commissioner Bragg defines the domestic industry as all domestic producers of folding gift boxes, including producers of not-for-resale folding gift boxes. Despite her different domestic industry definition, Commissioner Bragg joins the majority's related party discussion.

<sup>35</sup> 19 U.S.C. § 1677(4)(A).

production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.<sup>36</sup>

Based on our definition of the domestic like product, we determine that the domestic industry consists of all producers of certain folding gift boxes for resale.

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.<sup>37</sup> Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.<sup>38</sup>

Two of the four domestic producers of folding gift boxes reported that they imported subject merchandise during the period examined and, therefore, are related parties. No party has argued that the Commission should find that appropriate circumstances exist to exclude \*\*\* producer from the domestic industry.

Field Container Company ("Field") imported a quantity of subject merchandise that accounted for \*\*\* percent of its shipments in 1998, and \*\*\* percent of its shipments in 1999.<sup>39</sup> Field imported most of the subject gift boxes for one customer that demanded price concessions that Field could not provide on U.S.-produced gift boxes.<sup>40</sup> The value of Field's net sales increased steadily from 1998 to 2000 (from \$\*\*\* in 1998 to \$\*\*\* in 2000), and was highest in 2000, when it did not import subject merchandise. It experienced \*\*\* throughout the period -- ranging from \$\*\*\* in 1998 to \$\*\*\* in 2000, and \*\*\* was largest in 2000. The ratio of \*\*\* increased steadily over the period, from \*\*\* percent in 1998 to \*\*\* percent in 2000.<sup>41</sup> Field had the \*\*\* of the four domestic producers during the full-year period examined.

Superior Packaging, Inc. ("Superior") imported subject merchandise throughout 1998-2000 and in the first half of 2001<sup>42</sup> \*\*\*.<sup>43</sup> Superior imported subject gift boxes because it was \*\*\*.<sup>44</sup> The value of

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<sup>36</sup> See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

<sup>37</sup> 19 U.S.C. § 1677(4)(B).

<sup>38</sup> Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (1) the percentage of domestic production attributable to the importing 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 producers 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 Co. 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 has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, e.g., Melamine Institutional Dinnerware from China, Indonesia, and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 (Feb. 1997) at 14 n.81.

<sup>39</sup> CR/PR at IV-1 n.1.

<sup>40</sup> CR at III-3 n.10, PR at III-2 n.10.

<sup>41</sup> CR/PR at Table VI-3.

<sup>42</sup> We note that, because of the seasonality of the product, in making our material injury determination, as well as  
(continued...)

Superior's net sales increased from \$\*\*\* in 1998 to \$\*\*\* in 1999, then to \$\*\*\* in 2000. Superior also experienced \*\*\* over the period examined: from \$\*\*\* in 1998 to \$\*\*\* in 1999, then remaining at \$\*\*\* in 2000. The ratio of Superior's \*\*\* increased from \*\*\* percent in 1998 to \*\*\* percent in 1999, then fell to \*\*\* percent in 2000.<sup>45</sup> Superior \*\*\* of the four domestic producers during the full-year period, and it had \*\*\* net sales.

Field and Superior support the petition.<sup>46</sup> In view of their financial trends, it appears that Field and Superior are not benefitting from the subject imports. In addition, each of their interests is predominantly those of a domestic producer. Thus, we do not exclude Field or Superior from the domestic industry as a related party.

We therefore determine that the domestic industry consists of all producers of certain folding gift boxes for resale, and do not exclude any domestic producer as a related party.

## II. MATERIAL INJURY BY REASON OF LTFV IMPORTS

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the imports under investigation.<sup>47</sup> In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>48</sup> The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."<sup>49</sup> In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>50</sup> 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."<sup>51</sup>

For the reasons discussed below, we determine that the domestic industry is materially injured by reason of subject imports from China of certain folding gift boxes that are sold in the United States at less than fair value.<sup>52</sup>

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<sup>42</sup> (...continued)

in making these additional findings, we have focused our examination on full-year data. All parties agreed that the Commission should focus its analysis on full-year data. See Tr. at 37 (Mr. Lanford), 115 (Mr. Klett).

<sup>43</sup> CR/PR at IV-1 n.1.

<sup>44</sup> CR at III-3 n.11, PR at III-2 n.11.

<sup>45</sup> CR/PR at Table VI-3.

<sup>46</sup> CR/PR at Table III-1.

<sup>47</sup> 19 U.S.C. § 1673d(b).

<sup>48</sup> 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B). See also *Angus Chemical Co. v. United States*, 140 F.3d 1478 (Fed. Cir. 1998).

<sup>49</sup> 19 U.S.C. § 1677(7)(A).

<sup>50</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>51</sup> Id.

<sup>52</sup> Commissioner Bragg notes that given her like product and domestic industry findings, the data she relied upon in performing her injury analysis differ somewhat from the data relied upon by the Commission majority; however, the differences are not meaningful to the analysis and the trends for both data sets are nearly identical. See CR/PR

(continued...)

## A. Conditions of Competition

Several conditions of competition are pertinent to our analysis in this investigation.

First, the majority of sales by domestic producers are made on a contract basis, although policies vary among importers.<sup>53</sup> Contracts are typically signed in the spring for delivery in time for the holiday season.<sup>54</sup> Most shipments are made during the third and fourth quarters of the year, with most folding gift boxes resold by retailers to consumers in November and December, mainly to package Christmas gift items.<sup>55</sup>

Second, most domestically-produced for-resale gift boxes are sold to retailers such as mass merchandisers, discount stores, and food and drug stores.<sup>56</sup> Most Chinese folding gift boxes are imported directly by retailers, while some are imported by importers who resell to retailers.<sup>57</sup> Most imports are sold to discount retailers, although the number sold to mass merchandisers is increasing, and subject imports are becoming more competitive with the domestic like product in sales to that part of the market.<sup>58</sup>

Third, apparent U.S. consumption, as measured by value, climbed steadily from 1998 to 2000.<sup>59</sup> The value of apparent U.S. consumption rose from \$\*\*\* in 1998 to \$\*\*\* in 1999, then rose further to \$\*\*\* in 2000.<sup>60</sup>

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<sup>52</sup> (...continued)

at Tables C-1 and C-3. Because Commissioner Bragg concurs in the Commission majority's affirmative injury determination, she finds it appropriate to join the majority's material injury analysis.

<sup>53</sup> CR at V-3, PR at V-2.

<sup>54</sup> CR at V-3, PR at V-2.

<sup>55</sup> CR/PR at II-1.

<sup>56</sup> CR/PR at II-1.

<sup>57</sup> CR/PR at II-1.

<sup>58</sup> Of the total purchases by mass merchandisers, as measured by value, imports from China account for an increasing share: 0.4 percent in 1998, increasing to 5.4 percent in 2000. Similarly, imports from China rose from 14.7 percent of total purchases by discount retailers and dollar stores in 1998, to 20.8 percent in 2000. Rev. CR/PR at Table II-1, INV-Y-247 (Dec. 10, 2001).

<sup>59</sup> As noted below, we focus on full-year data in making our material injury determination because the seasonal nature of gift box sales, which are concentrated in the latter portion of the year, makes partial-year data less useful. All parties agreed that we should focus our analysis on full-year data, see Tr. at 37 (Mr. Lanford), 115 (Mr. Klett), and in making our material injury determination, we are satisfied that the seasonal nature of production and sales have not distorted our analysis.

We also focus on data pertaining to the value of subject imports, and not the quantity, because of the difficulty in determining the quantities reported. Although the Commission in the final phase of this investigation requested quantity data as pieces, rather than packs, it appears that a number of firms may have reported quantity figures in terms of packs while others reported their figures in terms of pieces. CR at IV-2 - IV-3 n.8. The fact that different numbers of folding gift boxes are contained in various packs does not enable us to readily convert the number of packs to the number of pieces.

Thus, while the quantity of apparent consumption indicates that demand may have steadily declined between 1998-2000, see CR/PR at Table IV-3, there likely was an actual increase, especially in view of the number of producers reporting that demand has increased, CR at II-3, PR at II-2, and the steady increase in the value of apparent consumption. CR/PR at Table IV-3.

<sup>60</sup> The rate of growth, however, is somewhat understated by virtue of anomalies in reporting by two importers, (continued...)

Fourth, the domestic like product and the subject merchandise are substitutable. \*\*\* domestic producers stated that the products are always interchangeable, and the majority of importers stated that they are frequently or sometimes interchangeable. Purchasers familiar with both products consider them to be generally substitutable for each other.<sup>61</sup> While quality is the most important factor in purchasing decisions,<sup>62</sup> a large number of purchasers view the quality and consistency of the domestic like product and subject imports to be comparable.<sup>63</sup> Price is the second most important factor in purchasing decisions,<sup>64</sup> although there is no clear price leader in the industry.<sup>65</sup> As a result of the substitutability of the products, the market is highly price competitive.<sup>66</sup>

Fifth, U.S. producers have substantial available capacity to supply the U.S. market. The domestic industry reported that its capacity utilization remained stable, at 75-76 percent, between 1998 and 2000.<sup>67</sup>

Sixth, nonsubject imports do not have a significant role in the U.S. market. The only nonsubject imports are \*\*\* amounts from China as to which Commerce found the dumping margins to be de minimis.<sup>68</sup> Further, imports of Chinese folding gift boxes began to enter the U.S. market in approximately 1995.<sup>69</sup>

## **B. Volume of Subject Imports**

Section 771(7)(C)(i) of the Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”<sup>70</sup>

Subject imports increased substantially from 1998 to 2000.<sup>71</sup> As measured by value, subject imports more than doubled from 1998 to 2000. Subject imports increased from \$\*\*\* in 1998 to \$\*\*\* in

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<sup>60</sup> (...continued)

\*\*\*. Adjusted data for apparent U.S. consumption suggest strong growth to \$\*\*\* million. See INV-Y-250 (Dec. 13, 2001).

<sup>61</sup> CR at II-6 - II-7, PR at II-4 - II-5.

<sup>62</sup> CR/PR at Table II-2.

<sup>63</sup> Nine of 12 purchasers viewed the quality of the domestic and subject imports to be comparable, while 8 of 12 viewed the consistency of the products to be comparable. CR/PR at Table II-3.

<sup>64</sup> CR/PR at Table II-2.

<sup>65</sup> CR at V-11, PR at V-5.

<sup>66</sup> Nineteen of 22 purchasers stated that the lowest price would always, usually, or sometimes win a contract or sale. CR at II-6, PR at II-4.

<sup>67</sup> CR/PR at Table III-3.

<sup>68</sup> See CR/PR at Table IV-1 n.1. There were no nonsubject imports in 1998, they were valued at \*\*\* in 1999, and at \$\*\*\* in 2000. CR/PR at Table IV-1.

<sup>69</sup> See Tr. at 1995 (Mr. Bowman); Letter from \*\*\* to Valerie Newkirk (Nov. 27, 2001).

<sup>70</sup> 19 U.S.C. § 1677(7)(C)(i).

<sup>71</sup> We note that, because the vast majority of shipments in this industry occur in the second half of the year, we do not rely on the data pertaining to the interim periods, i.e., January-June 2000 and 2001, in making our determination. We also note that, due to the fact that a number of importers may have reported quantity data in terms of packs rather than pieces, we focus on data pertaining to the value of subject imports and not the quantity. See CR at IV-2 - IV-3 n.8, PR at IV-2 n.8.

1999, then increased to \$\*\*\* in 2000.<sup>72</sup> Subject import market share, by value, nearly doubled during the same period, and indeed may be understated. Subject import market share climbed from \*\*\* percent in 1998 to \*\*\* percent in 1999, then rose to \*\*\* percent in 2000.<sup>73 74</sup>

Because the only imports of folding gift boxes for resale are from China, the U.S. producers' loss of volume and market share over the period can be attributed to these imports. Accordingly, we find that the increased volumes of subject imports, both in absolute terms and relative to consumption in the United States, are significant.

### C. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>75</sup>

The pricing data gathered by the Commission exhibit a mixed pattern of underselling and overselling. The delivered prices paid by retailers that import directly, which as noted above comprise most subject imports, were lower than U.S. producer prices for pricing product 1 in five of the six quarters in which imports occurred.<sup>76</sup> These pricing data likely understate the extent of actual underselling because the importer prices include transportation charges and the domestic prices do not. Pricing data reported by importers who resell to retailers show a mixed pattern, with a roughly equal

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<sup>72</sup> CR/PR at Table IV-1.

<sup>73</sup> CR/PR at Table IV-3. Adjusting 2000 data to account for two importers of subject gift boxes, \*\*\*, whose data were not included in the Staff Report, increases the value of subject imports to \$\*\*\*, and increases subject import market share to \*\*\* percent. INV-Y-250 (Dec. 13, 2001); INV-Y-247, rev. CR at IV-2 n.5 (Dec. 10, 2001). We note that nonsubject imports experienced an increase from 1998 to 2000 as well. By value, nonsubject import market share rose from \*\*\* percent in 1998 to \*\*\* percent in 1999, then climbed to \*\*\* percent in 2000. CR/PR at Table IV-3. However, this rise was eclipsed by the rise in subject imports.

<sup>74</sup> Although data problems exist regarding volume of the subject imports, nonetheless Commissioners Bragg and Hillman note that the record indicates the volume of the subject imports, in terms of quantity, increased from \*\*\* pieces in 1998 to \*\*\* pieces in 2000, or by \*\*\* percent. CR/PR at Table IV-1.

<sup>75</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>76</sup> In the third and fourth quarters of 1998, Chinese prices were \$\*\*\* and \$\*\*\*, respectively, while U.S. prices were \$\*\*\* and \$\*\*\*, respectively. In 1999, Chinese prices were \$\*\*\* and \$\*\*\* for the third and fourth quarters, respectively, while U.S. prices were \$\*\*\* and \$\*\*\*, respectively. In 2000, Chinese prices were \$\*\*\* in the third and fourth quarters, respectively, and U.S. prices were \$\*\*\* and \$\*\*\*, respectively. Compare CR/PR at Table V-2 with CR/PR at Table V-1.

We also note that respondents argue that the Commission's data present prices from three importers on an f.o.b. Hong Kong basis rather than on a delivered basis (that includes ocean shipping costs, brokerage fees, duties, and inland freight) as requested by the Commission. However, the Commission corrected prices of one importer, \*\*\*, to reflect the delivery charges. The price data from the other two importers, \*\*\* and \*\*\*, were not used because the importers were unable to provide estimates of their delivery charges. CR at V-10 n.11, PR at V-4 n.11.

number of instances of overselling and underselling in the third and fourth quarters, the period of critical importance for this seasonal product. Given the general substitutability of imported and domestic folding gift boxes and recognizing that the pricing data likely understate the extent of underselling, we find the underselling to be significant.

The record also indicates that most of petitioners' allegations of lost sales and revenues were confirmed. The amount of lost sales and revenues is significant, totaling more than \$4.0 million from 1998-2000 in an industry with U.S. shipments valued at \$43.3 million in 2000.<sup>77</sup> Further, the record indicates that subject imports have recently increased their share of large accounts, including some mass merchandisers as well as discount or dollar stores. These accounts include \*\*\*.<sup>78</sup> Thirteen of the 23 purchasers responding to the Commission's questionnaires purchased subject Chinese gift boxes or imported them directly from China between 1998 and 2000, and only six of the 23 described themselves as discount retailers or dollar stores. A fourteenth purchaser, \*\*\*, began purchasing subject imports during January-June 2001.<sup>79</sup> The level of confirmed lost sales and lost revenue allegations is consistent with our finding of significant underselling by subject imports. Given the substitutability of subject imports and the domestic like product, as well as the price competitive nature of the U.S. market, we find that subject imports would only be able to gain market share as a result of underselling.

We note further that the cost of goods sold ("COGS") relative to net sales increased steadily between 1998 and 2000.<sup>80</sup> This indicates that there is a cost-price squeeze and that domestic producers have been unable to increase prices in order to recoup increased costs. We attribute this price suppression, to a significant degree, to the increasing volumes of underpriced subject imports.

Accordingly, we find that there has been significant underselling by the subject imports and that the subject imports have suppressed domestic prices to a significant degree during the period examined.

#### **D. Impact of the Subject Imports**<sup>81</sup>

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>82</sup> 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

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<sup>77</sup> CR/PR at Tables III-4, V-3, V-4.

<sup>78</sup> See \*\*\* Purchaser Questionnaire Responses; Tr. at 18 (Mr. Lencsak).

<sup>79</sup> CR at II-5 n.5, PR at II-3 n.5; Purchaser Questionnaire Responses.

<sup>80</sup> The ratio of COGS to net sales increased from 93.0 percent in 1998 to 93.5 percent in 1999, and rose further to 95.6 percent in 2000. CR/PR at Table VI-1.

<sup>81</sup> Respondents claim that the Commission has not obtained full coverage for the domestic producers. Respondents' Final Comments at 9-10. However, we note that a number of these producers manufacture relatively small amounts of folding gift boxes. For instance, \*\*\* estimates that it produces approximately \*\*\* gift boxes annually, \*\*\* produces only \*\*\* gift boxes annually. The other producers manufacture give-away boxes. CR at III-4 & n.14, PR at III-3 & n.14. We have obtained data from producers of the domestic like product that account for a major proportion of total domestic production of the like product. See CR at III-1 - III-4, PR at III-1 - III-3; 19 U.S.C. § 1677(4)(A).

<sup>82</sup> 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885).

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.”<sup>83 84 85</sup>

From 1998 to 2000, domestic consumption rose in terms of value.<sup>86</sup> Domestic shipments followed the same trend.<sup>87</sup> However, domestic market share steadily declined during this period,<sup>88</sup> as subject import market share rose.<sup>89</sup>

Domestic production decreased steadily from 1998 to 2000.<sup>90</sup> Capacity also shrank, although capacity utilization was relatively steady during this period.<sup>91</sup>

Employment figures also evidence a decline during that period. The average number of production and related workers decreased from 1998 to 2000, and their hours worked followed the same trend.<sup>92</sup>

The financial condition of the domestic industry deteriorated over the period. Although total net sales increased in terms of value,<sup>93</sup> gross profit declined during this period<sup>94</sup> and the industry experienced increasing operating losses in each year. The operating loss was \$841,000 in 1998, rising to \$1.5 million

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<sup>83</sup> 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 and 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25 n.148.

