Saccharin From China

Investigation No. 731-TA-1013 (Preliminary)

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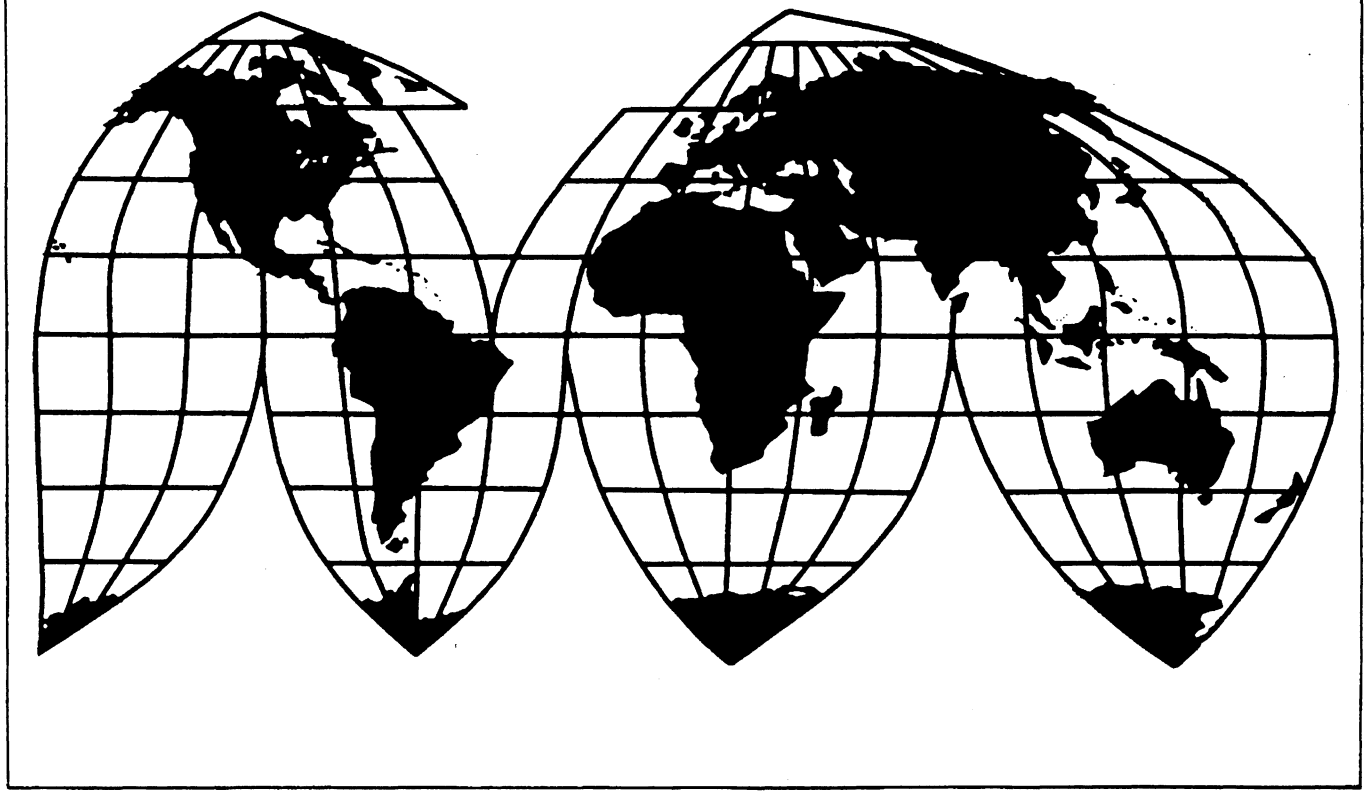
U.S. International Trade Commission



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U.S. International Trade Commission

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CONTENTS

CONTENTS

CONTENTS

Page

Tables--*Continued*

CONTENTS

Page

Tables--*Continued*

Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1013 (Preliminary)

SACCHARIN FROM CHINA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission determines,[2] pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of saccharin, provided for in subheading 2925.11.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigation. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigation need not enter a separate appearance for the final phase of the investigation. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

BACKGROUND

On July 11, 2002, a petition was filed with the Commission and Commerce by PMC Specialties Group, Inc., Cincinnati, OH, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of saccharin from China. Accordingly, effective July 11, 2002, the Commission instituted antidumping duty investigation No. 731-TA-1013 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of July 18, 2002 (67 FR 47398). The conference was held in Washington, DC, on August 1, 2002, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Commissioner Lynn M. Bragg not participating.

VIEWS OF THE COMMISSION

Based on the record in this investigation, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of saccharin from China that are allegedly sold in the United States at less than fair value (LTFV).[1]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. PAST INVESTIGATIONS

The Commission has conducted investigations of saccharin on two previous occasions. In the first, Saccharin from Japan and the Republic of Korea, Inv. Nos. AA1921-174 & 175, USITC Pub. 846 (Dec. 1977), the Commission conducted investigations under the Antidumping Act, 1921, as amended, and reached negative determinations. In the second, Saccharin from China, Inv. No. 731-TA-675 (Final), USITC Pub. 2842 (Dec. 1994),[4] the Commission also reached a negative determination.

III. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that 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."[5] 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."[6] In turn, the Act defines

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[1] Commissioner Lynn M. Bragg did not participate in this investigation.

[2] 19 U.S.C. §§ 1671b(a), 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Ranchers-Cattlemen Action Legal Foundation v. United States, 74 F. Supp.2d 1353, 1368-69 (Ct. Int'l Trade 1999). We note that no party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[3] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[4] A petition was filed regarding saccharin from Korea as well as China (Inv. No. 731-TA-676). The Department of Commerce made a negative determination as to Korea. 59 Fed. Reg. 58826 (Nov. 15, 1994).

[5] 19 U.S.C. § 1677(4)(A).

[6] Id.

"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 ...."[7]

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.[8] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[9] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[10] Although the Commission must accept the determination of the Department of Commerce ("Commerce") as to the scope of the imported merchandise allegedly subsidized or sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[11]

B. Product Description

Commerce has defined the imported merchandise within the scope of this investigation as: saccharin. Saccharin is a non-nutritive sweetener used in beverages and foods, personal care products such as toothpaste, table top sweeteners, and animal feeds. It is also used in metalworking fluids. There are four primary chemical compositions of saccharin: (1) sodium saccharin (American Chemical Society Chemical Abstract Service ("CAS") Registry #128-44-9); (2) calcium saccharin (CAS Registry #6485-34-3); (3) acid (or insoluble) saccharin (CAS Registry #81-07-2); and (4) research grade saccharin. Most of the U.S.-produced and imported grades of saccharin from the PRC are sodium and calcium saccharin, which are available in granular, powder, spray-dried powder, and liquid forms.

The merchandise subject to this investigation is classifiable under subheading 2925.11.00 of the Harmonized Tariff Schedule of the United States (HTSUS) and includes all types of saccharin imported under this HTSUS subheading, including research and specialized grades.[12]

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[7] 19 U.S.C. § 1677(10).

[8] 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).

[9] See, e.g., S. Rep. No. 96-249, at 90-91 (1979).

[10] 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 domestic 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.").

[11] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission's determination of six domestic like products in investigations where Commerce found five classes or kinds).

[12] 67 Fed. Reg. 51536, 51536-37 (Aug. 8, 2002).

Saccharin is a chemical additive, made from petroleum-based organic chemicals, that is used primarily as a sweetener. First synthesized in 1879, it has been used in the United States as a sugar substitute since 1885, primarily in foods and beverages (either commercially added prior to consumption or personally added at the time of consumption) and in personal care products such as toothpaste and mouthwash. Pound for pound, it is about 350 times sweeter than sugar. It also is used as an additive in adhesives and in metalworking fluids to facilitate electroplating. End users for the food and beverage markets are mostly soft drink manufacturers and manufacturers of table-top sweetener packets for restaurants, airlines and other firms serving beverages to the public. The auto and auto parts industries use saccharin in electroplating chrome bumpers and accessories. Saccharin also is used in pharmaceuticals, animal feed, tobacco, and food mixes.[13]

Three chemical variations of saccharin generally are available: (1) sodium saccharin, which accounts for the bulk of U.S. consumption and which is available in granular, powder, spray-dried powder, or liquid form; (2) calcium saccharin, and (3) acid (or insoluble) saccharin.[14] Like the saccharin produced in the United States, most of the subject merchandise from China is sodium saccharin. Before purchasing, most users either require a certificate of analysis or conduct their own tests for purity and for adherence to Food and Drug Administration ("FDA") specifications outlined in the Food Chemical Codex and the United States Pharmacopeia. Saccharin that meets these standards is known in the market as "food grade" and is required for virtually all uses other than adhesive production and electroplating. Both the U.S. and Chinese products are marketed as "food grade."[15]

C. Domestic Like Product

1. Arguments of the Parties

Petitioner, PMC Specialties Group, Inc. ("PMC"), argues that the Commission should find that there is one domestic like product, consisting of all saccharin and not including alternative sweeteners such as aspartame, as the Commission determined in its most recent prior investigation of saccharin.[16] Respondents question whether acid (insoluble) saccharin should be considered a separate like product from sodium and calcium saccharin, but do not argue that the definition of the domestic like product should be expanded beyond the scope of the investigation to include alternative sweeteners.

2. Analysis

Based on the record in this preliminary phase investigation, we define the domestic like product to include all saccharin. In terms of physical characteristics and uses, all forms of saccharin are made from petroleum-based organic chemicals.[17] Commercially-sold sodium saccharin is used primarily as a sweetener in foods and fountain beverages, animal feeds, tobacco, and personal care products such as mouthwash and toothpaste, pharmaceuticals, and also is used in scented candles. Some sodium saccharin

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[13] Confidential Report ("CR") at I-2 - I-3, Public Report ("PR") at I-2.

[14] A fourth variation of saccharin known as research grade saccharin, which does not have a CAS Registry number, was listed in the petition and is included in the scope of this investigation. However, no sales of research grade saccharin were reported during the period examined. CR at I-3 n.9, PR at I-2 n.9.

[15] CR at I-3, PR at I-2.

[16] Saccharin from China, Inv. Nos. 731-TA-675 (Final), USITC Pub. 2842 (Dec. 1994).