<sup>84</sup> The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). Commerce published its final antidumping determination in its investigation of folding gift boxes from China on Nov. 20, 2001. In its final determination, Commerce assigned individual weighted-average dumping margins ranging from 1.67 percent to 9.26 percent, and a PRC-wide rate of 164.75 percent.

<sup>85</sup> Commissioner Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on the domestic producers. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996); Anhydrous Sodium Sulfate from Canada, Inv. No. 731-TA-884 (Preliminary), USITC Pub. 3345 (Sept. 2000) at 11, n.63.

<sup>86</sup> Domestic consumption increased from \$\*\*\* in 1998 to \$\*\*\* in 1999, then rose to \$\*\*\* in 2000. CR/PR at Table IV-3.

<sup>87</sup> U.S. producers’ U.S. shipments rose from \$40.3 million in 1998 to \$42.7 million in 1999, then rose further to \$43.3 million in 2000. CR/PR at Table III-4.

<sup>88</sup> The domestic market share fell from \*\*\* percent in 1998 to \*\*\* percent in 1999, then fell further to \*\*\* percent in 2000. CR/PR at Table IV-3.

<sup>89</sup> The subject import market share climbed from \*\*\* percent in 1998 to \*\*\* percent in 1999, then climbed further to \*\*\* percent in 2000. CR/PR at Table IV-3. While nonsubject import market share rose at the same time, increasing from \*\*\* percent in 1998 to \*\*\* percent in 1999, then rising to \*\*\* percent in 2000, CR/PR at Table IV-3, this increase was \*\*\* compared to the increase in subject import market share.

<sup>90</sup> Domestic production fell from 275.4 million pieces in 1998 to 269.4 million pieces in 1999, then fell to 255.3 million pieces in 2000. CR/PR at Table III-3.

<sup>91</sup> Domestic capacity decreased from 363.2 million pieces in 1998 to 355.1 million pieces in 1999, then to 338.9 million pieces in 2000. Capacity utilization was 75.8 percent in 1998, 75.9 percent in 1999 and 75.3 percent in 2000. CR/PR at Table III-3.

<sup>92</sup> The average number of production and related workers rose from 425 in 1998 to 427 in 1999, then fell to 420 in 2000. Their hours worked rose from 659,000 hours in 1998 to 672,000 hours in 1999, then declined to 613,000 hours in 2000. CR/PR at Table III-6.

<sup>93</sup> The value of total net sales rose from \$40.5 million in 1998 to \$42.9 million in 1999, then climbed to \$43.5 million in 2000. CR/PR at Table VI-1.

<sup>94</sup> Gross profit was \$2.8 million in 1998 and 1999, then fell to \$1.9 million in 2000. CR/PR at Table VI-1.

in 1999, then climbing to \$3.0 million in 2000.<sup>95</sup> Selling, general, and administrative expenses rose,<sup>96</sup> as did the cost of goods sold (“COGS”).<sup>97</sup> The ratio of COGS to net sales steadily increased.<sup>98</sup> Capital expenditures fell.<sup>99</sup> Most domestic producers reported negative effects from the subject imports and \*\*\* reported anticipated negative effects.<sup>100</sup> The industry’s operating margins declined from a negative 2.1 percent in 1998 to a negative 6.8 percent in 2000.<sup>101</sup>

We have considered the degree of price competition for sales to diverse types of customers.<sup>102</sup> Although certain large purchasers did not purchase the subject merchandise during the period examined,<sup>103</sup> we are not convinced that competition between imports of the subject merchandise and the domestic like product is sufficiently attenuated as to support a conclusion that subject imports have not had a significant impact on the domestic industry.<sup>104</sup> To the contrary, record evidence suggests that low-priced imports of for-resale folding gift boxes from China successfully compete for sales to a variety of purchasers on the basis of price, gaining sales to mass merchandise retailers (e.g., \*\*\*) as well as other retailers large and small (e.g., \*\*\*) at the expense of U.S. producers.<sup>105</sup>

In sum, the record indicates that there have been significant increases in the volume and market share of the subject imports, that the subject imports undersold the domestic like product and have had a significant suppressing effect on domestic prices, and that there was a significant number of confirmed lost sales and revenue allegations. As a result, although the industry was unprofitable throughout the period, the overall condition of the industry worsened as subject import volumes increased significantly.<sup>106</sup> Accordingly, we find that the subject imports are having a significant adverse impact on the domestic industry.

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<sup>95</sup> CR/PR at Table VI-1.

<sup>96</sup> Selling, general and administrative expenses increased from \$3.7 million in 1998 to \$4.3 million in 1999, then rose to \$4.9 million in 2000. CR/PR at Table VI-1.

<sup>97</sup> COGS climbed from \$37.6 million in 1998 to \$40.1 million in 1999, then climbed further to \$41.6 million in 2000. CR/PR at Table VI-1.

<sup>98</sup> The ratio of COGS to net sales increased from 93.0 percent in 1998 to 93.5 percent in 1999, then rose to 95.6 percent in 2000. CR/PR at Table VI-1.

<sup>99</sup> Capital expenditures rose from \$\*\*\* in 1998 to \$\*\*\* in 1999, then fell to \$\*\*\* in 2000. CR/PR at Table VI-4.

<sup>100</sup> CR at VI-6 - VI-7, PR at VI-4.

<sup>101</sup> CR/PR at Table VI-1.

<sup>102</sup> USITC Pub. 3411 at 12 n.73; see also INV-Y-244 ( Dec. 7, 2001), at 1-2.

<sup>103</sup> See, e.g., Conference Tr. at 79 (Mr. Bowman) (“My retailers that I work with exclude Walmart, Target and K-Mart. I haven’t solicited Walmart, Target and K-Mart. I don’t sell Walmart, Target and K-Mart. I’ve never made a sales call to Walmart, Target and K-Mart”); see also \*\*\*.

<sup>104</sup> See CR/PR at Table II-1.

<sup>105</sup> Rev. CR/PR at Table II-1, INV-Y-247 (Dec. 10, 2001); of the total purchases by mass merchandisers, as measured by value, imports from China account for an increasing share: 0.4 percent in 1998, increasing to 5.4 percent in 2000. Rev. CR/PR at Table II-1, INV-Y-247; CR/ PR at Tables V-3 and V-4.

<sup>106</sup> We note that one former domestic producer of folding gift boxes, a member of the industry from 1970 until 1998, ceased production because it could not be competitive with subject imports. Letter from \*\*\* to Valerie Newkirk (Nov. 27, 2001); CR at III-4, PR at III-3.

## **CONCLUSION**

For the foregoing reasons, we determine that an industry in the United States is materially injured by reason of imports of certain folding gift boxes from China that are being sold in the United States at less than fair value.

## PART I: INTRODUCTION

### BACKGROUND

This investigation results from a petition filed by counsel on behalf of Harvard,<sup>1</sup> Lynn, MA, and Field, Elk Grove, IL, on February 20, 2001, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of folding gift boxes (hereinafter referred to as FGBs)<sup>2</sup> from China. Information relating to the background of the investigation is provided below.<sup>3</sup>

<i>Date</i>	<i>Action</i>
February 20, 2001 . . .	Petition filed with Commerce and the Commission; institution of the Commission's investigation
March 19, 2001 . . . .	Commerce's notice of initiation
April 6, 2001 . . . . .	Commission's preliminary determination
August 6, 2001 . . . . .	Commerce's preliminary determination, as amended on August 17, 2001; scheduling of the final phase of the Commission's investigation (66 FR 45864, August 30, 2001)

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<sup>1</sup> The petition that was filed with the Commission on February 20, 2001, listed Simkins Industries, Inc., as a petitioner. The Commission was notified by letter dated March 5, 2001, from counsel for petitioners, that Harvard is the producer of the subject product, not Simkins. Harvard and Simkins are members of a group of companies with common ownership.

<sup>2</sup> For purposes of this investigation, the Department of Commerce has defined the subject merchandise as a type of folding or knock-down carton manufactured from paper or paperboard. The boxes are produced from a variety of recycled and virgin paper or paperboard materials, including, but not limited to, clay-coated paper or paperboard and kraft (bleached or unbleached) paper or paperboard. Excluded from the scope of this investigation are folding gift boxes manufactured from paper or paperboard of a thickness of more than 0.8 millimeters, corrugated paperboard, or paper mache. Also excluded are folding gift boxes for which no side of the box, when assembled, is at least 9 inches in length. FGBs are typically decorated with a holiday motif using various processes, including printing, embossing, debossing, and foil stamping, but may also be plain white or printed with a single color. The term FGBs includes boxes with or without handles, whether finished or unfinished, and whether in one-piece or multi-piece configuration. One-piece gift boxes are die-cut or otherwise formed so that the top, bottom, and sides form a single, contiguous unit. Two-piece gift boxes are those with a folded bottom and a folded top as separate pieces. FGBs are generally packaged in shrink-wrap, cellophane, or other packaging materials, in single or multi-box packs for sale to the retail customer. The subject merchandise excludes folding gift boxes that have a retailer's name, logo, trademark, or similar company information printed prominently on the box's top exterior (such folding gift boxes are often known as "not-for-resale" gift boxes or "give-away" gift boxes and may be provided by department and specialty stores at no charge to their retail customers). Also excluded are folding gift boxes where both the outside of the box is a single color and the box is not packaged in shrink-wrap, cellophane, other resin-based packaging films, or paperboard. FGBs are classifiable in subheadings 4819.20.00 and 4819.50.40 (statistical reporting numbers 4819.20.0040 and 4819.50.4060) of the HTS with normal trade relations tariff rates of 0.8 percent and 1.6 percent *ad valorem*, respectively, applicable to imports from China (as amended by fax from Commerce on March 21, 2001).

<sup>3</sup> *Federal Register* notices cited in the tabulation are presented in app. A.

November 13, 2001 . Commerce's final determination (66 FR 58115, November 20, 2001)<sup>4</sup>  
November 15, 2001 . Commission's hearing<sup>5</sup>  
December 13, 2001 . Date of the Commission's vote  
December 21, 2001 . Commission's determination transmitted to Commerce

## SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C, tables C-1- C-3. Except as noted, U.S. producers' data on FGBs are based on questionnaire responses of four producers, two of which are believed to be the principal producers of FGBs in the United States. U.S. imports are based on data obtained by the Commission through its questionnaires.<sup>6</sup> FGBs have not been the subject of any previous Commission investigation.

## THE PRODUCT

The imported FGBs subject to this investigation are a type of folding (or knock-down) carton<sup>7</sup> manufactured from a variety of paper or paperboard<sup>8</sup> (recycled or virgin, clay-coated, bleached or unbleached). FGBs are often decorated with a holiday motif using various processes (e.g., printing, embossing, debossing, foil stamping), but may also be printed with a single color or left plain white. They may have handles, may be finished or unfinished, and may be either of one-piece or multi-piece configuration.<sup>9</sup> FGBs are generally packaged in shrink-wrap, cellophane, or other packaging materials, in single or multi-box packs for sale to retail customers.

Gift boxes with a retailer's name, logo, trademark, or similar company information printed prominently on the top exterior are excluded from the scope of this investigation. Such boxes may be known as "give-away" gift boxes and may be provided by department and specialty stores at no charge to their retail customers. Also excluded from this investigation are any gift boxes manufactured from paperboard more than 0.8 millimeters thick, from corrugated paperboard, or from paper mache; small (less than 9 inches long on all sides) gift boxes; and gift boxes that are both single color and not packaged in shrink-wrap, cellophane, other resin-based packaging films, or paperboard.

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<sup>4</sup> Commerce calculated the final LTFV margins to be as follows: 9.26 percent for Red Point; 1.67 percent (*de minimis*) for Max Fortune; and 164.75 percent for all others.

<sup>5</sup> App. B presents a list of witnesses who appeared at the hearing.

<sup>6</sup> The HTS subheadings covering imports of FGBs also cover many products that are outside the scope of the investigation (e.g., non-gift item folding boxes such as cereal boxes, office products folding cartons, other consumer products, paperboard boxes, etc.). The petition points out that any non-corrugated folding carton manufactured from paperboard that is not designed for contact with food (e.g., Chinese food delivery boxes) would fall within the 4819.20.0040 statistical reporting number; petition, volume I, p. 5.

<sup>7</sup> Folding cartons may also be called folding boxboard packages or folding paperboard packages. They are designed to be folded flat for convenience in shipment and storage and for easy assembly when ready for use.

<sup>8</sup> The commercial distinction between paper and paperboard may vary in certain instances, but a sheet is generally considered to be paperboard if it is 0.012 inches (0.3 millimeters) or greater in thickness. American Paper Institute, Inc., *The Dictionary of Paper*, New York, NY, 1980, p. 296. This criterion may differ from classification criteria in the HTS.

<sup>9</sup> One-piece gift boxes are die-cut or otherwise formed so that the top, bottom, and sides form a single contiguous unit. Two-piece gift boxes are those with a folded bottom and a folded top as separate pieces.

This section presents information related to the Commission's "domestic like product" determination.<sup>10</sup> The respondents have taken exception to the petitioners' proposed domestic like product (which is coextensive with Commerce's scope of the investigation), and argue that it draws artificial distinctions and should be expanded to consist of all folding gift boxes (or at least to include "out-of-scope" white folding gift boxes) based on the Commission's domestic like-product criteria,<sup>11</sup> and that for each criterion there is overlap between folding gift boxes in the scope and those outside the scope.<sup>12 13</sup> They assert that give-away gift boxes are physically and functionally very similar or even identical to FGBs, and that the only difference is the design of give-away gift boxes, which often includes company names or logos. On the other hand, the petitioners contend that, aside from the differences in design, other very significant differences exist. They testified that FGBs and give-away folding gift boxes are made differently, look different, are packaged differently, are sold to different customers through different channels of distribution, and are priced differently.<sup>14</sup> In the preliminary phase of this investigation, the Commission defined the domestic like product to consist of FGBs, coextensive with Commerce's scope, but stated that it found the issue to be a close one and that it intended to examine the issue further in any final phase of the investigation.<sup>15</sup>

### **Physical Characteristics, Uses, and Manufacturing Facilities**

Folding cartons are manufactured in a variety of styles and designs. In 1997 an estimated 575 U.S. plants were engaged in the manufacture of all types of folding cartons,<sup>16</sup> and almost 300 of those plants are capable of manufacturing cartons the same as or similar to the subject product.<sup>17</sup>

Typically, the raw material for an FGB is paperboard. The Paperboard Packaging Council (PPC) estimates that 56 percent of all folding cartons are manufactured with recycled paperboard,<sup>18</sup> 29 percent are manufactured from bleached paperboard,<sup>19</sup> and 15 percent are manufactured from unbleached kraft.<sup>20</sup>

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<sup>10</sup> The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price.

<sup>11</sup> Hearing transcript, p. 10, PlusMark's posthearing brief, p. 2, and Lindy Bowman's posthearing brief, pp. 4-5 and exh. 2.

<sup>12</sup> Hearing transcript, p. 99.

<sup>13</sup> Respondent Lindy Bowman guessed that perhaps 50 percent of all folding gift boxes sold moved through channels (e.g., gift-wrap stands, internet sales) excluded by the product scope; hearing transcript, p. 155.

<sup>14</sup> Hearing transcript, p. 24.

<sup>15</sup> *Folding Gift Boxes from China, Investigation No. 731-TA-921 (Preliminary)*, USITC Pub. 3411, April 2001, pp. 5-7.

<sup>16</sup> Total employment by the 575 plants was estimated to be 50,197; U.S. Census Bureau, 1997 Economic Census, "Folding Paperboard Box Manufacturing," August 1999, p. 7.

<sup>17</sup> *2000 Lockwood-Post's Directory*, Miller Freeman Inc., San Francisco, CA, 1999, pp. 476-479.

<sup>18</sup> Recycled paperboard is paperboard manufactured with pulp (fiber) obtained from a variety of recycled papers.

<sup>19</sup> Bleached paperboard is made from pulp that has been bleached to create a sheet that is very nearly or completely white. Virgin wood pulp is used primarily, but some recycled fiber may be included in the finish.

<sup>20</sup> The term "kraft" refers to the pulping process. Kraft pulping produces a relatively strong wood pulp which is especially good for the manufacture of paperboard; *Pulp and Paper 1999 North American Fact Book*, Miller

(continued...)

The petitioners estimate that a majority of all FGBs and approximately 100 percent of “holiday” FGBs are manufactured with a type of recycled paperboard known as clay-coated newsback<sup>21</sup> and that imports are made from the same type of paperboard.<sup>22</sup>

The design phase, the first step in manufacturing an FGB, includes determining the size and shape of the box as well as the graphic designs to be printed on the box and begins a year and a half before the Christmas selling season for which most FGBs are intended.<sup>23</sup> The design phase is not necessary for give-away folding gift boxes; customers typically own their designs, which are tailored specifically to their product.<sup>24</sup> One purchaser of give-away folding gift boxes indicated that the company purchased boxes with “logo artwork” but that from time to time certain “events” would warrant new artwork.

The manufacturing phase begins with the selected design being printed on paperboard using either a flexographic or a lithographic printer.<sup>25</sup> Next, the printed paperboard sheets are fed through a die cutter, which cuts the material to shape and creates the appropriate creases, scores, or perforations. The manufacturing phase concludes as the boxes are fed through gluing machines that apply glue to the appropriate spots and fold the boxes.

To this point, the manufacturing of give-away folding gift boxes is identical to that of FGBs. Unlike the give-away folding gift boxes, which at this stage would be packed in corrugated containers and shipped in bulk to customers, FGBs require collating, labeling for retail sale, and packaging.<sup>26</sup> Because manufacturers of FGBs offer many different designs, collating equipment is necessary that allows tops with different designs to be included in a single pack. If the FGBs being produced are two-piece boxes, the equipment will also add the appropriate number of tops and bottoms to each pack. Once properly assembled, the packs of boxes are compressed, wrapped, and packed in cartons for shipment.

In response to a question on whether firms produce other products on the same equipment and machinery and use the same production and related workers as are used in the production of FGBs, all four producers reported that they produced other products on the same machinery (see discussion in the section entitled “U.S. Producers” in Part III of this report). In response to a question on whether firms

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<sup>20</sup> (...continued)

Freeman, Inc., San Francisco, CA, 1998, p. 468.

<sup>21</sup> Clay-coated newsback is a clay-coated paperboard manufactured from old newspapers and other various recycled fiber; *Pulp and Paper 1999 North American Fact Book*, Miller Freeman, Inc., San Francisco, CA, 1998, p. 440.