[17] CR at I-2, I-7, PR at I-2, I-5.

is used in industrial products such as adhesives and metalworking fluids.[18] While acid (insoluble) saccharin is used as a chemical intermediate in herbicide and pesticide production, it also is used as a sweetener in beverages, mouthwash, chewing gum, lip balm, denture cream, and toothpaste, and is used in adhesives as well.[19] Calcium saccharin is used in tabletop sweeteners, foods, soft drinks (primarily canned or bottled), and chewing gum.[20]

With respect to interchangeability, all forms of saccharin can be used as a sweetener.[21] Indeed, saccharin's primary use is as a sweetener.[22]

*** domestically-produced saccharin and most of the imported product are sold to end users.[23]

As noted above, "food grade" saccharin is required for virtually all uses of saccharin.[24]

Domestically-produced saccharin is manufactured by the Maumee process. Methyl anthranilate is used to produce ammonia saccharin, which is then transformed into a crude insoluble saccharin, and then to a soluble sodium saccharin. The soluble sodium saccharin can be purified to a grade acceptable for use by any customer, and can be sold as such or can be modified to become acid (insoluble) saccharin. Acid (insoluble) saccharin may be sold for use in that form, or may be further modified to produce calcium saccharin.[25]

There are some pricing differences among the three types of saccharin, but these differences do not appear to be considerable. For instance, between January 1999 and March 2002, domestic prices for sodium saccharin in powder form (pricing product 2) ranged from $*** per pound to $*** per pound;[26] prices for acid (insoluble) saccharin in spray-dried powder form (pricing product 3) ranged from $*** to $*** per pound;[27] and prices for calcium saccharin in spray-dried powder form (pricing product 4) ranged from $*** to $*** per pound.[28] However, domestic prices for sodium saccharin in granular form (pricing product 1) ranged from $*** to $*** per pound during the period examined,[29] and prices for non-food grade sodium saccharin in granular form (pricing product 5) ranged from $*** to $*** per pound.[30]

On the basis of the similarity in physical characteristics and uses, general interchangeability, common channels of distribution, common manufacturing facilities and production process, and general similarity in price, we find that sodium, acid (insoluble) and calcium saccharin comprise one domestic like product.[31] [32]

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[18] CR at I-8 n.28, PR at I-6 n.28.

[19] CR at I-8 n.29, PR at I-6 n.29.

[20] CR at I-8 n.30, PR at I-6 n.30.

[21] CR at I-2, I-8 nn.28-30, PR at I-2, I-6 nn.28-30.

[22] CR/PR at I-2.

[23] CR at I-5, PR at I-4.

[24] CR at I-3, PR at I-2.

[25] CR at I-5 n.16, PR at I-4 n.16.

[26] CR/PR at Table V-2.

[27] CR/PR at Table V-3.

[28] CR/PR at Table V-4.

[29] CR/PR at Table V-1.

[30] CR/PR at Table V-5.

[31] As explained above, crude insoluble saccharin is transformed into soluble sodium saccharin, which may then be transformed into finished acid (insoluble) saccharin, which in turn may be transformed into calcium saccharin. Because the various forms of saccharin are produced in one process involving several steps, the semi-finished product analysis is applicable in determining whether there is one like product, two like products, or three. In that

In view of the foregoing, we find that there is one domestic like product consisting of all forms of saccharin.

IV. DOMESTIC INDUSTRY AND RELATED PARTIES

The domestic industry is defined as "the producers as a [w]hole of a domestic like product ...."[33] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[34]

Based on our domestic like product finding, we determine that the domestic industry consists of the sole producer of saccharin: PMC.[35]

V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS[36]

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analysis, we examine: (1) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (2) whether there are perceived to be separate markets for the upstream and downstream articles; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) differences in the costs or value of the vertically differentiated articles; and (5) significance and extent of the processes used to transform the upstream into the downstream articles. See, e.g., Low-Enriched Uranium from France, Germany, the Netherlands, and the United Kingdom, Inv. Nos. 701-TA-409-412 (Preliminary) and 731-TA-909-912 (Preliminary), USITC Pub. 3388 (Jan. 2001) at 5-6; Uranium from Kazakhstan, Inv. No. 731-TA-539-A (Final), USITC Pub. 3213 (July 1999) at 6 n.23. While there is only limited information on the record applicable to the semi-finished product analysis, that information also indicates a single domestic like product.

There are, as explained previously, independent uses for the upstream article(s); that is, sodium saccharin is not dedicated to the production of acid (insoluble) saccharin, and neither of those forms is dedicated to the production of calcium saccharin. Hence, the three forms have separate markets. Yet the differences in the physical characteristics and functions of the three are not great, and the steps used to manufacture acid (insoluble) saccharin from sodium saccharin, and calcium saccharin from acid (insoluble) saccharin, are not extensive, as acid is added to sodium saccharin to make the acid (insoluble) saccharin, and calcium hydroxide is added to acid (insoluble) saccharin to make calcium saccharin. CR at I-5 n.16, PR at I-4 n.16. Further, there is evidence on the record that there is similarity in price among the three forms, as the few additional steps appear to add only a small portion of value to the product. Petitioner's Postconference Brief at 5.

[32] The scope of the investigation pertains solely to saccharin. As indicated above, no party argues that the Commission should find that the domestic like product includes alternative sweeteners, such as aspartame. While we may define the like product to be broader than the scope if the facts so warrant, see, e.g., Certain Pasta from Italy and Turkey, Inv. Nos. 701-TA-365 and 366 and 731-TA-734 and 735 (Final), USITC Pub. 2977 at 8-12 (July 1996), the record does not indicate that a broader like product is appropriate here.

[33] 19 U.S.C. § 1677(4)(A).

[34] 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).

[35] Because PMC imported *** pounds of *** saccharin from *** Chinese producers in 2001, CR at IV-2, PR at IV-1, it is a related party. Respondents do not argue that PMC should be excluded from the domestic industry. PMC produced *** pounds of saccharin in 2001, CR/PR at Table III-1, and its imports are equivalent to only *** percent of its production in that year. CR at IV-2, PR at IV-1. ***. It is clear that its interests lie in production and not importation, and it is the only domestic producer. CR/PR at III-1. Accordingly, we find that appropriate circumstances do not exist to exclude PMC from the domestic industry as a related party.

[36] There is no issue regarding negligibility because imports of saccharin from China constituted more than one-half of total imports in 2001. *See* 19 U.S.C. § 1677(24); CR/PR at Table IV-1.

In the preliminary phase of antidumping duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[37] 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.[38] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[39] In assessing whether there is a reasonable indication that 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.[40] 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."[41]

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry is materially injured by reason of imports of saccharin from China that are allegedly sold in the United States at less than fair value.

A. Conditions of Competition

The following conditions of competition for saccharin are pertinent to our analysis in this investigation.

The demand for saccharin increased steadily between 1999 and 2001: apparent U.S. consumption grew from *** pounds in 1999 to *** pounds in 2000, and then to *** pounds in 2001. It *** between interim periods: it was *** pounds in January-March 2001 and *** pounds in January-March 2002.[42]

Pursuant to a study that found saccharin to be a cancer-causing agent in rats, the FDA banned the use of saccharin in food and beverages in 1977. Shortly thereafter, Congress imposed a moratorium on the ban, but subjected the sale of saccharin to certain requirements. The Saccharin Study and Labeling Act, renewed through May 1997, mandated that health warning labels be placed prominently on all products containing saccharin. According to petitioner, saccharin's association with cancer and the warnings pertaining thereto had a negative impact in some market sectors in the late 1980s, particularly the packaged (non-fountain) soft drink market, and was a factor in helping the only other major artificial sweetener, aspartame, to displace sales. However, after further study, including tests involving mice and monkeys, evidence strongly supported the conclusion that saccharin does not cause cancer in humans. The FDA approved saccharin for general use and on December 21, 2000, President Clinton signed the SWEETEST Act,[43] which removed the warning label on all products using saccharin.[44]

The manufacturers of popular packaged-soft drinks, such as Coca Cola and Pepsi, switched from saccharin to aspartame in their products that were bottled for retail sale in 1983, six years after the

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[37] 19 U.S.C. § 1673b(a).

[38] 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).

[39] 19 U.S.C. § 1677(7)(A).

[40] 19 U.S.C. § 1677(7)(C)(iii).

[41] 19 U.S.C. § 1677(7)(C)(iii).

[42] CR/PR at Table IV-4.

[43] "SWEETEST" is an acronym for "Saccharin Warning Elimination via Environmental Testing Employing Science and Technology."

[44] CR at I-3 - I-5, II-5, PR at I-3, II-3 - II-4.

Saccharin Study and Labeling Act of 1977 took effect. However, because of the limited shelf life of aspartame, the large packaged-soft drink manufacturers continued to use saccharin in beverages placed in dispensers.[45]

In addition to aspartame, other sweeteners may be substituted for saccharin. These include sugar, acesulfame-K, tagatose, alitame, and sucralose.[46] With the lifting of the warning label requirement and the growing use of blends, petitioner asserts that food formulators now use saccharin with other sweeteners to create cost-effective taste profiles in products prepared for retail sale. Blending saccharin with other sweeteners reduces the total cost of the sweetener product because most sweeteners are more expensive than saccharin. The amount of saccharin used in the blends varies from product to product depending on the desired taste. PMC stated that approximately 20 percent of its total sales of saccharin is used in products that contain blends.[47]

While there were questions concerning the quality of the Chinese product during the 1993-94 investigations, evidence in the record indicates that Chinese producers have corrected any quality problems and can now meet the qualification requirements of U.S. customers.[48] In fact, the U.S. and Chinese producers appear to produce reasonably comparable products, and both are marketed as "food grade" saccharin[49] and are used interchangeably.[50] However, there is evidence in the record that the domestic product has quality problems, such as odor, although these concerns do not appear to be widespread.[51]

Respondents argued that it is important for producers to be able to compete in the global marketplace, as the large multinational customers bid for "massive" quantities of saccharin for all of their plants worldwide and demand large quantity discounts.[52]

Nonsubject imports play a role in the marketplace, although the Chinese product accounted for more than one-half of imports in 2001.[53]

B. Volume of the Subject Imports

Section 771(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."[54]

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[45] CR at I-4, PR at I-3.

[46] CR at II-8, PR at II-5. We intend to examine the competition between saccharin and alternative sweeteners, particularly aspartame, in any final phase investigation.

[47] CR at I-4 - I-5, PR at I-3 -I-4.

[48] CR at II-8, PR at II-6.

[49] CR at I-3, PR at I-2.

[50] CR at II-8 - II-9, PR at II-6.

[51] CR at II-9, V-16, V-18, PR at II-6, V-6. We intend to explore the issue of quality concerns of both the domestic and Chinese product in any final phase investigation.

[52] Respondents' Postconference Brief at 12-13. We intend to explore this issue further in any final phase investigation.

[53] CR/PR at Table IV-1.

[54] 19 U.S.C. § 1677(7)(C)(i).

The quantity and value of subject imports more than doubled over the period examined. Specifically, subject imports soared 149.7 percent by quantity between 1999 and 2001,[55] and 143.8 percent by value.[56] In terms of market share, subject imports *** over the period.[57] Although apparent U.S. consumption increased over the period as subject imports increased, the domestic producers lost market share.[58] This loss was due to subject imports, as nonsubject imports also lost market share between 1999 and 2001.[59] In fact, virtually all of the increase in total imports is attributable to subject Chinese imports, which surged during that time period.[60]

For purposes of this preliminary determination, we find the volume and increase in volume of subject imports, both in absolute terms and relative to apparent consumption in the United States, to be significant.