<sup>22</sup> Hearing transcript, p. 49.

<sup>23</sup> Hearing transcript, p. 13.

<sup>24</sup> Hearing transcript, p. 24 and conference transcript, p. 20.

<sup>25</sup> Flexographic presses, usually rotary presses, have raised rubber plates (analogous to a stamp pad) from which ink is transferred to the paper. Lithographic presses have flat plates with areas either attractive or repellent to ink. Ink having been applied to the plate, the image is captured by the alternately repellent and attractive regions and is transferred to paper. Several factors are considered when selecting the type of press to use. Simpler designs requiring two or three colors and long runs may be suitable for a flexographic printer. More complex designs require a lithographic printer. Petitioners testified that give-away folding gift boxes typically have fairly simple designs which are suited to flexographic presses whereas FGBs typically have more ornate designs which require the use of lithographic presses; hearing transcript, p. 49. However, in its posthearing brief, PlusMark disputes any distinction based on the method of printing used during manufacture; posthearing brief, p. 6. A staff telephone survey of responding producers indicated that FGBs are \*\*\* printed using lithographic printers whereas give-away folding gift boxes are \*\*\* printed using flexographic printers \*\*\*.

<sup>26</sup> Petitioners’ posthearing brief, p. 4.

producing both FGBs and give-away folding gift boxes have different divisions responsible for the sale of each, Field \*\*\* responded yes.<sup>27</sup>

### **Channels of Distribution, Interchangeability, and Customer and Producer Perceptions**

Petitioners contend that the channels of distribution are different for FGBs and give-away folding gift boxes, stating that FGBs and give-away folding gift boxes are sold to different customers.<sup>28</sup> Field, which also produces give-away folding gift boxes for sale to retailers, delivers them to the retailer's distributor who, in turn, is responsible for delivering the give-away folding gift boxes to the customer's stores around the country.<sup>29</sup> Petitioners also contend that FGBs are mostly distributed through independent representatives that specialize in seasonal items.<sup>30</sup> The assertion that the customer bases for FGBs and give-away folding gift boxes are different is generally confirmed by the responses to the purchasers' questionnaire. Only 2 out of 23 respondents indicated that they purchased both FGBs and give-away folding gift boxes.

Most of the FGB market is seasonal or holiday business.<sup>31</sup> On the other hand, give-away folding gift boxes are very rarely printed with holiday designs.<sup>32</sup> The highly seasonal nature of the market for FGBs requires that boxes must be stored in warehouses until the late summer and early fall when the deliveries to customers' distribution centers start in earnest.<sup>33</sup> Non-seasonal FGBs and give-away folding gift boxes do not require warehousing. Give-away gift boxes are shipped in bulk to customers for their own use.<sup>34</sup> FGBs all require packaging, and because manufacturers of seasonal FGBs offer many different designs, seasonal FGBs are collated to allow different designs to be included in a single pack. Respondents took exception to the suggestion that FGBs are always shrink-wrapped. Lindy Bowman testified that approximately 5 percent of his FGB imports are packed in containers which also serve as floor display units.<sup>35</sup> He also pointed out that in-scope white FGBs do not need to be collated.<sup>36</sup>

Petitioners testified at the hearing that give-away folding gift boxes almost always have designs that include the customer's logo or name and are, therefore, intended to promote the company's image as a form of advertisement.<sup>37</sup> Thus, they contend, FGBs are not interchangeable for the petitioners' give-away folding gift box customers because they cannot fill the advertising role. The petitioners also testified that FGBs and give-away folding gift boxes are often different sizes. There are some standard sizes in the industry, but give-away folding gift box customers can, and often do, choose sizes which suit

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<sup>27</sup> Harvard \*\*\* do not produce give-away folding gift boxes.

<sup>28</sup> Hearing transcript, p. 25.

<sup>29</sup> Hearing transcript, p. 25.

<sup>30</sup> Petitioners' posthearing brief, p. 3.

<sup>31</sup> Respondents and petitioners are in general agreement that sales of white FGBs account for 20 to 30 percent of the total FGB market. Lindy Bowman estimated the portion of white FGB sales at 20 to 25 percent of the market; hearing transcript, p. 155. Harvard estimated that their holiday sales were between 70 and 80 percent of their total FGB business. White FGBs accounted for the balance (20 to 30 percent) of their business. Field estimated that their sales of white FGBs were less than 10 percent of their business; hearing transcript, pp. 28-29.

<sup>32</sup> Hearing transcript, p. 50.

<sup>33</sup> Field trip notes of discussions with \*\*\*, March 14, 2001.

<sup>34</sup> Conference transcript, p. 41.

<sup>35</sup> Hearing transcript, pp. 100 and 153.

<sup>36</sup> Lindy Bowman's postconference brief, p. 6.

<sup>37</sup> Hearing transcript, pp. 26 and 51.

their products best.<sup>38</sup> Further, give-away folding gift boxes, having customer designs, are not suited for any other customers and are only made to order.<sup>39</sup> Respondents contend that FGBs and give-away folding gift boxes are, as a practical matter, indistinguishable<sup>40</sup> and that they are typically the same size, serve the same purpose, and are completely interchangeable with respect to the end use of a gift box: to package and protect a gift.<sup>41</sup> Respondents also contend that give-away folding gift boxes are sold by retailers in some cases, a contention disputed by the petitioners.<sup>42</sup> Additional information on channels of distribution, interchangeability, and customer and producers perceptions is presented in Part II of this report.

## Price

Information on the pricing of two FGB products and one give-away folding gift box product is presented in Part V of this report. Petitioners testified that FGBs and give-away folding gift boxes are priced differently.<sup>43</sup> The main factor that may influence the pricing of FGBs and give-away folding gift boxes is that, typically, FGBs have separate designs. Thus, they require collating in addition to packaging and labeling. Prices for FGBs are generally not determined through competitive bids but rather through a process of negotiation between the manufacturer and the customer.<sup>44</sup> On the other hand, give-away folding gift boxes tend to have simpler designs, they are shipped in bulk so as not to require packaging, and they require less warehousing. Prices for give-away folding gift boxes are generally determined through competitive bids. Respondents disagree that there is a clear distinction between the costs of FGBs and give-away folding gift boxes, arguing that all gift boxes come in a range of qualities and styles.<sup>45</sup> Further, they argue that other factors (e.g., quality, supplier capability, design) influence the customer's purchasing decision.<sup>46</sup>

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<sup>38</sup> Hearing transcript, pp. 48-49.

<sup>39</sup> Hearing transcript, p. 53.

<sup>40</sup> PlusMark's posthearing brief, p. 4.

<sup>41</sup> PlusMark's posthearing brief, p. 5 and Wiley, Rein & Fielding's postconference brief, pp. 11-12.

<sup>42</sup> Lindy Bowman cited one example (the Old Navy gift boxes shown at the hearing) of sales of "give-away" folding gift boxes at the retail level and testified that this was the only instance of this happening of which he was aware; hearing transcript, p. 104. Respondents also noted sales through on-line purchases; conference transcript, p. 62. However, Lindy Bowman does not dispute the petitioners' contention that give-away folding gift boxes are expense items that are almost always given away; posthearing brief, p. 4. In their postconference brief the petitioners allege that the examples cited by the respondents were actually a total gift wrapping service including card, tissue paper, and ribbon in addition to the gift box (petitioners' postconference brief, p. 3) and, in fact, extra items were also included with the Old Navy boxes shown at the hearing. Respondents acknowledge that the give-away gift boxes are an "integral part" of the gift wrapping kit or charge, but point out that in this application it becomes a revenue generating item; posthearing brief, p. 5.

<sup>43</sup> Hearing transcript, p. 26.

<sup>44</sup> Telephone interview on March 19, 2001, with \*\*\*.

<sup>45</sup> PlusMark's posthearing brief, p. 8.

<sup>46</sup> PlusMark's posthearing brief, pp. 10-11.

## **PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET**

### **U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION**

FGBs tend to be a seasonal product, with the majority of shipments to retailers occurring during the third and fourth quarters of the year. Most FGBs shipped during these quarters are then resold by retailers to consumers in November and December, mainly for packaging Christmas gift items.<sup>1</sup>

U.S.-produced FGBs are sold mainly to retailers such as mass merchandisers, discount stores, and food and drug and other retail stores, while FGBs from China are either sold by importers to retail stores or imported directly by retailers for sales to retail customers.<sup>2</sup> During 1998-2000, the share of imports sold by importers to retail stores ranged from 20 percent to 35 percent annually.

U.S.-produced and imported FGBs from China are both sold throughout the United States. Among the petitioning firms, \*\*\* throughout the entire United States. Some larger importers, including \*\*\*, \*\*\*, and \*\*\*, reported that they sell throughout the United States. However, sales by other large importers are often limited to specific states or regions. For example, \*\*\* sells only in the New York City area, sales by \*\*\* only occur in the 36 states where it has stores, and sales by \*\*\* are limited to the East, Midwest, and Southwest.

The lead times for delivery of U.S.-produced FGBs and those imports sold to retailers are generally long. In the case of the U.S. product they range from 40 to 180 days, and in the case of most imports they range from 14 to 140 days. However, one importer reported that items in stock can be delivered within 5 to 10 days.

U.S. producers and those importers that sell to retailers were asked to estimate the percentages of their sales that occur within various distances from their production or storage facilities or U.S. port of entry. For producers, 10 to 15 percent of all sales occur within a 100 mile radius, 50 to 80 percent occur between 101 and 1,000 miles, and 10 to 40 percent are at distances over 1,000 miles. For importers, the reported shares of sales within a 100-mile radius ranged from 0 to 100 percent, the shares for distances between 101 and 1,000 miles ranged from 10 to 80 percent, and the shares for distances over 1,000 miles ranged from 5 to 50 percent. Overall for producers, a weighted average of 11 percent of U.S. shipments are within 100 miles, 64 percent are for distances between 101 and 1,000 miles, and 25 percent are for distances greater than 1,000 miles. For importers, a weighted average of 34 percent of shipments are for distances less than 100 miles, 49 percent are for distances between 101 and 1,000 miles, and 17 percent are for distances greater than 1,000 miles.

### **SUPPLY AND DEMAND CONSIDERATIONS**

#### **U.S. Supply**

The sensitivity of the domestic supply to changes in price depends on several factors including the level of excess capacity, the availability of alternate markets for U.S.-produced FGBs, inventory levels, and the producers' ability to shift to the manufacture of other products. Because of significant

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<sup>1</sup> Conference transcript, pp. 98-99 and hearing transcript, p. 6.

<sup>2</sup> Meaningful breakouts of shipments between different categories of retailers could not be provided for two reasons. First, shipments by retailer category were requested in quantity terms, and consistent quantity data for producers and importers were not available. Second, there are no definitions for the different categories of retailers. For example, \*\*\* indicated in its questionnaire that it considers one of its leading customers, \*\*\*, to be a mass merchandiser. However, in its purchaser questionnaire \*\*\* classified itself as a discount retailer.

excess capacity and the capability of producing other products in the facilities used for making FGBs, it is likely that U.S. producers could respond to changes in price with substantial changes in quantities supplied. This flexibility is limited to some extent by low inventory levels and the lack of important export markets.

The domestic capacity utilization rate ranged between 75 and 76 percent during 1998-2000. During the first half of 2001, it was 67 percent as compared to 65 percent during the first half of 2000. In addition, \*\*\* makes other kinds of folding cartons, \*\*\* makes other folding cartons and retail packaging, and \*\*\* makes give-away boxes and pizza boxes using the same PRWs employed in producing FGBs. This suggests that these firms may be able to alter their production mixes in response to changes in demand. However, the inventory and export data suggest that there is very little flexibility in adjusting output in response to price changes. U.S. exports, which go to \*\*\*, consistently accounted for less than \*\*\* percent of total producers' shipments annually during 1998-2000. \*\*\*. The ratio of end-of-period inventories to U.S. shipments ranged between \*\*\* percent and \*\*\* percent annually during 1998-2000.

## **U.S. Demand**

### **Demand Characteristics**

Since FGBs are used by final consumers to package gifts, the overall demand for these products has been shown to be related to consumer spending and disposable income.<sup>3</sup> U.S. demand, as measured by apparent consumption in quantity terms, decreased from \*\*\* million pieces in 1998 to \*\*\* million in 1999 and to \*\*\* million in 2000. Apparent consumption during January-June 2001 was \*\*\* million as compared to \*\*\* million in January-June 2000.

When asked how demand for FGBs has changed since the beginning of 1998, opinions by questionnaire recipients were varied. Among producers, three reported that demand has increased and two said that demand has remained unchanged. One producer that has seen a growth in demand cited the increasing popularity of discount chains such as \*\*\*, along with the increased purchasing of gifts over the internet, as important factors. Another producer cited the increasing number of discount retailers in existence as a factor resulting in increased demand. The other producer that reported growth in demand attributed the increase to the convenience, style, and graphics of FGBs. Among the 14 importers that responded, three said that demand has increased, seven said that demand has remained unchanged or is subject to seasonal factors, and four reported that demand has decreased. One importer said that demand has increased because FGBs are ecologically sound, attractive, and easy to use. Another importer, a discount retail chain, stated that its demand for FGBs has grown along with the increased opening of new stores. A third importer said that demand has increased due to lower pricing and better quality and prints. Three of the importers that reported a decline in demand attributed the decline to increasing competition from gift bags as a substitute. Another importer said that demand had decreased due to declining Christmas sales.

### **Substitute Products**

Opinions of questionnaire respondents were divided on whether meaningful substitutes for FGBs exist. When asked to list substitute products, all four responding producers and 11 of 22 responding importers mentioned one or more substitutes while the other importers said that there are no substitutes.

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<sup>3</sup> *Pulp and Paper 1999 North American Fact Book*, Miller Freeman, Inc., San Francisco, CA, 1998, p. 468.

Among responding purchasers 12 said that there are substitutes, and 11 said that none are available. While gift bags were most frequently cited as substitutes, wrapping paper, set-up boxes, and other items were also mentioned.

### Cost Share

Estimates of the cost of FGBs in relation to the average cost of the products that are generally wrapped with FGBs are not available. However, the cost share is small in most cases.

### SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported FGBs depends upon such factors as relative prices, quality, and conditions of sale (e.g., price discounts, payment terms, product services, etc.). Much of the information concerning these factors was developed from purchaser questionnaires.

Twenty-three purchasers of FGBs provided questionnaire responses to the Commission. Seven purchasers described themselves as mass merchandisers, and six as discount retailers or dollar stores. The remaining firms described their activities under a number of categories including food and/or drug stores, wholesalers, and department stores. The combined value of the total purchases of FGBs by the 23 firms increased from about \$29.0 million in 1998 to \$31.0 million in 1999 and to \$36.0 million in 2000. The ratios of these purchases to total apparent U.S. consumption of FGBs in value terms was \*\*\* percent in 1998, \*\*\* percent in 1999, and \*\*\* percent in 2000. Mass merchandisers, discount retailers, and dollar stores accounted for most purchases. The seven mass merchandisers were the largest buyers of FGBs, with their combined purchases amounting to between 68 and 76 percent of the total annual purchases by the 23 firms during 1998-2000. Among the mass merchandisers, \*\*\* alone accounted for between \*\*\* percent and \*\*\* percent annually of the total purchases by the 23 firms during those years. The combined purchases by \*\*\* and \*\*\* amounted to between \*\*\* percent and \*\*\* percent of total annual purchases by the 23 firms during 1998-2000.<sup>4</sup> The six discount retailers and dollar stores together accounted for between 22 percent and 24 percent of purchases annually during those years.

Thirteen of the 23 purchasers bought Chinese-produced FGBs or imported the product directly from China during 1998-2000.<sup>5</sup> Overall, the import share of the purchases increased annually during these years, rising from 3.7 percent in value terms in 1998 to 5.9 percent in 1999 and to 9.4 percent in 2000 (table II-1). As shown, the share of imports purchased or imported directly by discount retailers and dollar stores relative to total imports was consistently much larger than for mass merchandisers, although imports by both categories of retailers increased during these years.

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<sup>4</sup> \*\*\* purchased \*\*\* percent of its FGBs from \*\*\* and \*\*\* percent from \*\*\* during 2000, and \*\*\* purchased all of its FGBs from \*\*\* during 2000.

<sup>5</sup> A fourteenth purchaser, \*\*\*, began purchasing imports from China during January-June 2001.

**Table II-1****FGBs: Shares of reported total purchases accounted for by imports from China, 1998-2000**

Category of purchaser	Calendar year		
	1998	1999	2000
<b>Import shares of total value of purchases (percent)</b>			
Mass merchandisers	0.4	1.7	5.4
Discount retailers and dollar stores	14.7	18.3	20.8
Weighted average, all purchasers	3.7	5.9	9.4
Source: Compiled from responses to purchaser questionnaires.			

### Factors Affecting Purchasing Decisions

When purchasers were asked to list the three most important factors considered in choosing a supplier, quality and price were the leading considerations. Quality was ranked first more often than any other consideration. Of 21 responding purchasers, 9 consider quality to be most important, while price was ranked first by six purchasers (table II-2).

**Table II-2****FGBs: Ranking of factors used in purchasing decisions, as reported by U.S. purchasers**

Factor	Number of firms reporting		
	Number one factor	Number two factor	Number three factor
Price	6	9	4
Quality	9	6	1
Other <sup>1</sup>	6	6	16
<sup>1</sup> Other factors mentioned include design, availability, reliability, packaging, and product range. One purchaser ranked a combination of two factors, quality and design, in first place, and another purchaser ranked a combination of these two factors in second place.			
Source: Compiled from data submitted in response to Commission questionnaires.			

In addition to the rankings, purchasers were also asked whether the lowest price for FGBs would always, usually, sometimes, or never win a contract or sale when all specifications for the product have been met. Of the 22 purchasers that responded, three selected always, nine selected usually, seven selected sometimes, and three selected never.

### Comparisons of Domestic Products and Subject Imports

While U.S.-produced and imported FGBs from China are often sold to the same customers, various factors such as physical differences in the products and other considerations may limit competition in some cases. These factors are discussed below.

U.S. producers and importers were asked to determine the degree of interchangeability of U.S.-produced and imported FGBs from China. Questionnaire respondents were asked whether products from

the two sources are always, frequently, sometimes, or never used interchangeably. \*\*\* producers (\*\*\*) all stated that the products are always interchangeable. Among importers that responded, nine reported that they are always interchangeable, three reported that they are frequently interchangeable, one stated that they are sometimes interchangeable, and one importer, \*\*\*, stated that frequently and sometimes are both appropriate answers. \*\*\* also said that the U.S.-produced and Chinese-produced products are interchangeable only from a strict physical/functional perspective. According to this importer, other non-physical factors that differentiate the domestic and imported products are important to customers.

In addition to producers and importers, purchasers that are familiar with both U.S.-produced and imported FGBs from China consider the products to be generally substitutable for each other. When asked whether U.S.-produced and imported FGBs are used in the same applications, all 13 purchasers that responded to the question answered yes.

U.S. producers and importers were also asked to evaluate differences other than price between U.S.-produced and imported FGBs from China. Again, they were asked to state whether the differences were always, frequently, sometimes, or never significant. Three producers (\*\*\*) reported that the differences are sometimes significant while a fourth producer, \*\*\*, said that the differences are never significant. \*\*\* both indicated that the quality of the U.S.-produced FGBs is superior to the Chinese product, at least in some cases. However, they said that the overall quality of the Chinese product has improved dramatically in the last few years. \*\*\* specifically cited improvements in materials and printing.

Among the importers that responded, five stated that the differences are always significant, three answered frequently, five answered sometimes, and three answered never. One importer, \*\*\*, said that U.S. producers do not provide the heavier FGBs that it needs for retail sales. \*\*\* said that some FGBs made in China are thinner than those produced in the United States, and that this puts China at a disadvantage. \*\*\* said that the art work on the products from China is superior to the art work on U.S.-produced FGBs. \*\*\* also suggested that imports from China may be at a disadvantage with respect to transportation costs. \*\*\* stated that unlike the domestic product, the Chinese imports are available in custom programs (bags, set-up boxes) that provide design continuity at the retail level.

Purchasers were also asked to compare U.S.-produced FGBs with imported FGBs from China in selected characteristics, noting whether the domestic product was superior, comparable, or inferior to the imports. The characteristics chosen were availability, delivery terms, delivery time, discounts offered, minimum quantity requirements, packaging, product consistency, product quality, product range, reliability of supply, technical support/service, transportation, and price (table II-3). Twelve purchasers provided comparisons in all or most of the categories. For most categories the two countries' FGBs were ranked as comparable by a majority or plurality of purchasers. The United States was ranked superior by a majority of purchasers in delivery time and by and by a plurality of purchasers in minimum quantity requirements, and China was ranked lower in price than the United States by a majority of purchasers. There were no other categories where a majority of purchasers ranked either country as superior or inferior.

**Table II-3**

**FGBs: Comparisons between U.S.-produced and imported products from China, as reported by U.S. purchasers**

Factor	Number of firms reporting		
	U.S. superior	Comparable	U.S. inferior
Availability	3	7	2
Delivery terms	5	5	2
Delivery time	7	3	2
Discounts offered	2	7	2
Lowest price <sup>1</sup>	0	5	7
Minimum quantity requirements	6	4	2
Packaging	4	7	1
Product consistency	3	8	1
Product quality	2	9	1
Product range	4	6	2
Reliability of supply	4	7	1
Technical support/service	5	6	1
Transportation network	5	6	1
U.S. transportation costs	4	5	3

<sup>1</sup> A rating of superior means that the price is generally lower. For example, if a firm reports "U.S. superior," this means that it rates the U.S. price as generally lower than the Chinese price.

Note.—One purchaser did not compare the United States and China with respect to discounts.

Source: Compiled from data submitted in response to Commission questionnaires.

**Comparisons of Domestic Products and Nonsubject Imports<sup>6</sup>**

Several importers compared U.S.-produced FGBs with imports from nonsubject countries in terms of interchangeability and product differences. Of the seven importers that compared the interchangeability of the domestic product with these imports, five reported that they are always interchangeable, one stated that they are sometimes interchangeable, and one stated that they are never interchangeable. Of the six importers that compared domestic FGBs with imports from nonsubject countries in terms of product differences, one said that the differences are always significant, one said

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<sup>6</sup> No importer reported having imported FGBs from any country other than China. Nevertheless, several importers responded to questions concerning interchangeability and product differentiation relating to nonsubject imports. (There were some *de minimis*-margin, and therefore nonsubject, imports from China.)

that the differences are frequently significant, two said that they are sometimes significant, and two said that they are never significant. None of the U.S. producers commented upon the interchangeability or product differences between the U.S.-produced FGBs and imports from nonsubject countries.

### **Comparisons of Subject Imports and Nonsubject Imports<sup>7</sup>**

Several importers compared imports of FGBs from China with imports from nonsubject countries in terms of interchangeability and product differences. Of the seven importers that compared the interchangeability, five reported that imports from China are always interchangeable with imports from nonsubject countries, one stated that they are sometimes interchangeable, and one stated that they are never interchangeable. Of the six importers that compared Chinese imports with imports from nonsubject countries in terms of product differences, one said that the differences are always significant, one said that the differences are frequently significant, two said that they are sometimes significant, and two said that they are never significant. None of the U.S. producers commented upon the interchangeability or product differences between the Chinese imports and imports from nonsubject countries.

## **ELASTICITY ESTIMATES**

### **U.S. Supply Elasticity<sup>8</sup>**

The domestic supply elasticity for FGBs measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of FGBs. As noted earlier, this elasticity depends on several factors including the level of excess capacity, the availability of alternate markets for U.S.-produced FGBs, inventory levels, and the producers' ability to shift to the manufacture of other products. The earlier analysis of these factors indicates that the U.S. industry is likely to be able to greatly increase or decrease shipments to the U.S. market; an estimate in the range of 5 to 10 is suggested.

### **U.S. Demand Elasticity**

The U.S. demand elasticity for FGBs measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of FGBs. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of the FGBs in the cost of final products with which they are used. Because of the ready availability of gift bags and other similar items that are viewed by many questionnaire respondents as substitutes, it is likely that the aggregate demand for FGBs is moderately elastic, with values ranging between -1.0 and -1.5.

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<sup>7</sup> No importer reported having imported FGBs from any country other than China. Nevertheless, several importers responded to questions concerning interchangeability and product differentiation, relating to nonsubject imports. (There were some *de minimis*-margin, and therefore nonsubject, imports from China.)

<sup>8</sup> A supply function is not defined in the case of a non-competitive market.

## Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported FGBs.<sup>9</sup> Product differentiation, in turn, depends upon such factors as quality (e.g., design, appearance, etc.) and conditions of sale (availability, delivery, etc.). Based on available information indicating that the domestic and imported products can frequently be used interchangeably, the elasticity of substitution between U.S.-produced FGBs and imported FGBs is likely to be in the range of 4 to 6.

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<sup>9</sup> The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

### **PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, INVENTORIES, AND EMPLOYMENT**

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of four firms that produce FGBs.<sup>1</sup>

#### **U.S. PRODUCERS**

The Commission sent producer questionnaires to 72 firms believed to be producing FGBs and/or give-away folding gift boxes. Responses were received from approximately 40 firms, with four providing data on FGBs and 30 responding that there was no production of FGBs. The four firms providing data on U.S. production of FGBs are shown in table III-1.<sup>2</sup> Harvard and Field are the petitioners in this investigation and are back-integrated into paperboard production.<sup>3</sup> Superior, Melville, NY, and St. Joseph, St. Joseph, MO, also provided information on their operations producing FGBs.<sup>4</sup> Harvard is the largest producer of FGBs in the United States.<sup>5</sup> Harvard \*\*\*<sup>6</sup> while \*\*\*. Field began

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<sup>1</sup> Respondents allege that there are more producers of FGBs (including give-away folding gift boxes) than those in the investigation; posthearing brief, exh. 2. The companies cited by respondents at the hearing, Sheboygan, Climax, Gift Box, and Sterling (hearing transcript, pp. 110-111), were mailed producers' questionnaires on August 27, 2001, and on October 11, 2001. The cover letter sent with the second mailing stated that it was imperative that the Commission receive responses to the questionnaires by no later than October 19, 2001, and asked the companies to provide the Commission with at least best estimates of the data requested where appropriate. No responses were received from these firms. At the hearing, Mr. Lencsak testified that Sterling was in bankruptcy this year and no longer produces FGBs; hearing transcript, p. 92. Staff expanded the number of firms in this final investigation that might be producing FGBs and give-away folding gift boxes based on producer lists from Lockwood-Post's, the National Paperbox Association, and the Retail Packaging Manufacturer's Association. Seven firms provided data on their give-away folding gift box operations, which are presented in appendix C, table C-2. Field, Superior, and Boxit support the petition while \*\*\*. Of the seven firms, \*\*\* are the largest, accounting for 95.4 percent of reported U.S. production of give-away folding gift boxes in 2000 (\*\*\*). Petitioners indicated that the U.S. market for give-away folding gift boxes is approximately \$\*\*\* million per year.

<sup>2</sup> Sterling, Jeannette, PA, provided a questionnaire response in the preliminary phase of the investigation but did not respond to the questionnaire in the final investigation. Sterling is \*\*\* of FGBs that no longer produces FGBs.

<sup>3</sup> Harvard operates two recycled paperboard mills, one in New Haven, CT, and another in Catonsville, OH. Field also operates two recycled paper mills and paperboard facilities.

<sup>4</sup> Superior is not integrated and \*\*\*.

<sup>5</sup> Harvard and Ideal are owned by the owner of Simkins, Leon Simkins, not by Simkins Industries, Lynn, MA; telephone conversation, March 15, 2001. Simkins produces approximately \*\*\* tons of clay-coated newsback a year. \*\*\* percent of that is used in its own plants and the remaining \*\*\* percent is sold to other folding carton producers; field trip notes, March 14, 2001. Harvard's questionnaire response covers the production of FGBs at its plant in Lynn, MA, and the packaging and sales operations in Lawrence, MA. FGBs account for approximately 66 percent of Harvard's overall operations; hearing transcript, p. 44.

<sup>6</sup> Simkins \*\*\*; petition, volume I, exhibit 13.

**Table III-1  
FGBs: U.S. producers, locations, and shares of production in 2000**

Firm	Location	Share (percent) of reported production	Position on the petition
Field	Elk Grove Village, IL	***	Supports
Harvard	Lynn, MA	***	Supports
St. Joseph	St. Joseph, MO	***	***
Superior	Melville, NY	***	Supports

Source: Compiled from data submitted in response to Commission questionnaires.

producing FGBs in 1996 when it purchased the business from Cleo.<sup>7</sup> FGBs are the only consumer product Field produces.<sup>8</sup> Field provided data for its five facilities (Elk Grove, IL; Marion, OH; Salisbury, MD; Tuscaloosa, AL; and Mommence, IL) involved in the production of FGBs during the period examined. Field closed its Salisbury facility in April 2000 and shifted the production of the plant to Elk Grove. Field also closed its packaging plant in Mommence in September 1998 and now contracts with third parties to perform the packaging of FGBs.<sup>9</sup> Field imported a small volume of FGBs from China in 1998 and 1999.<sup>10</sup> Superior is a unionized U.S. producer and distributor of FGBs and other types of packaging materials. Superior also imports FGBs from China (table III-2).<sup>11</sup> In its questionnaire response Superior reported that it \*\*\*. Harvard, Field, Superior, and St. Joseph produce other folding boxes and cartons on the same equipment and using the same production and related workers that they use to produce FGBs.<sup>12</sup>

**Table III-2  
FGBs: U.S. producers' production and subject imports, 1998-2000, January-June 2000, and January-June 2001**

\* \* \* \* \*

<sup>7</sup> Field purchased Cleo in order to integrate the company into the production of FGBs. Field is probably fifth in the United States in the production of cartons and FGBs are a small but important part of Field's overall operations; hearing transcript, pp. 43-44.

<sup>8</sup> Hearing transcript, p. 21.

<sup>9</sup> \*\*\* hearing transcript, p. 21.

<sup>10</sup> Most of these FGBs were imported for one customer that was demanding price concessions that Field could not provide on its U.S.-produced FGBs; hearing transcript, pp. 21-22. \*\*\*; questionnaire response.

<sup>11</sup> Superior reported that it was \*\*\*; questionnaire response, p. 4.

<sup>12</sup> Some of these other folding boxes are for retail packaging, give-away boxes, pizza boxes, etc.; domestic producer questionnaire responses. Field is the only significant responding producer of both FGBs and give-away folding gift boxes. Field testified at the hearing that the FGBs and give-away folding gift boxes it produces are not produced on the same equipment and are at different locations in the plant; hearing transcript, p. 93. Superior is a relatively small producer of both products, \*\*\*. Production of its give-away folding gift boxes accounted for \*\*\* percent of its reported gift box production in January-June 2001.

In the preliminary phase of the investigation, Commission staff did a telephone survey of some additional U.S. firms that might be producing FGBs.<sup>13</sup> Sheboygan responded that \*\*\*.<sup>14</sup> Mid-Cities indicated that \*\*\*.<sup>15</sup> Climax responded in a telephone conversation on March 21, 2001, that \*\*\*.<sup>16</sup> \*\*\*.<sup>17</sup> \*\*\*.<sup>18</sup> \*\*\*.<sup>19</sup>

### U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Table III-3 presents the producers' capacity, production, and capacity utilization for 1998-2000, January-June 2000, and January-June 2001. They were unable to quantify their data on a tonnage basis and counsel for petitioners suggested collecting the data on the basis of pieces for the final phase of the investigation. Pieces are FGBs that include both the top and bottom of each FGB (i.e., one complete FGB without consideration of size or packaging).

**Table III-3**  
**FGBs: U.S. production capacity, production, and capacity utilization, 1998-2000, January-June 2000, and January-June 2001**

Item	Calendar year			January-June	
	1998	1999	2000	2000	2001
Capacity (1,000 pieces)	363,196	355,092	338,895	153,256	129,950
Production (1,000 pieces)	275,429	269,392	255,334	99,404	87,561
Capacity utilization (percent)	75.8	75.9	75.3	64.9	67.4

Source: Compiled from data submitted in response to Commission questionnaires.

Harvard responded in its questionnaire that numerous factors \*\*\* were constraints that set the limits on its production capacity. Field responded that at the Elk Grove and Salisbury plants the constraint on production was \*\*\*. At the Marion and Tuscaloosa plants the constraint on production is \*\*\*. Superior and St. Joseph reported that there were \*\*\* constraints on their production capacity.

### U.S. PRODUCERS' DOMESTIC SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

Data for U.S. producers' shipments are presented in table III-4. Values of commercial (open-market) U.S. shipments increased by 7.3 percent between 1998 and 2000 and then decreased by 33.5

<sup>13</sup> Lindy Bowman's representative also suggested a telephone survey in the posthearing brief; p. 6, fn. 11. They also provided in the posthearing brief additional information on other U.S. producers of FGBs in response to a question posed by staff.

<sup>14</sup> \*\*\*; telephone conversation, March 15, 2001.

<sup>15</sup> Telephone conversation with \*\*\*, March 15, 2001.

<sup>16</sup> Sheboygan, Mid-Cities, and Climax received producer questionnaires mailed on August 28, 2001 and on October 11, 2001, \*\*\*.

<sup>17</sup> Telephone conversation with \*\*\*, November 7, 2001.

<sup>18</sup> Telephone conversation with \*\*\*, November 19, 2001.

<sup>19</sup> Telephone conversation with \*\*\*, November 19, 2001.

percent between interim 2000 and interim 2001. None of the reporting producers had internal shipments of FGBs. \*\*\* exports during the period, which were to \*\*\*.

**Table III-4**  
**FGBs: U.S. producers' shipments, by types, 1998-2000, January-June 2000, and January-June 2001**

Item	Calendar year			January-June	
	1998	1999	2000	2000	2001
<b>Quantity (1,000 pieces)</b>					
Open-market U.S. shipments	273,455	269,351	255,222	47,340	30,321
Transfers to related firms	0	0	0	0	0
Total U.S. shipments	273,455	269,351	255,222	47,340	30,321
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
<b>Value (1,000 dollars)</b>					
Open-market U.S. shipments	40,324	42,733	43,272	8,072	5,364
Transfers to related firms	0	0	0	0	0
Total U.S. shipments	40,324	42,733	43,272	8,072	5,364
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
<b>Unit value (per piece)</b>					
Open-market U.S. shipments	\$0.15	\$0.16	\$0.17	\$0.17	\$0.18
Transfers to related firms	( <sup>1</sup> )				
Total U.S. shipments	0.15	0.16	0.17	0.17	0.18
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
<sup>1</sup> Not applicable.					
Source: Compiled from data submitted in response to Commission questionnaires.					

### U.S. PRODUCERS' INVENTORIES

Petitioners maintained in the preliminary phase of the investigation that inventories are not an issue in this investigation since the ordering and production schedules of producers provide the ability to avoid surges in inventories. Because orders for FGBs are placed early in the year, producers can reduce

production in the latter part of the year if production has outpaced orders.<sup>20</sup> U.S. producers' end-of-period inventories are presented in table III-5. End-of-period inventories declined by \*\*\* percent between 1998 and 2000, and then increased by \*\*\* percent in interim 2001.<sup>21</sup>

**Table III-5**

**FGBs: U.S. producers' end-of-period inventories, 1998-2000, January-June 2000, and January-June 2001**

\* \* \* \* \*

### U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-6 presents employment data for the U.S. producers. The number of PRWs and hours worked declined irregularly from 1998 to 2000. Wages paid to PRWs increased between 1998 and 1999, then declined in 2000 but to a level slightly above that in 1998. Average wages increased between 1998 and 2000, while productivity declined. The number of PRWs, hours worked by such employees, and wages paid increased in the interim periods, while the hourly wages decreased.

**Table III-6**

**FGBs: Average number of PRWs, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 1998-2000, January-June 2000, and January-June 2001**

Item	Calendar year			January-June	
	1998	1999	2000	2000	2001
PRWs	425	427	420	356	391
Hours worked by PRWs (1,000 hours)	659	672	613	285	318
Wages paid to PRWs (1,000 dollars)	7,548	8,006	7,734	3,503	3,524
Hourly wages	\$11.45	\$11.91	\$12.62	\$12.29	\$11.08
Productivity (pieces per hour) <sup>1</sup>	352.7	333.0	342.1	268.8	214.4
Unit labor costs (per piece) <sup>1</sup>	\$0.03	\$0.04	\$0.04	\$0.05	\$0.05

<sup>1</sup> Based on firms reporting production and hours worked or wages paid.