C. Price Effects of the Subject Imports

Section 771(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.[61]

Evidence on the record indicates that, once a producer of saccharin has met certain qualifications, the saccharin is interchangeable.[62] Accordingly, price is an important factor in purchasing decisions.[63]

Subject imports undersold the domestic product in 46 of 49 quarters for which price comparisons were available. The margins of underselling ranged from 0.7 percent to 59.2 percent.[64]

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[55] Subject imports rose from 1.0 million pounds in 1999 to 1.4 million pounds in 2000, then climbed to 2.6 million pounds in 2001. Subject imports were 656,000 pounds in Jan.-Mar. 2001 and 740,000 pounds in Jan.-Mar. 2002. CR/PR at Table IV-3.

[56] The value of subject imports climbed from $1.6 million in 1999 to $2.4 million in 2000, then climbed further to $4.0 million in 2001. The value of subject imports was $1.1 million in Jan.-Mar. 2001 and $1.2 million in Jan.-Mar. 2002. CR/PR at Table IV-3.

[57] Subject import market share was *** percent in 1999, *** percent in 2000 and *** percent in 2001. It was *** percent in Jan.-Mar. 2001 and *** percent in Jan.-Mar. 2002. CR/PR at Table IV-4.

[58] U.S. producers' market share decreased from *** percent in 1999 to *** percent in 2000, then fell to *** percent in 2001. It was *** percent in Jan.-Mar. 2001 and *** percent in Jan.-Mar. 2002. CR/PR at Table IV-4.

[59] Nonsubject market share declined from *** percent in 1999 to *** percent in 2000, then rose to *** percent in 2001. It was *** percent in Jan.-Mar. 2001 and *** percent in Jan.-Mar. 2002. CR/PR at Table IV-4.

[60] CR at IV-2, PR at IV-1.

[61] 19 U.S.C. § 1677(7)(C)(ii).

[62] CR at I-3, II-8 - II-9, PR at I-2, II-6.

[63] See CR at II-10, PR at II- 6 - II-7.

[64] CR at V-15, PR at V-5.

For all five pricing products, domestic prices declined[65] as subject import volumes climbed, notwithstanding the fact that the price of raw materials rose over the period examined.[66] Thus, the record evidence indicates price depression by subject imports.[67] In addition, there are a number of confirmed lost sales allegations totaling nearly ***.[68]

Based on the pricing data collected in this preliminary phase investigation, we find that there has been significant underselling by the subject imports. We also find that the subject imports have had significant depressing effects on prices of the domestic like product.

D. Impact of the Subject Imports

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.[69] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[70] [71]

As indicated above, apparent U.S. consumption grew steadily and substantially between 1999 and 2001, although it was lower in interim 2002 than in interim 2001.[72] During this time, subject imports

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[65] CR/PR at Tables V-1 - V-5. There is evidence on the record that purchasers are a major factor in the declining prices, with the lowest bidder gaining the sale. *See* CR at V-16, V-18, PR at V-6. Although neither PMC nor the responding importers reported sales of saccharin over the internet, one importer did report participating in a reverse auction for saccharin over the internet. The importer did not sell any saccharin, however. CR/PR at V-2. These auctions reportedly take place on a global scale, with large volumes of merchandise at issue. *See* Tr. at 88 (Mr. Ritell); *see also* Tr. at 10 (Mr. Hartquist) ("prices offered on volume rebates"). In any final phase investigation, we intend to examine any differences in pricing due to sales volumes.

[66] Raw material costs accounted for *** percent of the cost of goods sold in 1999, *** percent in 2000 and *** percent in 2001. CR/PR at V-1.

[67] Domestic prices generally tended lower over the period examined as subject import prices decreased. For example, domestic prices for product 1 declined from a high of $*** per pound in April-June 1999 to a low of $*** per pound in January-March 2002, as subject imports declined from a high of $*** per pound in July-September 1999 to a low of $*** per pound in January-March 2002. CR/PR at Table V-1.

[68] CR/PR at Table V-8.

[69] 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).

[70] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386 and 731-TA-812 to 813 (Prelim.), USITC Pub. 3155 at 25, n.148 (Feb. 1999).

[71] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping duty proceeding as part of its consideration of the impact of imports. See 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce estimated dumping margins of 116.64 percent to 355.55 percent for saccharin from China. 67 Fed. Reg. at 51538.

[72] As measured by quantity, apparent U.S. consumption increased by *** percent from 1999 to 2001, although it was *** percent lower in interim 2002 than in interim 2001. The value of apparent U.S. consumption also increased between 1999 and 2001 by *** percent, although it was *** percent lower in interim 2002 than in interim 2001. CR/PR at Table IV-4.

were capturing a larger share of the market.[73] The increase in Chinese market share occurred at the expense of the domestic industry, as the domestic producers experienced a steady and substantial decrease over the entire period examined.[74] The market share of nonsubject imports also declined between 1999 and 2001, although it increased between the interim periods.[75]

Domestic production decreased over the period as well,[76] while capacity ***,[77] resulting in a decline in capacity utilization.[78] PMC's U.S. shipments also fell.[79] As a consequence, inventories rose over the period[80] and net sales declined.[81] The domestic industry also experienced increasing financial losses during 1999-2001.[82] These adverse financial conditions occurred while the cost of raw materials increased significantly[83] and the domestic industry could not raise its prices to recoup its costs to a significant degree because of the significant and increasing volumes of allegedly LTFV subject imports.