Source: Compiled from data submitted in response to Commission questionnaires.

<sup>20</sup> Petitioners' postconference brief, p. 26.

<sup>21</sup> The end-of-period inventories reported in the interim periods are those of \*\*\*. Due to the seasonality of the FGB industry, most of the production of the FGBs in the first part of the year is not shipped until after July for the Christmas season.



## PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

### U.S. IMPORTERS

As noted earlier in the report, imports under HTS statistical reporting numbers 4819.20.0040 and 4819.50.4060 cover other types of products as well as the subject FBGs. Questionnaires were sent to 66 firms believed to be importers of FBGs based on information provided in the petition, information received in the preliminary investigation, and information provided by the U.S. Customs Service. In addition, importer questionnaires were sent to all firms that received producer and purchaser questionnaires. Approximately 23 firms provided usable importer questionnaire responses.<sup>1</sup> Of the 66 firms on the importers' mailing list, 24 responded that the firms did not import the subject product.<sup>2</sup> The five largest firms that provided usable data in 2000 were \*\*\*; these importers accounted for 53.4 percent of the total value of reported subject imports from China in 2000.

American Greetings, Cleveland, OH, acquired CPS Corp., Franklin, TN, in July 2000. In March 2001, American Greetings merged CPS and its wholly owned subsidiary, PlusMark, into one entity which is now referred to as PlusMark.<sup>3</sup> PlusMark noted in its postconference brief that approximately \*\*\* percent (by value) of its purchases from China<sup>4</sup> would be delivered from the factory in China to a freight forwarder in Hong Kong. PlusMark's U.S. customer would then take possession of the FBGs in Hong Kong and act as the importer of record.<sup>5</sup> Lindy Bowman, an importer of FBGs from China, estimates that his firm accounts for 72 percent of the volume of imports from China to the retail trade in the United States.<sup>6</sup> \*\*\* and Red Point is its exclusive producer.<sup>7</sup>

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<sup>1</sup> \*\*\* were the only U.S. producers that reported importing FBGs from China (see table III-2). \*\*\*'s imports of FBGs were equal to \*\*\* percent of its shipments in 1998 and \*\* percent in 1999. The firm had no imports in 2000 or in the interim periods. \*\*\*'s imports were equal to \*\*\* percent, \*\*\* percent, and \*\*\* percent of its shipments in 1998, 1999, and 2000, respectively. \*\*\* had no imports in interim 2000 and its imports from China were equal to \*\*\* percent of its shipments in interim 2001. The company reported that \*\*\* were the foreign producers of the FBGs it imported. \*\*\* accounted for \*\*\* percent of the total value of reported imports from China in 2000 (excluding its imports from \*\*\*).

<sup>2</sup> The Commission re-sent the importers' questionnaires on October 10, 2001, to those firms that had not responded to the original mailing. Petitioners claim that \*\*\*, accounting for approximately \$\*\*\* in imports of FBGs from China, did not respond to the Commission's questionnaire; prehearing brief, p. 23. \*\*\* did not supply a questionnaire response in either phase of the investigation. Staff made numerous telephone calls to the firm, which indicated that they would try to get some estimates to the Commission. In a telephone conversation with \*\*\* on November 27, 2001, \*\*\*, \*\*\*.

<sup>3</sup> American Greetings does not import FBGs from China and PlusMark started importing \*\*\*.

<sup>4</sup> PlusMark named \*\*\* as the producers of its FBGs in China.

<sup>5</sup> Postconference brief, p. 2. In 2000, \*\*\* percent (by value) of PlusMark's purchases of Chinese FBGs were imported directly by PlusMark. Imports by \*\*\* apparently are arranged through PlusMark. \*\*\* is not included in the import data because staff could not reconcile the quantity and value of its imports. \*\*\* imported \*\*\* pieces of FBGs, valued at \$\*\*\* in 2000, \*\*\*. Respondents estimated that independent Chinese sales not designed by Lindy Bowman or PlusMark are about 5 percent of the market; conference transcript, p. 93. \*\*\*.

<sup>6</sup> Hearing transcript, pp. 98, 102, 127-128, and 149. Lindy Bowman sells a substantial volume of subject FBGs to U.S. customers where the customers take possession of the product in Hong Kong and are the importers of record. Lindy Bowman reported smaller volumes of FBGs where it was the importer of record. In response to questions at the hearing, Mr. Bowman stated that he thought the Commission had full coverage on imports of FBGs;

(continued...)

## U.S. IMPORTS

According to the data collected by the Commission through its questionnaires, subject imports of FGBs from China increased overall in terms of quantity<sup>8</sup> and value from 1998 to interim 2001 (table IV-1).<sup>9</sup> Such imports increased by \*\*\* percent in quantity and by \*\*\* percent in value during 1998-2000. Imports of subject FGBs from China increased by \*\*\* percent by quantity and \*\*\* percent by value between the interim periods.<sup>10</sup> Petitioners testified at the hearing that to their knowledge only the Chinese produce and export FGBs, and in fact no importer reported importing any FGBs from any country other than China.<sup>11</sup>

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<sup>6</sup> (...continued)  
hearing transcript, pp. 132-133.

<sup>7</sup> Questionnaire response and hearing transcript, p. 162.

<sup>8</sup> The Commission requested in this final phase of the investigation that the quantities be reported in pieces (as noted earlier in the report), but the quantities were not always reported on the correct basis. Respondents to questionnaires (especially importers and the producers in China) were unclear in numerous telephone conversations with staff as to what constituted a piece, a set, or a pack, in terms of what they were importing; therefore, unit values may vary substantially. Petitioners also noted at the hearing that there are differences in how the units (packs, sets, etc.) are viewed, which could explain the variances in pricing; hearing transcript, pp. 75-76. Petitioners argued in the prehearing brief that reported quantities of imports from China were understated because for the most part importers reported quantities in terms of packs instead of in pieces; prehearing brief, pp. 22-23. Petitioners recalculated the import quantities and consumption data in appendices 4 and 5 of the prehearing brief. In response to a question from Commissioner Devaney at the hearing, petitioners explained why they believe the corrected volume and value data provided in their prehearing brief is more accurate than what was provided to the Commission in the questionnaires; posthearing brief, pp. 17-18. Petitioners believe that the use of value data to determine market share would not accurately reflect the penetration of Chinese imports; hearing transcript, pp. 83-84 and posthearing brief, pp. 21-22. Respondent Lindy Bowman questioned petitioners' conversion methodology of the quantities of imports and testified that analysis based on the value of imports would be more accurate; hearing transcript, pp. 132-134. See also hearing transcript, pp. 83-84. In its posthearing brief, Capital Trade on behalf of Lindy Bowman agreed that some importers provided their volume data on a per-pack rather than per-piece basis so that the volume-based market shares are distorted. However, they maintain that petitioners' market share tables in the prehearing brief are also distorted and that market shares on a value basis would be best; posthearing brief, response to a question from Commissioner Hillman concerning volume- versus value-based market shares.

<sup>9</sup> Import data based on Commerce's official statistics for HTS statistical reporting numbers 4819.20.0040 and 4819.50.4060 are presented in app. D. In terms of quantity and value (table D-1), imports from China increased by 65.5 percent and 65.0 percent, respectively, during 1998-2000. Imports from China increased by 13.1 percent by quantity and 11.0 percent by value in the interim periods. Table D-2 presents U.S. imports from the 12 leading sources.

<sup>10</sup> Imports from Max Fortune, which were found to have *de minimis* LTFV margins by Commerce in its final determination, are nonsubject imports in table IV-1. Such imports were reported by \*\*\*. Imports from Max Fortune accounted for \*\*\* percent of the total quantity of \*\*\*'s imports from China in 1999 and \*\*\* percent in 2000. The firm had no reported imports from Max Fortune in 1998 or in interim 2000-2001. All of \*\*\* imports were from Max Fortune and amounted to \*\*\* pieces in 1999, \*\*\* pieces in 2000, \*\*\* pieces in interim 2000, and \*\*\* pieces in interim 2001.

<sup>11</sup> Hearing transcript, p. 84.

**Table IV-1**

**FGBs: U.S. imports, by sources, 1998-2000, January-June 2000, and January-June 2001**

\* \* \* \* \*

**APPARENT U.S. CONSUMPTION AND MARKET SHARES**

Tables IV-2 and IV-3 show data on apparent U.S. consumption and market shares for FGBs. Apparent consumption based on quantity declined throughout the period, decreasing by \*\*\* percent during 1998-2000 and by \*\*\* percent in interim 2001. Conversely, apparent consumption based on value increased by \*\*\* percent during 1998-2000, and then decreased \*\*\* percent in interim 2001. U.S. producers' market share by both quantity and value decreased during the period for which data were collected for the investigation.

**Table IV-2**

**FGBs: U.S. producers' U.S. shipments, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1998-2000, January-June 2000, and January-June 2001**

\* \* \* \* \*

**Table IV-3**

**FGBs: Apparent U.S. consumption and market shares, 1998-2000, January-June 2000, and January-June 2001**

\* \* \* \* \*



## **PART V: PRICING AND RELATED INFORMATION**

### **FACTORS AFFECTING PRICES**

#### **Raw Material Costs**

U.S. producers reported that raw material costs to produce FGBs accounted for \*\*\* percent of their combined costs of goods sold in 1998, \*\*\* percent in 1999, and \*\*\* percent in 2000. Recycled paperboard is the main raw material used in the production of FGBs.

#### **Transportation Costs to the U.S. Market**

Ocean transportation costs for subject FGBs shipped from China to the United States are estimated to be approximately 16 percent of the customs value of the product. These estimates are derived from official import data and represent the transportation and other charges on imports.<sup>1</sup>

#### **U.S. Inland Transportation Costs**

U.S. inland transportation costs account for a relatively significant share of the delivered price of subject FGBs. For U.S. producers, estimates ranged from \*\*\* percent. For importers that sell to retailers, the costs ranged widely from \*\*\* percent to as much as \*\*\* percent of the delivered price. However, for most importers these costs amount to 20 percent or less of the delivered price.

#### **Exchange Rates**

The Chinese currency, the yuan, has consistently been pegged to the U.S. dollar since January 1, 1994. Therefore, the U.S. and Chinese currencies were constant in relation to each other throughout the period January 1998 through June 2001.<sup>2</sup>

### **PRICING PRACTICES**

#### **Pricing Methods**

Most prices of FGBs are arrived at through transaction-by-transaction negotiations. \*\*\* reported that its sales staff visits potential customers in the winter to conduct face-to-face negotiations for sales for the following Christmas. While \*\*\* has a published price list, the list is not actually used directly for sales to any customers. \*\*\* prices vary in different industry segments because of differences in competitive situations. \*\*\* reported that it uses a mixture of independent sales representatives and its own sales force to negotiate with each potential customer. \*\*\* negotiates off of list prices. Its sales representatives market FGBs and other seasonal items. Among importers that sell to retailers, \*\*\* reported that it negotiates each transaction for container-load shipments. It also arranges contracts for multiple shipments of smaller quantities. Two other importers reported that they have a standard mark-

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<sup>1</sup> The estimated cost was obtained by subtracting the customs value from the c.i.f. value of the imports for the year 2000 and then dividing by the customs value. This cost estimate is very rough since the imports under HTS statistical reporting numbers 4819.20.0040 and 4819.50.4060 contain many other items besides FGBs.

<sup>2</sup> International Monetary Fund, *International Financial Statistics*, October 2001.

up for retailers on the price they paid for the imports from China. \*\*\* reported that it has a \*\*\*-percent mark-up and the \*\*\* has a \*\*\*-percent mark-up. U.S. producers and importers that sell to retailers commonly quote prices on either a delivered basis or on an f.o.b. basis from points of shipment within the United States.<sup>3</sup>

### Sales Terms and Discounts

Discount policies on sales of folding gift boxes are varied. Among producers \*\*\* provides volume discounts to some customers but \*\*\* does not have a discount policy. \*\*\* reported that it provides a 2-percent discount for payment within 10 days. Among the importers that sell to retailers, \*\*\* reported that it provides annual total volume discounts, \*\*\* stated that it provides discounts based on the quantities purchased, and \*\*\* stated that its discounts vary by customer. None of the other six importers that sell to retailers have a discount policy and no importers provide discounts for early payments of accounts.

The majority of sales by U.S. producers are on a contract basis, while policies vary among importers. The \*\*\* (\*\*\* and \*\*\*) sell entirely on a contract basis, and 95 percent of \*\*\* sales are on a contract basis.<sup>4</sup> \*\*\* reported that its contracts are signed in the March/April time period for delivery of FGBs during late September through mid-November. Its contracts have fixed prices and quantities and a minimum value requirement of \$1,000. \*\*\* contracts are for one season and require delivery from four to six months after the order has been placed. \*\*\* contracts do not have fixed prices or quantities, or minimum quantity requirements. \*\*\* contracts are also for one season, with the price, but not the quantity fixed during this period. There are no minimum quantity requirements in \*\*\* contracts. Among importers, \*\*\* reported that it sells entirely on a contract basis, while sales by the other importers that sell to retailers are mainly on a spot basis. \*\*\* contracts are negotiated annually and last for periods of 120 days. Prices and quantities are fixed during the contract periods and the minimum order size is \$1,000. The contract contains a price premium of 20 percent for a sub-minimum shipment.

### PRICE DATA

The Commission asked U.S. producers and importers of FGBs to provide quarterly data for the total quantity and value of selected products that were shipped to unrelated customers in the U.S. market during January 1998 through June 2001. In addition, those importers that sell only to final retail customers were asked to report quarterly quantities and values of their imports of these products during this period. Finally, purchasers were asked to report quarterly delivered prices paid. The products for which price data were requested are as follows:<sup>5</sup>

***Product 1.***—FGBs: Two pack consisting of 2 large (robe) boxes or three pack consisting of 3 medium (shirt) boxes or four pack consisting of 4 small (blouse or lingerie) boxes

***Product 2.***—FGBs: Ten pack consisting of 2 large (robe) boxes, 5 medium (shirt) boxes, and 3 small (blouse or lingerie) boxes

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<sup>3</sup> \*\*\* has quoted import prices either f.o.b. \*\*\*, or f.o.b. Hong Kong. \*\*\* quotes prices of its imports f.o.b. Hong Kong.

<sup>4</sup> \*\*\*.

<sup>5</sup> For U.S. producers, prices were requested f.o.b. their U.S. producing establishment(s). For importers, prices were requested f.o.b. their U.S. point of shipment. For purchasers, prices were requested on a delivered basis.

**Product 3--“Not-for-resale” folding gift box: Shirt-sized, measuring approximately 14-1/4" x 9-1/2" x 1-7/8" that has full coverage printing (i.e., folding gift box that is neither plain white nor printed with only a one-or two-color logo).**

Three U.S. producers and 8 importers provided usable price data on FGBs.<sup>6</sup> The producer data accounted for 63 percent of the total value of U.S. shipments by producers in 2000, and importer data accounted for 47 percent of the total value of shipments of imported FGBs from China in 2000.

### Price Trends

Weighted-average prices reported by producers and importers that sell to retailers are shown in table V-1 and figures V-1 and V-2, and delivered prices of imports by retailers that import directly are shown quarterly in table V-2 for January 1998-June 2001.<sup>7</sup> No clear-cut trends are evident for producer prices, but data for products 1 and 2 show that they are influenced by seasonal factors.<sup>8</sup> Producer prices for these products are consistently higher during the third and fourth quarters of each year when demand is at peak levels than during the first and second quarters when demand is weaker. In the case of importers that sell to retailers, prices fluctuated through the fourth quarter of 2000 when all sales of these products ended. Unlike producer prices, prices of these imports don't show evidence of seasonal influences. In the case of retailers that import directly, no clear trends are evident from the data shown in table V-2.

### Price Comparisons

Evidence of underselling of Chinese FGBs is somewhat mixed if more weight is given to direct comparisons between U.S. producers' prices and import prices on sales to retailers (table V-1) than to comparisons between U.S. producers' prices and the prices of direct imports by retailers in table V-2.<sup>9</sup>

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<sup>6</sup> The three producers providing usable price data for products 1 and/or 2 were \*\*\*. The eight importers providing usable price data for these products were \*\*\*. The import price data for \*\*\* and \*\*\* could not be combined with the other data for importers that sell to retailers, since \*\*\* quotes all of its import prices on an f.o.b. Hong Kong basis, and \*\*\* quotes some of its prices on this basis. The other four importers that sell to retailers as opposed to importing for retail use reported prices on an f.o.b. basis from shipping points in the United States. In its posthearing brief Capital Trade provided a large number of additional estimated prices for retailers that import through Lindy Bowman (exh. 7). However, since all of the prices were reported f.o.b. Hong Kong, and since ocean transportation charges to the United States could only be roughly estimated, these data were not considered usable.

<sup>7</sup> Five producers (\*\*\*) reported prices for product 3. \*\*\* and \*\*\* only make give-away folding gift boxes. \*\*\* price, reported on a per-piece basis, fluctuated between \*\*\* per piece during the 14-quarter period. \*\*\* price was constant at about \*\*\* per piece throughout the 14 quarters. \*\*\* price for product 3 \*\*\*. \*\*\* price fluctuated within a narrow range between \*\*\* and \*\*\* per piece during the period. \*\*\* prices declined from about \*\*\* per piece in the third quarter of 1998 to \*\*\* in the third quarter of 1999 and to \*\*\* in the third quarter of 2000.

<sup>8</sup> In appendix 1 of their posthearing brief the petitioners stated that the price data reported by \*\*\* is not usable since it is reported in \*\*\*. While \*\*\* reported prices for \*\*\* in its questionnaire for the preliminary phase of this investigation, it correctly reported prices for products 1 and 2 in the final phase of the investigation. Therefore, its price data have been used in computing the weighted-average import prices shown in table V-1.

<sup>9</sup> Lindy Bowman, the largest source of imports of FGBs, stated that certain other import sources from China offer lower prices than his company (hearing transcript, p. 124). One importer (\*\*\*) did state that it is able to obtain lower prices than those offered by Lindy Bowman. \*\*\* of \*\*\* said that it buys Chinese imports in Hong Kong

(continued...)

**Table V-1**

**FGBs: Weighted-average f.o.b. prices and quantities of domestic and imported Chinese products 1 and 2 sold to retailers and margins of underselling/(overselling), by quarters, January 1998-June 2001**

\* \* \* \* \*

**Figure V-1**

**FGBs: Weighted-average f.o.b. prices of domestic and imported Chinese product 1 sold to retailers, by quarters, January 1998- June 2001**

\* \* \* \* \*

**Figure V-2**

**FGBs: Weighted-average f.o.b. prices of domestic and imported Chinese product 2 sold to retailers, by quarters, January 1998-June 2001**

\* \* \* \* \*

**Table V-2**

**FGBs: Weighted-average delivered prices of imports from China by retailers of product 1, by quarters, January 1998-June 2001**

\* \* \* \* \*

Petitioners contend that the division of the price data because of a perceived difference in the level of trade is not appropriate and that prices in the two tables should be lumped together.<sup>10</sup> However, combining these data would involve grouping some imports priced on an f.o.b. basis from points of shipments within the United States with landed, duty-paid values of imports that might in some cases include inland transportation to importers' storage facilities within the United States.

In direct price comparisons between U.S.-producer f.o.b. prices and f.o.b. importer prices on sales to retailers of products 1 and 2, underselling by the Chinese product occurred in 8 of 19 quarters where comparisons were possible, with margins of underselling ranging from 4.2 percent to 21.0 percent. Margins of overselling of the Chinese product ranged from 2.3 to 31.6 percent. However, the delivered prices paid by retailers that import directly (table V-2) were lower than U.S. f.o.b. producer prices for product 1 in five of the six quarters where imports occurred.<sup>11</sup> Moreover, the quantities of direct imports of product 1 by retailers were much larger than the quantities shipped by importers that sell to retailers. Direct imports by retailers of product 1 amounted to about \*\*\* packs in 1998, about \*\*\* packs in 1999, and about \*\*\* packs in 2000 (table V-2). In contrast, sales of product 1 by importers to retailers (table

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<sup>9</sup> (...continued)

from other suppliers for \*\*\* per pack, a price that \*\*\* (telephone conversation, November 16, 2001). \*\*\*. The \*\*\* price data were not used because they could not estimate delivery charges to their facilities in the United States.

<sup>10</sup> Petitioners' posthearing brief, p. 20.

<sup>11</sup> In their posthearing brief, Capital Trade Inc. stated that for three importers (\*\*\*, \*\*\*, and \*\*\*), the questionnaire price data were on an f.o.b. Hong Kong basis rather than a delivered basis that includes ocean shipping costs, brokerage fees, duties, and inland freight as requested by the Commission (p. 1). \*\*\* prices were presented on an f.o.b. Hong Kong basis in the prehearing report but were corrected to reflect the delivery charges in this final report. The price data from \*\*\* and \*\*\* were not used in either report because they were unable to provide estimates of their delivery charges. However, if the average delivery charges reported by \*\*\*.

V-1) amounted to just \*\*\* packs in 1998, \*\*\* packs in 1999, and \*\*\* packs in 2000. No usable import price data were reported by retailers for product 2.

If the approach suggested by the petitioner of grouping together the sets of import data for product 1 in tables V-1 and V-2 is used, the comparisons between the domestic and import prices would result in one more instance of underselling than is shown in table V-1. Combining the two sets of data for the six quarters where retail imports occurred would result in an average import price of \*\*\* per pack in the third quarter of 1998, \*\*\* in the fourth quarter of 1998, \*\*\* in the third quarter of 1999, \*\*\* in the fourth quarter of 1999, \*\*\* in the third quarter of 2000, and \*\*\* in the fourth quarter of 2000. Overall, the combined approach would result in a total of 9 instances of underselling and 10 instances of overselling.

A few additional price comparisons were available from two purchasers that bought both U.S.-produced and imported FGBs from China. \*\*\* reported that it bought \*\*\* million packs of U.S.-produced product 1 at \*\*\* per pack and \*\*\* packs of imports from China at \*\*\* per pack in the third quarter of 1998. During the third quarter of 1999, it bought \*\*\* million packs of U.S.-produced product 1 at \*\*\* per pack and \*\*\* packs of imports from China at \*\*\* per pack. During the third quarter of 2000, \*\*\* bought \*\*\* million packs of U.S.-produced product 1 at \*\*\* per pack and \*\*\* million packs of Chinese-produced product at \*\*\* per pack. \*\*\* reported that it bought \*\*\* million packs of U.S.-produced product 1 at \*\*\* per pack and \*\*\* million packs of imports from China at \*\*\* per pack in the third quarter of 1998. During the third quarter of 1999, it bought \*\*\* million packs of U.S.-produced product 1 at \*\*\* per pack and \*\*\* million packs of imports from China at \*\*\* per pack. During the third quarter of 2000, \*\*\* bought \*\*\* million packs of U.S.-produced product 1 at \*\*\* per pack and \*\*\* million packs of Chinese-produced product at \*\*\* per pack.

### **Price Leadership**

When asked to name an industry price leader for FGBs during January 1998-June 2001, answers from the 23 purchasers were varied.<sup>12</sup> Eleven purchasers listed one or more firms as price leaders, with most naming U.S. producers. Twelve other firms were either unable to identify a price leader, or did not believe that a leadership pattern existed. Among domestic firms, Field and Superior were each named four times, Harvard was named three times, and Boxit<sup>13</sup> was named once. Among importers, Lindy Bowman and PlusMark were each mentioned once. Yun Choy, a Chinese producer, was also mentioned once.

When asked to specify the time period when the price leaders communicated price changes and to indicate whether the changes were upward or downward, very few purchasers responded. One firm said that Field led prices upward during January-February 2001, and another said that Harvard led prices slightly upward in 1998 and slightly downward in 1999. Another purchaser said Yun Choy led prices downward in January 2000 through June 2001.

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<sup>12</sup> A price leader was defined in the questionnaire as “(1) one or more firms that initiate a price change, either upward or downward, that is followed by other firms, or (2) one or more firms that have a significant impact on prices. A price leader does not have to be the lowest priced supplier.”

<sup>13</sup> \*\*\*.

## LOST SALES AND LOST REVENUES

The Commission asked U.S. producers of FGBs to report any instances of lost sales or lost revenues they experienced due to competition from imports of FGBs from China during January 1998 to June 2001. During the preliminary and final phases of the investigation, three producers provided a total of \*\*\* lost sales allegations involving over \*\*\* packs of FGBs valued at nearly \*\*\* and two producers reported \*\*\* lost revenue allegations involving \*\*\* packs of FGBs valued at \*\*\*.<sup>14</sup> The Commission contacted the purchasers to investigate the allegations. The faxed responses from purchasers that responded are discussed below and are also summarized in tables V-3 and V-4.

**Table V-3**

**FGBs: U.S. producers' lost sales allegations concerning imports from China**

\* \* \* \* \*

**Table V-4**

**FGBs: U.S. producers' lost revenue allegations concerning imports from China**

\* \* \* \* \*

In the preliminary investigation \*\*\* alleged that it lost a sale of \*\*\* packs of FGBs valued at \*\*\* to \*\*\* in \*\*\*. \*\*\* reported that it purchased imported Chinese FGBs last year based on price and on a desire to obtain different pack sizes of FGBs. \*\*\*.

In the final investigation \*\*\* alleged that it lost a sale of \*\*\* pieces of FGBs valued at \*\*\* to \*\*\* in \*\*\*. \*\*\* agreed that the allegation was valid.

In the preliminary phase of the investigation \*\*\* alleged that it lost a sale of \*\*\* packs of FGBs valued at \*\*\* to \*\*\* in \*\*\* and \*\*\* packs valued at \*\*\* in \*\*\*. \*\*\* denied the allegation that involved the sale in \*\*\*. The company reported that the sale was not lost due to a lower import price. The imported FGBs from China that \*\*\* purchased were priced lower than the domestic product because they were lower in quality (cardboard thickness). \*\*\* said that the allegation concerning the sale in \*\*\* was valid. However, it said that the total cost of the imports was \*\*\* rather than the \*\*\* alleged by the petitioner.

\*\*\* allegations concerned \*\*\*. \*\*\* alleged that it lost revenue amounting to \*\*\* on a sale of \*\*\* packs of FGBs valued at \*\*\* to \*\*\* in \*\*\* and \*\*\* alleged that it lost a sale of \*\*\* packs of FGBs valued at \*\*\* to \*\*\* in \*\*\*. The \*\*\* allegation involved \*\*\* FGBs, and the \*\*\* allegation involved \*\*\* FGBs. \*\*\* disagreed with both allegations. However, the company reported that it only keeps quotes that it accepts. With respect to the lost revenue allegation, it does not have the records to confirm or deny whether it received a domestic quote in \*\*\* for \*\*\* per pack from \*\*\* as indicated in the allegation. It is \*\*\* practice with regard to all purchases, domestic and foreign, to try to buy the product for less than the original quote. In \*\*\*, \*\*\* purchased domestically approximately \*\*\* sets of \*\*\* to a package, \*\*\* sets of \*\*\* to a package, and \*\*\* sets of \*\*\* to a package. It paid \*\*\* per pack for each of these products. In \*\*\*, it also purchased from \*\*\*, its only source of imports from China, sets of \*\*\* to a package for \*\*\* per pack, sets of \*\*\* to a package for \*\*\* per pack, and sets of \*\*\* to a package for \*\*\* per pack. With respect to the lost sales allegation, \*\*\* also reported that it does not retain rejected price quotations so it cannot confirm or deny what domestic price quotes it may have received.

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<sup>14</sup> During the preliminary phase of the investigation lost sales and lost revenue quantities were reported in packs, but during the final investigation they were reported in pieces. Therefore, good estimates of total quantities cannot be provided.

However, it purchased in excess of \*\*\* assorted sizes of FGBs in \*\*\* from a producer at a price of \*\*\* per pack. It also purchased FGBs from China in \*\*\* at prices ranging from \*\*\* to \*\*\* per pack depending on the size of the boxes.

\*\*\* allegations concerned \*\*\*. \*\*\* alleged that it lost a sale of \*\*\* packs valued at \*\*\* in \*\*\* and that it also lost sales in \*\*\* and \*\*\* of \*\*\* and \*\*\* packs valued at \*\*\* and \*\*\* respectively. \*\*\* agreed that the allegations were valid, although it adjusted the prices slightly for the imported products (table V-3).

\*\*\* allegations concerned \*\*\*. \*\*\* alleged that it lost revenue amounting to \*\*\* on a sale of \*\*\* packs of FGBs valued at \*\*\* in \*\*\* and \*\*\* alleged that it lost a sale of \*\*\* packs of FGBs valued at \*\*\* in 1999 and another sale of \*\*\* million packs valued at \*\*\* in \*\*\*. \*\*\*.

\*\*\* allegations concerned \*\*\*. \*\*\* alleged that it lost a sale of about \*\*\* packs of FGBs valued at \*\*\* in \*\*\* and another sale of about \*\*\* packs valued at \*\*\* in \*\*\*. \*\*\* agreed that the lost sales allegations were valid. However, it said that the transaction quantities \*\*\* than those reported in the allegations (table V-3). \*\*\* also stated that the large differential in price between the domestic product and imported product is due to the lighter weight of the imported Chinese FGBs as compared to those made in the United States. According to \*\*\*, this weight differential accounts for the difference in cost.

\*\*\* alleged that it lost a sale of \*\*\* packs of FGBs valued at \*\*\* to \*\*\* in \*\*\*. \*\*\* reported that the allegation was valid.

\*\*\* alleged that it lost a sale of \*\*\* packs of FGBs valued at \*\*\* to \*\*\* in \*\*\*. \*\*\* said that the domestic FGBs are far superior to the imported Chinese FGBs because the domestic product is much thicker. \*\*\* said that \*\*\* cannot compete with Chinese imports for its business because its costs are too high. \*\*\* targets lower-end customers (e.g., dollar stores) whereas domestic producers such as \*\*\* target higher-end customers (e.g., \*\*\*). \*\*\* also reported that the offered U.S. price was not \*\*\* per pack and the imported Chinese price was not \*\*\* per pack as cited in the allegation. However, \*\*\* did not provide corrected numbers.

\*\*\* alleged that it lost revenue amounting to \*\*\* on a sale of \*\*\* packs of FGBs to \*\*\* in \*\*\*. \*\*\* disagreed with the quantities and values noted in the allegations. It reported that the quantity involved was \*\*\* packs rather than \*\*\*, and that the import price was \*\*\* rather than \*\*\* as shown in table V-4.

\*\*\* alleged that it lost a sale of \*\*\* packs of FGBs valued at \*\*\* to \*\*\* in \*\*\*. \*\*\* disagreed with the allegation. It said that the sale involved \*\*\* packs rather than \*\*\* packs. It also reported that it bought the Chinese product because \*\*\*. According to \*\*\*, the imported Chinese FGBs were of much lower quality than U.S. FGBs and, therefore, the products were not comparable.

\*\*\* alleged that it lost a sale of \*\*\* packs of FGBs valued at \*\*\* to \*\*\* in \*\*\*. \*\*\* reported that it no longer has records of rejected quotes from U.S. or import sources on file for \*\*\*, but it disagreed with the prices quoted in the allegation. \*\*\* reported that it accepted a quote for imported Chinese FGBs during \*\*\* at \*\*\* per pack. This price was the lowest quote that \*\*\* received during \*\*\*. \*\*\* reported that it never received a price quote remotely near the alleged imported price of \*\*\* per pack cited in the allegation. While \*\*\* lacks information on quotes in \*\*\*, it said that the rejected quote from the U.S. manufacturer appears accurate based on the competitive price offered by the importer.



## PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

### BACKGROUND

Four firms that produced FGBs during the period examined supplied financial data on their FGB operations.<sup>1 2</sup> No producers reported internal consumption and/or transfers to related firms. \*\*\* companies reported sales of both FGBs and give-away folding gift boxes.<sup>3</sup>

### OPERATIONS ON FGBs

The aggregate results of operations of FGB producers are presented in table VI-1. Net sales volume decreased from 1998 to 2000 and net sales value increased from 1998 to 2000. Operating losses grew continually from 1998 to 2000, due mainly to increases in the cost of goods sold (COGS) and selling, general, and administrative (SG&A) expenses outpacing the increases in net sales. Petitioners attribute the increase in COGS to higher fiber, chemicals, energy, and labor costs.<sup>4</sup> The increase in SG&A is attributed to an adjustment by \*\*\*<sup>5</sup> and increased expenses of \*\*\*.

Net sales decreased by volume and by value in interim 2001 from interim 2000. Operating losses increased in interim 2001 due, in part, to a \*\*\* prior-periods adjustment by \*\*\* to other factory costs. Without this adjustment, total operating losses would be \*\*\* for interim 2001 compared to losses of \$2.1 million for interim 2000. Profitability for interim 2000 and 2001 is not representative of the experience of FGB producers because of the seasonal nature of commercial sales, which are typically recorded during the second half of the year. The operating loss margin for interim 2001 would be \*\*\* percent without the adjustment by \*\*\* compared to an operating loss margin of 26.3 percent for interim 2000.

Selected aggregate per-unit sales, cost, and operating income (loss) data of the producers on their operations are presented in table VI-2. As requested, U.S. producers of FGBs reported data for pieces rather than packs. The aggregate per-unit sales value increased by \$0.02 from 1998 to 2000. Unit COGS increased by \$0.02 and SG&A expenses rose by \$0.01, following a similar pattern to unit sales prices but growing at a faster rate. The cost of shrink-wrapping the for-resale FGBs reportedly accounts for \*\*\* percent of the total cost of production.<sup>6</sup> \*\*\* maintain their own shrink-wrapping facilities and \*\*\* contracts with outside companies to package its FGBs.<sup>7</sup>

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<sup>1</sup> The producers whose fiscal years end other than on December 31 are \*\*\*. However, \*\*\* reported financial data on a calendar-year basis.

<sup>2</sup> In the preliminary phase of the investigation, \*\*\* provided the following financial data for 1998, 1999, and 2000: total net sales of \*\*\*; operating income of \*\*\*; and operating margins of \*\*\*, respectively. \*\*\* did not submit a questionnaire in the final phase of the investigation.

<sup>3</sup> FGBs accounted for \*\*\* of the value of \*\*\* 2000 total commercial sales and \*\*\* of \*\*\* total 2000 commercial sales.

<sup>4</sup> Petitioners' posthearing brief, Responses to Questions, p. 16.

<sup>5</sup> \*\*\*. Petitioners' posthearing brief, Responses to Questions, p. 16.

<sup>6</sup> Petitioners' posthearing brief, Responses to Questions, p. 15.

<sup>7</sup> Petitioners' posthearing brief, Responses to Questions, p. 15, and \*\*\*.

Interim 2001 unit operating losses increased from interim 2000 due, in part, to the prior-periods adjustment by \*\*\* to factory overhead costs. Without such an adjustment, unit operating losses for interim 2001 would be \*\*\* compared to unit operating losses of \$0.04 for interim 2000.

**Table VI-1**

**Results of operations of U.S. producers in the production of FGBs, 1998-2000, January-June 2000, and January-June 2001**

Item	Calendar year			January-June	
	1998	1999	2000	2000	2001 <sup>1</sup>
	<b>Quantity (pieces)</b>				
Total net sales	274,033	270,002	256,002	47,340	29,294
	<b>Value (\$1,000)</b>				
Total net sales	40,455	42,879	43,525	8,072	5,364
COGS	37,608	40,077	41,614	8,147	6,780
Gross profit (loss)	2,847	2,802	1,911	(75)	(1,416)
SG&A expenses	3,688	4,318	4,869	2,049	2,039
Operating income (loss)	(841)	(1,516)	(2,958)	(2,124)	(3,455)
Interest expense	810	923	799	332	302
Other expense	1,329	1,203	869	541	494
Other income	130	262	802	22	52
Net income (loss)	(2,850)	(3,380)	(3,824)	(2,975)	(4,199)
Depreciation/amortization	2,086	2,349	2,356	331	330
Cash flow	(764)	(1,031)	(1,468)	(2,644)	(3,869)
	<b>Ratio to net sales (percent)</b>				
COGS	93.0	93.5	95.6	100.9	126.4
Gross profit (loss)	7.0	6.5	4.4	(0.9)	(26.4)
SG&A expenses	9.1	10.1	11.2	25.4	38.0
Operating income (loss)	(2.1)	(3.5)	(6.8)	(26.3)	(64.4)
	<b>Number of firms reporting</b>				
Operating losses	*	*	*	*	*
Data	4	4	4	4	4
<sup>1</sup> Data include a prior-periods adjustment of *** by *** in interim 2001. Source: Compiled from data submitted in response to Commission questionnaires.					