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[73] As measured by quantity, their market share grew *** percentage points between 1999 and 2001, and was *** percentage points higher in interim 2002 than in interim 2001. Chinese market share increased *** percentage points between 1999 and 2001 when measured by value, and was *** percentage points higher in interim 2002 than in interim 2001. CR/PR at Table IV-4.

[74] Domestic producers' market share diminished by *** percentage points, as measured by quantity, between 1999 and 2001, and was *** percentage points lower in interim 2002 than in interim 2001. As measured by value, domestic producers' market share decreased by *** percentage points between 1999 and 2001, and by was *** percentage points lower in interim 2002 than in interim 2001. CR/PR at Table IV-4.

[75] As measured by quantity, nonsubject import market share fell *** percentage points between 1999 and 2001, and was *** percentage points higher in interim 2002 than in interim 2001. As measured by value, nonsubject import market share decreased *** percentage points between 1999 and 2001, and was *** percentage points higher in interim 2002 than in interim 2001. CR/PR at Table IV-4.

[76] Domestic production fell from *** pounds in 1999 to *** pounds in 2000, then fell further to *** pounds in 2001. It was *** pounds in Jan.-Mar. 2001 and *** pounds in Jan.-Mar. 2002. CR/PR at Table III-1.

[77] Domestic capacity was *** pounds in 1999-2001, and *** pounds in the interim periods. CR/PR at Table III-1.

[78] Capacity utilization declined from *** percent in 1999 to *** percent in 2000, then declined further to *** percent in 2001. It was *** percent in Jan.-Mar. 2001 and *** percent in Jan.-Mar. 2002. CR/PR at Table III-1.

[79] By quantity, U.S. shipments were *** between 1999 and 2000, increasing from *** pounds in 1999 to *** pounds in 2000, but then decreased to *** pounds in 2001. They were *** pounds in Jan.-Mar. 2001 and *** pounds in Jan.-Mar. 2002. By value, U.S. shipments were also *** between 1999 and 2000, increasing from $*** in 1999 to $*** in 2000, then declining to $*** in 2001. CR/PR at Table III-2.

[80] Inventories climbed from *** pounds in 1999 to *** pounds in 2000, then fell to *** pounds in 2001. They were *** pounds in Jan.-Mar. 2001 and *** pounds in Jan.-Mar. 2002. CR/PR at Table III-4.

[81] The quantity of net sales rose from *** pounds in 1999 to *** pounds in 2000, then fell to *** pounds in 2001. It was *** pounds in Jan.-Mar. 2001 and *** pounds in Jan.-Mar. 2002. The value of net sales was $*** in 1999 and $*** in 2000, and declined to $*** in 2001. It was $*** in Jan.-Mar. 2001 and $*** in Jan.-Mar. 2002. CR/PR at Table VI-1.

[82] Operating losses were $*** in 1999, climbing to $*** in 2000 and increasing further to $*** in 2001. They were $*** in Jan.-Mar. 2001 and $*** in Jan.-Mar. 2002. CR/PR at Table VI-1. According to petitioner, PMC was profitable in 1997 when subject imports were approximately one-third their 2001 levels. Petitioner's Postconference Brief at 17; Tr. at 28 (Mr. Hudgens).

[83] Raw materials costs rose from $*** in 1999 to $*** in 2000, then climbed further to $*** in 2001. They were $*** in Jan.-Mar. 2001 and $*** million in Jan.-Mar. 2002. CR/PR at Table VI-2. As measured in terms of unit value, raw material costs increased from $*** per pound in 1999 to $*** per pound in 2000, then increased further to $*** per pound in 2001. They were $*** per pound in Jan.-Mar. 2001 and $*** per pound in Jan.-Mar. 2002. CR/PR at Table VI-2.

In fact, the steadily rising cost of goods sold relative to net sales indicates a cost-price squeeze,[84] which is due both to rising raw material costs as well as to the fact that PMC incurs certain fixed costs, which are now spread over lower volumes of production or sales due to the influx of subject imports.[85]

The number of PMC's production and related workers fell steadily over the period,[86] as did their hours worked[87] and wages paid.[88] While PMC normally shuts down for approximately four weeks during the year to perform necessary maintenance tasks, in 2002 it expects to be closed for an unprecedented 16 weeks because of reduced sales of saccharin.[89] Production stoppages adversely affect fixed unit costs and production yields, as well as utilization of employees.[90]

Capital expenditures, however, increased for most of the period,[91] and research and development expenses followed suit.[92] PMC states that it was required to allocate funds from other product lines in order to continue to produce saccharin.[93]

Thus, the record in this preliminary phase investigation indicates that, by gaining significant market share at the expense of PMC, low-priced subject imports have had a significant adverse impact on the domestic industry, as reflected in the declining levels of shipments, production, sales, and employment combined with rising costs and a lack of profitability.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that the domestic industry producing saccharin is materially injured by reason of imports from China that allegedly are sold in the United States at less than fair value.

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[84] The cost of goods sold as a ratio to net sales increased from *** percent in 1999 to *** percent in 2000 and then to *** percent in 2001. It was *** percent in Jan.-Mar. 2001 and *** percent in Jan.-Mar. 2002. CR/PR at Table VI-1.

[85] *See* Tr. at 29 (Mr. Hudgens).