**Table VI-2**  
**Results (per piece) of operations of U.S. producers in the production of FGBs, 1998-2000, January-June 2000, and January-June 2001**

Item	Calendar year			January-June	
	1998	1999	2000	2000	2001 <sup>1</sup>
	Unit value (per piece)				
Net sales	\$0.15	\$0.16	\$0.17	\$0.17	\$0.18
COGS:					
Raw materials	0.08	0.09	0.09	0.08	0.09
Direct labor	0.02	0.02	0.02	0.03	0.03
Factory overhead	0.04	0.04	0.05	0.06	0.11
Total COGS	0.14	0.15	0.16	0.17	0.23
Gross profit	0.01	0.01	0.01	0.00	(0.05)
SG&A expenses:					
Selling expenses	0.01	0.01	0.01	0.02	0.04
G&A expenses	0.01	0.01	0.01	0.02	0.03
Total SG&A expenses	0.01	0.02	0.02	0.04	0.07
Total cost	0.15	0.16	0.18	0.22	0.30
Operating income (loss)	0.00	(0.01)	(0.01)	(0.04)	(0.12)
<sup>1</sup> Data include a prior-periods adjustment of *** by *** in interim 2001. Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-3 presents financial information on a company-by-company basis for net sales value, operating income (loss), and the ratio of operating income (loss) to net sales values. The only occurrences of \*\*\* were reported by \*\*\* in 1999 and \*\*\* in interim 2001. Even though its sales volumes increased substantially over the period, \*\*\*.<sup>8</sup>

**Table VI-3**  
**Results of operations of U.S. producers, by firms, in the production of FGBs, 1998-2000, January-June 2000, and January-June 2001**

\* \* \* \* \*

A variance analysis is not presented for this case since the variances in sales revenues and total costs were largely affected by product mix rather than by the fluctuations of per-unit sales price and cost.

<sup>8</sup> \*\*\*.

**CAPITAL EXPENDITURES, R&D EXPENSES, AND  
INVESTMENT IN PRODUCTIVE FACILITIES**

U.S. producers' capital expenditures and R&D expenses, together with the value of their fixed assets, are presented in table VI-4. Capital expenditures increased substantially from 1998 to 1999 and decreased significantly from 1999 to 2000, due mainly to \*\*\*.<sup>9</sup> \*\*\* reported R&D expenses. The original cost of fixed assets and book value increased substantially from 1998 to 1999, due mainly to \*\*\*.

**Table VI-4**  
**Capital expenditures, R&D expenses, and assets utilized by U.S. producers in their production of FGBs, 1998-2000, January-June 2000, and January-June 2001**

\* \* \* \* \*

**CAPITAL AND INVESTMENT**

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of FGBs from China on their growth, investment, ability to raise capital, and/or their development efforts (including efforts to develop a derivative or more advanced version of the product). The producers' comments follow.

**Actual Negative Effects**

\* \* \* \* \*

**Anticipated Negative Effects**

\* \* \* \* \*

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<sup>9</sup> \*\*\*.

## PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(I)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

### THE INDUSTRY IN CHINA<sup>1</sup>

According to the petition, there is no publicly available information on the production or production capacity of the FGB industry in China; however, petitioners believe that there is substantial unused production capacity in China to facilitate a significant increase in exports to the United States.<sup>2</sup> Chinese producers range from large, sophisticated operations in southern China to smaller, less sophisticated operations in northern China.<sup>3</sup> Chinese producers allegedly have ample printing capacity to increase production of FGBs, and finishing operations, including cutting, folding and gluing, and packaging, reportedly are performed with a mixture of equipment and manual labor.<sup>4</sup> One source

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<sup>1</sup> The Commission sent State Department telegrams to the U.S. embassy in Beijing in the preliminary and final phases of the investigation requesting information on the industry in China. On March 19, 2001, the Commission received a telegram from the American Consulate in Hong Kong. According to the Hong Kong Census and Statistics Department, about 73 percent of domestic exports of folding cartons, cases, and boxes (HTS 4819.20.00, a much broader category than for the subject product) went to China in 1999 and 2000, while exports to the United States accounted for about 10 percent in 1998-99 and 5.8 percent in 2000. Hong Kong's printing and packaging trades have relocated most of their factories to China. Most of Hong Kong's producers of FGBs do so as packaging for toys, electronic appliances, and consumer products. In response to questions at the hearing, petitioners responded that they are not aware of any production of FGBs in Hong Kong but that most Chinese FGBs are exported from China through Hong Kong; hearing transcript, pp. 61-62. The Commission has received no additional information from the consulate or embassy in this final investigation.

<sup>2</sup> Petitioners note in their prehearing brief that only two Chinese producers provided data in response to the Commission's questionnaire but that importer questionnaire responses identified at least \*\*\* other Chinese producers that export to the United States; prehearing brief, pp. 32-34. Commerce identified only three Chinese producers/exporters of FGBs in its investigation and received responses from Max Fortune and Red Point, the two largest producers of FGBs. Importers often cannot identify the producer of the FGBs they purchase but rather provide the name of the company they purchase through, often located in Hong Kong.

<sup>3</sup> Petitioners believed that the largest producers/exporters of FGBs from China were: Bigfield, Luk Ka, Max Fortune, and Red Point; petition, volume I, p. 6. The telegram from the American Consulate in Hong Kong received in the preliminary phase of the investigation stated that \*\*\*. The firm reported that FGBs only account for \*\*\* percent of its total sales. Luk Ka and Red Point provided questionnaire responses with data to the Commission. Max Fortune reported to the Consulate in the preliminary phase of the investigation that it had production of approximately \$\*\*\* in 1998, 1999, and 2000; \*\*\* of its FGBs are exported to \*\*\*. Lindy Bowman testified at the hearing that there are only three producers of FGBs in China that export to the United States; hearing transcript, pp. 131-132.

<sup>4</sup> Petition, volume II, pp. 24-25.

indicates that China's total output of folding carton packaging was approximately 3 million metric tons in 2000,<sup>5</sup> and total Chinese production of FGBs is estimated to be \*\*\* million pieces.<sup>6</sup>

Red Point and Luk Ka were the only Chinese firms to provide usable data in response to the Commission's questionnaires (tables VII-1, VII-2, and VII-3).<sup>7</sup> Red Point's sales of FGBs accounted for \*\*\* percent of the firm's sales in 2000. Red Point also produces \*\*\* on the same equipment and machinery that it produces the subject product. Red Point's capacity for the interim periods was based on \*\*\* and the reported capacity in interim 2001 was lower because \*\*\*. The firm estimated that it accounted for \*\*\* percent of total production of FGBs in China and \*\*\* percent of China's exports of FGBs to the United States in 2000. The firm exported \*\*\* during the period examined.

**Table VII-1**

**FGBs: Red Point's production capacity, production, shipments, and inventories, 1998-2000, January-June 2000, January-June 2001, and projected 2001-02**

\* \* \* \* \*

**Table VII-2**

**FGBs: Luk Ka's production capacity, production, shipments, and inventories, 1998-2000, January-June 2000, January-June 2001, and projected 2001-02**

\* \* \* \* \*

**Table VII-3**

**FGBs: Red Point's and Luk Ka's combined production capacity, production, shipments, and inventories, 1998-2000, January-June 2000, January-June 2001, and projected 2001-02**

\* \* \* \* \*

Luk Ka is a subsidiary of Luk Ka International, a holding company. In January 1999, the various firms were grouped into Luk Ka Paper Industrial, whose primary activities are \*\*\*. The firm estimates that over \*\*\* percent of its gift boxes are sold to factories in China for packaging their end products (e.g., toys, electrical appliances) and not sold at retail directly. Luk Ka reportedly produces \*\*\* on the same equipment and machinery used to produce the subject product and \*\*\*.

There are no known antidumping orders on FGBs from China. The only known antidumping investigation on FGBs from China is the current investigation in the United States.

### U.S. IMPORTERS' INVENTORIES OF FGBs FROM CHINA

Six of the firms that reported imports of the subject FGBs from China reported end-of-period inventories in 2000 (table VII-4). Three firms reported inventories in 1998, two firms in 1999, six in 2000, and one firm in the interim periods. \*\*\* reported end-of-period inventories of nonsubject FGBs in the interim periods.

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<sup>5</sup> "China's Paper Packaging Output Rising Rapidly," found at <http://www.forestweb.com/taf> and downloaded on March 12, 2001.

<sup>6</sup> This figure is based on the questionnaire response provided by \*\*\*.

<sup>7</sup> \*\*\* apparently produce give-away folding gift boxes and therefore provided no data in response to the Commission's questionnaire. \*\*\* responded that it does not produce the subject product.

**Table VII-4**

**FGBs: U.S. importers' end-of-period inventories, by source, 1998-2000, January-June 2000, and January-June 2001**

\* \* \* \* \*

**IMPORTERS' REPORTED PLANNED IMPORTS AFTER JUNE 30, 2001**

Five of the responding importers reported planned imports of FGBs after June 2001. \*\*\* reported imports of \*\*\* robe boxes and \*\*\* shirt boxes (\*\* pieces) to be delivered on \*\*\* and \*\*\* shirt boxes, \*\*\* robe boxes, and \*\*\* lingerie boxes (\*\* pieces) to be delivered on \*\*\*. \*\*\* reported imports from China of \*\*\* pieces and \*\*\* pieces to arrive in \*\*\* on \*\*\*, respectively. \*\*\* reported that approximately \*\*\* pieces were scheduled for delivery between \*\*. \*\*\* reported imports of \*\*\* pieces to be exported from China on \*\*. \*\*\* reported imports of FGBs from China in \*\* but did not provide any quantities.



**APPENDIX A**  
***FEDERAL REGISTER NOTICES***



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**INTERNATIONAL TRADE COMMISSION**

[Investigation No. 731-TA-921 (Final)]

**Folding Gift Boxes From China**

**AGENCY:** United States International Trade Commission.

**ACTION:** Scheduling of the final phase of an antidumping investigation.

**SUMMARY:** The Commission hereby gives notice of the scheduling of the final phase of antidumping investigation No. 731-TA-921 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) 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 less-than-fair-value imports from China of folding gift boxes, covered by statistical reporting numbers 4819.20.00.40 and 4819.50.40.60 of the Harmonized Tariff Schedule of the United States.<sup>1</sup>

<sup>1</sup> For purposes of this investigation, the Department of Commerce has defined the subject merchandise as folding gift boxes. Folding gift boxes are a type of folding or knock-down carton manufactured from paper or paperboard. The boxes are produced from a variety of recycled and virgin paper or paperboard materials, including, but not limited to, clay-coated paper or paperboard and kraft (bleached or unbleached) paper or paperboard. Excluded from the scope of this investigation are folding gift boxes manufactured from paper or paperboard of a thickness of more than 0.8 millimeters, corrugated paperboard, or paper mache. Also excluded are folding gift boxes for which no side of the box, when assembled, is at least 9 inches in length. Folding gift boxes are typically decorated with a holiday motif using various processes, including printing, embossing, debossing, and foil stamping, but may also be plain white or printed with a single color. The term folding gift boxes includes folding gift boxes, with or without handles, whether finished or unfinished, and whether in one-piece or multi-piece configuration. One-piece gift boxes are die-cut or otherwise formed so that the top, bottom, and sides form a single, contiguous unit. Two-piece gift boxes are those with a folded bottom and a folded top as separate pieces. Folding gift boxes are generally packaged in shrink-wrap, cellophane, or other packaging materials, in single or multi-box packs for sale to the retail customer. The subject merchandise also excludes folding gift boxes that have a retailer's name, logo, trademark or similar company information printed prominently on the box's top exterior (such folding gift boxes are often known as "not-for-resale" gift boxes or "give-away" gift boxes and may be provided by department and specialty stores at no charge to their retail customers). Also excluded are folding gift boxes where both the outside of the box is a single color

For further information concerning the conduct of this phase of the investigation, hearing procedures, 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 C (19 CFR part 207).

**EFFECTIVE DATE:** August 6, 2001.

**FOR FURTHER INFORMATION CONTACT:** Valerie Newkirk (202-205-3190), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, 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. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS-ON-LINE) at <http://dockets.usitc.gov/eol/public>.

**SUPPLEMENTARY INFORMATION:**
**Background**

The final phase of this investigation is being scheduled as a result of an affirmative preliminary determination by the Department of Commerce that imports of folding gift boxes from China 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 February 20, 2001, by counsel on behalf of Simkins Industries, Inc., New Haven, CT, and Field Container Company, L.P., Elk Grove Village, IL (the Commission was subsequently notified that the producer is Harvard Folding Box Company, Inc., Lynn, MA, not Simkins).

**Participation in the Investigation and Public Service List**

Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the final phase of this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the

and the box is not packaged in shrink-wrap, cellophane, other resin-based packaging films, or paperboard. Imports of the subject folding gift boxes are covered by statistical reporting numbers 4819.20.00.40 and 4819.50.40.60 of the Harmonized Tariff Schedule of the United States.

Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigation need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

**Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List**

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in the final phase of this investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigation. A party granted access to BPI in the preliminary phase of the investigation need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

**Staff Report**

The prehearing staff report in the final phase of this investigation will be placed in the nonpublic record on October 31, 2001, and a public version will be issued thereafter, pursuant to section 207.22 of the Commission's rules.

**Hearing**

The Commission will hold a hearing in connection with the final phase of this investigation beginning at 9:30 a.m. on November 15, 2001, 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 November 7, 2001. 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 November 9, 2001, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), and 207.24 of the Commission's rules.

Parties must submit any request to present a portion of their hearing testimony in camera no later than 7 days prior to the date of the hearing.

#### Written Submissions

Each party who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.23 of the Commission's rules; the deadline for filing is November 7, 2001. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.25 of the Commission's rules. The deadline for filing posthearing briefs is November 23, 2001; witness testimony must be filed no later than three 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 November 23, 2001. On December 7, 2001, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before December 11, 2001, but such final comments must not contain new factual information and must otherwise comply with section 207.30 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with sections 201.16(c) and 207.3 of the Commission's 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 title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

Issued: August 23, 2001.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 01-21863 Filed 8-29-01; 8:45 am]

BILLING CODE 7020-02-P

**DEPARTMENT OF COMMERCE**

**International Trade Administration**

[A-570-866]

**Notice of Final Determination of Sales  
at Less Than Fair Value: Certain  
Folding Gift Boxes From the People's  
Republic of China**

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

**ACTION:** Notice of final determination of  
sales at less than fair value.

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**SUMMARY:** On August 6, 2001, the Department of Commerce (the Department) published the preliminary results of its investigation of certain folding gift boxes from the People's Republic of China. On August 17, 2001, we published amended preliminary results to correct ministerial errors and we postponed our final determination. The products covered by this investigation are certain folding gift boxes. The period of investigation is July 1, 2000, through December 31, 2000.

Based on our analysis of comments received and information obtained during verification, we have made

changes to the margin calculations. Therefore, the final results differ from the preliminary results.

EFFECTIVE DATE: November 20, 2001.

**FOR FURTHER INFORMATION CONTACT:** Thomas Schauer or George Callen, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-0410 and (202) 482-0180, respectively.

### The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department of Commerce's (the Department's) regulations are to the provisions codified at 19 CFR part 351 (2000).

### Final Determination

We determine that certain folding gift boxes (gift boxes) from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins of sales at LTFV are shown in the "Final Margin" section of this notice.

### Scope of the Investigation

The products covered by this investigation are certain folding gift boxes. Certain folding gift boxes are a type of folding or knock-down carton manufactured from paper or paperboard. Certain folding gift boxes are produced from a variety of recycled and virgin paper or paperboard materials, including, but not limited to, clay-coated paper or paperboard and kraft (bleached or unbleached) paper or paperboard. The scope of the investigation excludes gift boxes manufactured from paper or paperboard of a thickness of more than 0.8 millimeters, corrugated paperboard, or paper mache. The scope of the investigation also excludes those gift boxes for which no side of the box, when assembled, is at least nine inches in length.

Certain folding gift boxes are typically decorated with a holiday motif using various processes, including printing, embossing, debossing, and foil stamping, but may also be plain white or printed with a single color. The subject merchandise includes certain folding gift boxes, with or without handles, whether finished or

unfinished, and whether in one-piece or multi-piece configuration. One-piece gift boxes are die-cut or otherwise formed so that the top, bottom, and sides form a single, contiguous unit. Two-piece gift boxes are those with a folded bottom and a folded top as separate pieces. Certain folding gift boxes are generally packaged in shrink-wrap, cellophane, or other packaging materials, in single or multi-box packs for sale to the retail customer. The scope of the investigation excludes folding gift boxes that have a retailer's name, logo, trademark or similar company information printed prominently on the box's top exterior (such folding gift boxes are often known as "not-for-resale" gift boxes or "give-away" gift boxes and may be provided by department and specialty stores at no charge to their retail customers). The scope of the investigation also excludes folding gift boxes where both the outside of the box is a single color and the box is not packaged in shrink-wrap, cellophane, other resin-based packaging films, or paperboard.

Imports of the subject merchandise are currently classified under *Harmonized Tariff Schedule of the United States* (HTSUS) subheadings 4819.20.00.40 and 4819.50.40.60. These subheadings also cover products that are outside the scope of this investigation. Furthermore, although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

### Background

We published in the *Federal Register* the preliminary determination in this investigation on August 6, 2001. See *Notice of Preliminary Determination of Sales at Less Than Fair Value: Certain Folding Gift Boxes From the People's Republic of China*, 66 FR 40937 (August 6, 2001) (*Preliminary Determination*). Since the publication of the *Preliminary Determination*, the following events have occurred.

On August 6, 2001, Max Fortune Industrial Ltd. (Max Fortune) and Red Point Paper Products Co., Ltd. (Red Point), respondents in this investigation, requested that the Department correct ministerial errors they found in their margin calculations. On August 17, 2001, the Department determined that the ministerial errors alleged by the respondents constituted significant ministerial errors within the meaning of 19 CFR 351.224(g)(1) and we made the suggested corrections to these companies' margins. Therefore, we published in the *Federal Register* our amended preliminary determination in

this investigation on August 17, 2001. See *Notice of Amended Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Folding Gift Boxes From the People's Republic of China*, 66 FR 43181 (August 17, 2001).