[86] The number of production and related workers declined from *** in 1999 to *** in 2000, then fell to *** in 2001. It was *** in Jan.-Mar. 2001 and *** in Jan.-Mar. 2002. CR/PR at Table III-5.

[87] Hours worked decreased from *** in 1999 to *** in 2000, then fell to *** in 2001. They were *** in Jan.-Mar. 2001 and *** in Jan.-Mar. 2002. CR/PR at Table III-5.

[88] Wages paid totaled $*** in 1999, then fell to $*** in 2000 and fell further to $*** in 2001. They were $*** in Jan.-Mar. 2001 and $*** in Jan.-Mar. 2002. CR/PR at Table III-5.

[89] Tr. at 16-17 (Mr. McCullough), 28 (Mr. Hudgens).

[90] Petitioner's Postconference Brief at 18.

[91] Capital expenditures increased from $*** in 1999 to $*** in 2000, then increased to $*** in 2001. They declined, however from $*** in Jan.-Mar. 2001 to $*** in Jan.-Mar. 2002. CR/PR at Table VI-4.

[92] Research and development expenses rose from $*** in 1999 to $*** in 2000, then fell to $*** in 2001. They were $*** in Jan.-Mar. 2001 and $*** in Jan.-Mar. 2002. CR/PR at Table VI-4.

[93] Petitioner's Postconference Brief at 18.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by counsel for PMC Specialties Group, Inc. (PMC), Cincinnati, OH, on July 11, 2002, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of saccharin[1] from China. Information relating to the background of the investigation is provided below.[2]

Date	*Action*
July 11, 2002	Petition filed with Commerce and the Commission; institution of Commission investigation (67 FR 47398, July 18, 2002)
August 1	Commission's conference[3]
August 8	Commerce's notice of initiation (67 FR 51536)[4]
August 22	Date of the Commission's vote
August 26	Commission determination sent to Commerce
September 3	Commission views sent to Commerce

SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on the questionnaire response of PMC, which accounted for 100 percent of U.S. production of saccharin from 1999 to March 2002, the period for which data were collected in this investigation. U.S. imports presented in this report are based on official Commerce statistics.[5]

PREVIOUS INVESTIGATIONS

Saccharin was the subject of previous Commission antidumping investigations in 1977 and 1993-94. In the 1977 investigations, the Commission determined that an industry in the United States was not

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[1] For purposes of this investigation, saccharin is a non-nutritive sweetener used in beverages and foods, personal care products such as toothpaste, table top sweeteners, and animals feeds. It is also used in metalworking fluids. There are four primary chemical compositions of saccharin: (1) sodium saccharin (American Chemical Society Chemical Abstract Services ("CAS") Registry #128-44-9); (2) calcium saccharin (CAS Registry #6485-34-3); (3) acid (or insoluble) saccharin (CAS Registry #81-07-2); and (4) research grade saccharin. Most of the U.S.-produced and imported grades of saccharin from China are sodium and calcium saccharin, which are available in granular, powder, spray-dried powder, and liquid forms. Saccharin is provided for in subheading 2925.11.00 of the Harmonized Tariff Schedule of the United States (HTS) with a normal trade relations tariff rate of 6.5 percent *ad valorem*, applicable to imports from China.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

[3] A list of witnesses appearing at the conference is presented in app. B.

[4] Because China is a non-market economy, India was used as the surrogate country for purposes of valuing certain production costs. Based on comparisons of export price and constructed export price to normal value, Commerce estimated the dumping margins for saccharin from China to range from 116.64 to 355.55 percent.

[5] Both petitioner and respondents stated that they were not aware of any product other than saccharin imported under HTS subheading 2925.11.00. Conference transcript, pp. 33 and 82.

injured or likely to be injured by reason of LTFV imports from Japan and Korea.[6] In the 1993-94 investigations, Commerce determined that there were no sales at LTFV of saccharin from Korea and the Commission determined that an industry in the United States was not materially injured or threatened with material injury, and the establishment of an industry in the United States was not materially retarded, by reason of LTFV imports of saccharin from China.[7] The scope of the current investigation remains exactly the same as it was in the 1993-94 investigations.

THE PRODUCT

Physical Characteristics and Uses

Made from petroleum-based organic chemicals, saccharin is a chemical additive that is used primarily as a sweetener. First synthesized in 1879, it has been used in the United States as a sugar substitute since 1885,[8] primarily in foods and beverages (either commercially added prior to consumption or personally added at the time of consumption) and in personal care products such as toothpaste and mouthwash. By weight, it is about 350 times sweeter than sugar. It is also used as an additive in adhesives and in metalworking fluids to facilitate electroplating. End users for the food and beverage markets are mostly soft-drink manufacturers and manufacturers of table-top sweetener packets for restaurants, airlines, and other firms serving beverages to the public. The auto and auto parts industries consume saccharin in electroplating chrome bumpers and accessories. Saccharin is also used in pharmaceuticals, animal feed, tobacco, and food mixes.

Three chemical variations of saccharin are generally available:[9] (1) sodium saccharin, which accounts for the bulk of U.S. consumption and which is available in granular, powder, spray-dried powder, or liquid form, (2) calcium saccharin, and (3) acid (or insoluble) saccharin. Like that produced in the United States, most of the material imported from China is sodium saccharin. The U.S. and Chinese producers, or at least those that export to the United States, appear to produce reasonably comparable products. Before purchasing, most users either require a certificate of analysis or conduct their own tests for purity and for adherence to Food and Drug Administration (FDA) specifications outlined in the Food Chemical Codex (FCC) and the United States Pharmacopeia (USP). Saccharin that meets these standards is known in the market as "food grade" and is required for virtually all uses other than adhesive production and electroplating. Both the U.S.- and Chinese-produced products are marketed as "food grade."