On August 8, 2001, Red Point requested that the Department postpone its final determination until November 12, 2001 (which is not later than 135 days after the date of the publication of the preliminary determination in the *Federal Register*), and requested an extension of the provisional measures. In accordance with 19 CFR 351.210(b)(2)(ii), because (1) our preliminary determination was affirmative; (2) the respondent requesting the postponement accounted for a significant proportion of exports of the subject merchandise (see Memorandum from Laurie Parkhill to Richard W. Moreland dated May 1, 2001); and (3) no compelling reasons for denial existed, we granted the respondent's request and postponed the final determination. Because November 12, 2001, is a federal holiday, we postponed the final determination until November 13, 2001.

On August 13 through 17, 2001, the Department conducted a U.S. sales data and factors-of-production (FOP) data verification of Max Fortune. See Max Fortune verification report dated September 19, 2001. On August 20 through 23, 2001, the Department conducted a U.S. sales data and FOP data verification of Red Point. See Red Point verification report dated September 13, 2001. On September 10, 2001, the Department conducted a U.S. sales data verification of The Lindy Bowman Company (Lindy Bowman), a U.S. reseller of merchandise produced by Red Point. See Lindy Bowman verification report dated September 17, 2001.

On September 17, 2001, Max Fortune submitted additional surrogate-value data.

On October 2, 2001, the petitioners and Red Point submitted their case briefs with respect to the sales and FOP verifications and the *Preliminary Determination*. On October 9, 2001, the petitioners and respondents submitted rebuttal briefs with respect to the sales and FOP verification and the *Preliminary Determination*. No parties requested a hearing.

### Period of Investigation

The period of investigation is July 1, 2000, through December 31, 2000.

### Non-Market Economy

The Department has treated the PRC as a non-market economy (NME) country in all its past antidumping investigations. See *Final Determination of Sales at Less Than Fair Value: Bulk Aspirin From the People's Republic of China*, 65 FR 33805 (May 25, 2000), and *Final Determination of Sales at Less Than Fair Value: Steel Concrete Reinforcing Bars From the People's Republic of China*, 66 FR 33522 (June 22, 2001). A designation as an NME country remains in effect until it is revoked by the Department. See section 771(18)(C) of the Act. The respondents in this investigation have not requested a revocation of the PRC's NME status. Therefore, we have continued to treat the PRC as an NME in this investigation. For further details, see the *Preliminary Determination*.

### Separate Rates

In our *Preliminary Determination*, we found that Max Fortune and Red Point had met the criteria for the application of separate antidumping duty rates. We saw at verification that both companies are Hong Kong companies. We have not received any other information since the *Preliminary Determination* which would warrant reconsideration of our separate rates determination with respect to the respondents. Therefore, we continue to find that Max Fortune and Red Point should be assigned individual dumping margins. For a complete discussion of the Department's determination that the respondents are entitled to separate rates, see the *Preliminary Determination*, 66 FR at 40975.

### Surrogate Country

As we found in the *Preliminary Determination*, for purposes of the final determination, we continue to find that India remains the appropriate primary surrogate country for the PRC. For further discussion and analysis regarding the surrogate country selection for the PRC, see the *Preliminary Determination*.

### Use of Facts Available

We have continued to use adverse facts available in our calculation of the PRC-wide rate. We have not changed this rate since the *Preliminary Determination*. See the *Preliminary Determination*, 66 FR at 40975. In the *Preliminary Determination*, we determined that the application of total adverse facts available (AFA) was appropriate with respect to the PRC-wide entity, as this entity failed to respond to our antidumping questionnaire. As AFA, we applied a

margin rate of 164.75 percent, the highest margin alleged in the petition, which we adjusted to account for the fact that we used India as the surrogate country (the petition used Indonesia). We corroborated the petition information to the extent possible. See the memorandum to the file entitled *Corroboration of Facts Available*, dated July 30, 2001. The interested parties did not object to the use of AFA for the PRC-wide entity, or to our choice of facts available, and no new facts were submitted which would cause us to reconsider this decision. Therefore, for the reasons set out in the *Preliminary Determination*, we have continued to use the highest margin alleged in the petition, as adjusted, for the purposes of this final determination notice.

### Analysis of Comments Received

All issues raised in the case briefs by parties to this investigation are addressed in the Decision Memorandum, which is hereby adopted by this notice. See the Certain Folding Gift Boxes from the PRC Issues and Decision Memorandum dated November 13, 2001 (the Decision Memorandum). A list of the issues which parties raised, and to which we have responded, all of which are in the Decision Memorandum, is attached to this notice as an Appendix. Parties can find a complete discussion of all issues raised in this investigation and the corresponding recommendations in this public memorandum, which is on file in B-099. In addition, a complete version of the Decision Memorandum can be accessed directly on the internet at [ia.ita.doc.gov](http://ia.ita.doc.gov). The paper copy and electronic version of the Decision Memorandum are identical in content.

### Changes Since the Preliminary Determination

Based on our findings at verification and our analysis of comments received, we have made adjustments to the calculation methodology in calculating the final dumping margins for Max Fortune and Red Point in this proceeding. See Final Analysis Memoranda for Max Fortune and Red Point dated November 13, 2001. These revisions are:

#### Red Point

1. We used the U.S. sales database that Red Point presented at the start of verification which incorporates its pre-verification corrections.
2. We deducted the declaration fees that Red Point incurred on U.S. sales.
3. We used the FOP database that Red Point presented at the start of verification which incorporates its pre-

verification corrections. Because Red Point did not include the usage for plastic tabs for certain models in its database, we included the usages we verified for these models.

4. We recalculated Red Point's glue usage to account for beginning inventory in Red Point's calculation of usage of glue.

5. We recalculated Red Point's shrink-wrap usage to account for beginning inventory in Red Point's calculation of usage of shrink wrap.

6. We revised Red Point's per-piece shrink-wrap weights to accord with the weights we verified.

7. We revised Red Point's reported carton usage to accord with the usage we verified.

8. We converted Red Point's reported tape usage from a per-meter to a per-kilogram basis using a conversion factor based on information in the Red Point verification report dated September 13, 2001, at page 12.

9. We revised Red Point's reported market-economy input costs to accord with the costs we verified.

10. We revised Red Point's electricity usage calculation to include the electricity for the foil-stamping or pre-cutting processes.

11. We revised Red Point's labor usage calculation to accord with the labor hours we verified.

12. We have recalculated the surrogate value for electricity for Red Point.

#### Max Fortune

1. We used the U.S. sales database that Max Fortune submitted August 8, 2001.

2. We included an unreported billing adjustment for one invoice that we found at verification.

3. We found at verification that Max Fortune reported out-of-scope boxes, all of which are printed with the retailer's name. We have removed all sales of such boxes from Max Fortune's U.S. sales database.

4. We found at verification that Max Fortune allocated its movement expenses by dividing the expense by the standard weight and multiplying this number by the actual weight reported in the response for each observation. We corrected this by dividing the reported movement expenses by the reported actual weight and multiplying it by the standard weight for the model.

5. We found at verification that the sum of per-unit weight and per-unit scrap for each model of boxes incorporating duplex board exceeded the per-unit usage of those models. We corrected this by reallocating the scrap

offset to take into account the relative scrap generated by each model.

6. We found at verification that Max Fortune incorrectly reported that it did not incur freight expenses for inputs of glue. We included this freight expense when valuing the glue inputs.

7. We revised the value of Max Fortune's market-economy inputs pursuant to the corrections Max Fortune provided at the start of verification.

**Verification**

As provided in section 782(i) of the Act, we verified the information submitted by each respondent for use in our final determination. We used standard verification procedures including examination of relevant accounting and production records, and original source documents provided by the respondents. For changes from the *Preliminary Determination*, as a result of verification, see the "Changes Since the Preliminary Determination" section of this notice, above, and Max Fortune's and Red Point's Analysis Memoranda dated November 13, 2001.

**Continuation of Suspension of Liquidation**

In accordance with section 735(c)(1)(B)(ii) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of subject merchandise from the PRC, except for subject merchandise produced and exported by Max Fortune (which has a de minimis weighted-average margin), that are entered, or withdrawn from warehouses, for consumption on or after the date of publication of the final determination in the *Federal Register*. The Customs Service shall continue to require a cash deposit or posting of a bond equal to the estimated amount by which the normal value exceeds the U.S. price as shown below. This suspension of liquidation instruction will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average percent margin
Red Point Paper Products Co., Ltd .....	9.26
Max Fortune Industrial Ltd .....	1.67
PRC-wide Rate .....	164.75

The PRC-wide rate applies to all entries of the subject merchandise except for entries from exporters/producers that are identified individually above.

**ITC 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, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury, or a threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered for consumption on or after the effective date of the suspension of liquidation.

This determination is issued and published in accordance with sections 735(d) and 777(i)(1) of the Act.

Dated: November 13, 2001.

**Faryar Shirzad,**  
*Assistant Secretary for Import Administration.*

**Appendix**

- I. Changes From the Preliminary Determination
- II. Company Specific Issues
  - Comment 1: Use of Facts Available for Max Fortune
  - Comment 2: Use of Facts Available for Red Point
  - Comment 3: Red Point Paperboard Prices
  - Comment 4: Red Point and Lindy Bowman Affiliation
  - Comment 5: Red Point Selling, General, and Administrative Expenses and Profit
  - Comment 6: Red Point Electricity Valuation

[FR Doc. 01-29000 Filed 11-19-01; 8:45 am]

BILLING CODE 3510-DS-P

**APPENDIX B**

**LIST OF HEARING WITNESSES**



## CALENDAR OF PUBLIC HEARING

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

**Subject:** Folding Gift Boxes from China  
**Inv. No.:** 731-TA-921 (Final)  
**Date and Time:** November 15, 2001 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room, Room 101, 500 E Street, S.W., Washington, DC.

### **In Support of the Imposition of Antidumping Duties:**

King & Spalding  
Washington, DC  
on behalf of

Harvard Folding Box Company, Inc.  
Field Container Company, L.P.

**George Lencsak, Jr.**, Vice President, Harvard Folding Box Company, Inc.  
**Michael F. Nussbaum**, President and Chief Operating Officer, Field Container Company, L.P.  
**Rick Tulch**, National Accounts Manager, Marion Division, Field Container Company, L.P.

**Thomas R. Graham** )  
 )-OF COUNSEL  
**Thomas D. Blanford** )

### **In Opposition to the Imposition of Antidumping Duties:**

Capital Trade, Inc.  
Washington, DC  
on behalf of

The Lindy Bowman Company

**Lindy Bowman**, President, The Lindy Bowman Company

**Daniel Klett**, Principal, Capital Trade, Incorporated  
**Charles Anderson**, Principal, Capital Trade, Incorporated



**APPENDIX C**  
**SUMMARY DATA**



Table C-1  
 FGBs: Summary data concerning the U.S. market, 1998-2000, January-June 2000, and January-June 2001

(Quantity=1,000 pieces, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per piece; period changes=percent, except where noted)

Item	Reported data					Period changes			
	1998	1999	2000	January-June		1998-2000	1998-1999	1999-2000	Jan.-June 2000-2001
				2000	2001				
<b>U.S. consumption quantity:</b>									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
China (non-subject)	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
<b>U.S. consumption value:</b>									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
China (non-subject)	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
<b>U.S. shipments of imports from:</b>									
<b>China:</b>									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
<b>China (non-subject):</b>									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
<b>All other sources:</b>									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
<b>All sources:</b>									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
<b>U.S. producers':</b>									
Average capacity quantity	363,196	355,092	338,895	153,256	129,950	-6.7	-2.2	-4.6	-15.2
Production quantity	275,429	269,392	255,334	99,404	87,561	-7.3	-2.2	-5.2	-11.9
Capacity utilization (1)	75.8	75.9	75.3	64.9	67.4	-0.5	(5)	-0.5	2.5
<b>U.S. shipments:</b>									
Quantity	273,455	269,351	255,222	47,340	30,321	-6.7	-1.5	-5.2	-36.0
Value	40,324	42,733	43,272	8,072	5,364	7.3	6.0	1.3	-33.5
Unit value	\$0.15	\$0.16	\$0.17	\$0.17	\$0.18	15.0	7.6	6.9	3.8
<b>Export shipments:</b>									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	425	427	420	356	391	-1.2	0.5	-1.6	9.8
Hours worked (1,000s)	659	672	613	285	318	-7.0	2.0	-8.8	11.6
Wages paid (\$1,000s)	7,548	8,006	7,734	3,503	3,524	2.5	6.1	-3.4	0.6
Hourly wages	\$11.45	\$11.91	\$12.62	\$12.29	\$11.08	10.2	4.0	5.9	-9.8
Productivity (pieces per hour) (3)	352.7	333.0	342.1	268.8	214.4	-3.0	-5.6	2.7	-20.2
Unit labor costs (3)	\$0.03	\$0.04	\$0.04	\$0.05	\$0.05	13.6	10.2	3.1	13.0
<b>Net sales:</b>									
Quantity	274,033	270,002	256,002	47,340	29,294	-6.6	-1.5	-5.2	-38.1
Value	40,455	42,879	43,525	8,072	5,364	7.6	6.0	1.5	-33.5
Unit value	\$0.15	\$0.16	\$0.17	\$0.17	\$0.18	15.2	7.6	7.1	7.4
Cost of goods sold (COGS)	37,608	40,077	41,614	8,147	6,780	10.7	6.6	3.8	-16.8
Gross profit or (loss)	2,847	2,802	1,911	(75)	(1,416)	-32.9	-1.6	-31.8	-1788.0
SG&A expenses	3,688	4,318	4,869	2,049	2,039	32.0	17.1	12.8	-0.5
Operating income or (loss)	(841)	(1,516)	(2,958)	(2,124)	(3,455)	-251.7	-80.3	-95.1	-62.7
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	\$0.14	\$0.15	\$0.16	\$0.17	\$0.23	18.4	8.2	9.5	34.5
Unit SG&A expenses	\$0.01	\$0.02	\$0.02	\$0.04	\$0.07	41.3	18.8	18.9	60.8
Unit operating income or (loss)	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.12)	-276.5	-83.0	-105.8	-162.9
COGS/sales (1)	93.0	93.5	95.6	100.9	126.4	2.6	0.5	2.1	25.5
Operating income or (loss)/ sales (1)	-2.1	-3.5	-6.8	-26.3	-64.4	-4.7	-1.5	-3.3	-38.1

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

(3) Based on firms reporting production and hours worked or wages paid.

(4) Less than 0.05 percent.

(5) Less than 0.05 percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

**Table C-2**

**Give-away folding gift boxes: Summary data concerning the U.S. market, 1998-2000, January-June 2000, and January-June 2001**

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**Table C-3**

**All folding gift boxes: Summary data concerning the U.S. market, 1998-2000, January-June 2002, and January-June 2001**

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**APPENDIX D**  
**IMPORT DATA FROM OFFICIAL STATISTICS**



Table D-1

Miscellaneous folding boxes, cartons, and cases: U.S. imports from China and all other sources, 1998-2000, January-June 2000, and January-June 2001

Source	Calendar year			January-June	
	1998	1999	2000	2000	2001
<b>Quantity (1,000 pounds)</b>					
Canada	219,500	201,658	267,185	117,111	153,430
China	18,555	22,400	30,706	8,031	9,084
Mexico	2,316	4,981	9,879	3,987	6,119
Hong Kong	2,336	3,165	5,778	2,562	4,024
Taiwan	3,754	3,180	2,962	1,401	1,378
Turkey	16	1,610	2,311	1,282	194
Netherlands	2,540	2,375	1,929	1,375	2,371
Korea	1,214	1,093	1,854	981	1,148
Denmark	2,605	1,439	1,690	8	1,331
Italy	3,356	1,243	1,009	390	379
Japan	877	1,007	968	582	439
Germany	2,030	1,099	942	274	757
Subtotal	259,100	245,249	327,215	137,982	180,655
Other sources	5,958	5,169	6,305	2,810	2,114
Total	265,057	250,418	333,520	140,792	182,769
<b>Value (1,000 dollars)<sup>1</sup></b>					
Canada	238,518	234,593	293,906	132,875	159,642
China	24,161	29,753	39,878	12,210	13,553
Mexico	2,357	4,081	5,514	2,299	3,054
Hong Kong	4,352	5,588	9,033	3,910	6,601
Taiwan	6,804	6,679	6,795	2,988	2,829
Turkey	15	1,450	2,090	1,143	401
Netherlands	1,869	1,611	2,096	990	2,192
Korea	1,649	1,998	2,935	1,531	1,597
Denmark	1,662	894	1,007	78	857
Italy	4,555	2,612	1,789	636	687
Japan	2,581	3,355	3,141	1,754	1,302
Germany	8,997	4,237	2,058	853	1,640
Subtotal	297,520	296,851	370,241	161,269	194,354
Other sources	15,564	16,614	16,840	8,222	7,197
Total	313,084	313,465	387,081	169,491	201,552

Source	Calendar year			January-June	
	1998	1999	2000	2000	2001
<b>Unit value (per pound)<sup>1</sup></b>					
Canada	\$1.09	\$1.16	\$1.10	\$1.13	\$1.04
China	1.30	01.33	1.30	1.52	1.49
Mexico	1.02	0.82	0.56	0.58	0.50
Hong Kong	1.86	1.77	1.56	1.53	1.64
Taiwan	1.81	2.10	2.29	2.13	2.05
Turkey	0.98	0.90	0.90	0.89	2.06
Netherlands	0.74	0.68	1.09	0.72	0.92
Korea	1.36	1.83	1.58	1.56	1.39
Denmark	0.64	0.62	0.60	9.59	0.64
Italy	1.36	2.10	1.77	1.63	1.81
Japan	2.94	3.33	3.24	3.02	2.96
Germany	4.43	3.86	2.18	3.11	2.17
Average	1.15	1.21	1.13	1.17	1.08
Other sources	2.61	3.21	2.67	2.93	3.40
Average	1.18	1.25	1.16	1.20	1.10
<sup>1</sup> Landed, duty-paid. Note.--Sources ranked by quantity of imports in 2000. Source: Compiled from official Commerce statistics, HTS statistical reporting numbers 4819.20.0040 and 4819.50.4060.					