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[6] *Saccharin from Japan and the Republic of Korea*, Investigations Nos. AA1921-174 and 175, USITC Pub. 846, December 1977. Sherwin-Williams Co. (whose saccharin production unit was subsequently purchased by PMC) filed the complaint which led to these investigations. Ibid., p. A-1.

[7] *Saccharin from China*, Investigation No. 731-TA-675 (Final), USITC Pub. 2824, December 1994. PMC was the petitioner in these investigations. Ibid., p. II-3.

[8] Saccharin's use as a sweetener increased dramatically during World War I when most sugar was rationed and sent to the troops. See "The History, Synthesis, Metabolism and Uses of Artificial Sweeteners," Greg Hodgin, obtained online at http://wcw.emory.edu/ECIT/chem_ram/synth/Hodgin.htm on August 13, 2002.

[9] A fourth variation of saccharin known as research grade saccharin, which does not have a CAS Registry number, was listed in the petition and is included in the scope of this investigation. However, no sales of research grade saccharin were reported by PMC, U.S. importers, or Chinese exporters during the period examined. At the public conference, there was testimony that Sherwin-Williams Co. (prior to PMC's purchase of its saccharin production facilities) quarantined a regular-production batch of sodium saccharin, which was then completely analytically tested to ensure that it was not an abnormal batch. This material was called research grade saccharin and was used by the University of Nebraska and other institutions that studied the health impact of saccharin. (See conference transcript, pp. 56-57.)

Pursuant to a study that found saccharin to be a cancer-causing agent in rats, the FDA banned the use of saccharin in food and beverages in 1977. Shortly thereafter, Congress imposed a moratorium on the ban, but subjected the sale of saccharin to certain requirements. The Saccharin Study and Labeling Act, renewed through May 1997, mandated that health warning labels be placed prominently on all products containing saccharin. According to the petitioner, saccharin's association with cancer and the warnings pertaining thereto had a negative impact in some market sectors in the late 1980s, particularly the packaged (non-fountain) soft drink market, and were factors in helping the only other major artificial sweetener, aspartame,[10] [11] to displace sales. However, after further study, including tests involving mice and monkeys, evidence strongly supported the conclusion that saccharin does not cause cancer in humans and the FDA delisted saccharin and on December 21, 2000, President Clinton signed the SWEETEST Act, which removed the warning label on all products using saccharin.[12]

The large packaged-soft-drink manufacturers, such as Coca Cola and Pepsi, switched from saccharin to aspartame in their products that were bottled for retail sale in 1983, 6 years after the Saccharin Study and Labeling Act of 1977 requiring a warning label on products containing saccharin took effect. However, because of the limited shelf life of aspartame, the large packaged-soft-drink manufacturers continued to use saccharin in their products for use in beverage dispensing equipment. With the lifting of the warning label and the growing use of blends, petitioner states that food formulators have used saccharin with other sweeteners to create cost-effective taste profiles in products prepared for retail sale.[13] Adding saccharin to blends reduces the total cost of the sweetener product since most sweeteners are more expensive than saccharin.[14] The amount of saccharin used in the blends varies from

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[10] Aspartame is produced by a completely different chemical process and, other than being synthesized from organic compounds, bears no chemical relationship to saccharin. It is about 200 times sweeter than sugar and, unlike saccharin, has nutritive value with a caloric-count-to-weight ratio comparable to that of sugar. Aspartame's major advantage over saccharin in the marketplace, other than not having the stigma of a carcinogen that saccharin had until recently with the warning label requirement, is that it is closer to natural sweeteners in taste; on the other hand, it is several times more expensive than saccharin (for the equivalent sweetening capacity). Aspartame is used in two of saccharin's major markets--packaged (non-fountain) soft drinks and table-top sweeteners.

[11] Questions concerning the safety of aspartame, particularly the linkage between aspartame consumption by children and certain brain disorders including tumor development and epilepsy, also continue despite repeated examinations. As recently as May 2002, a study published by the French Food Safety Agency (Agence Française de Sécurité Sanitaire des Aliments (AFSSA)) concluded that

> "None of the carcinogenicity tests that have been conducted on rodents indicated a relationship between treatment with aspartame and the appearance of brain tumors. The epidemiological study by Olney et al. (Olney JW, Farber NB, Spitznagel E, Robins LN. "Increasing brain tumour rates: is there is a link to aspartame?," *J. Neurpathol. Exp. Neurol.,* 1996, 55(11), pp. 1115-1123) which suggested a link between the placing on the market of aspartame and a possible increase in the frequency of brain cancers in humans did not provide any scientific evidence to justify or demonstrate a basis for this suggestion; to date it has not been confirmed. Analysis of the scientific literature has demonstrated a lack of evidence based on the current state of knowledge which would enable a causal link to be established between the consumption of aspartame and the occurrence of epileptic seizures or anomalies on an electroencephalogram."

Assessment Report, AFSSA, May 7, 2002, p. 12.

[12] Conference transcript, p. 20. The SWEETEST Act is an acronym for the Saccharin Warning Elimination via Environmental Testing Employing Science and Technology Act. See "Congress Gives Saccharin a Clean Bill of Health" press release of the Calorie Control Counsel obtained online at http://www.caloriecontrol.org/pr12-22-00.html.

[13] Conference transcript, pp. 35-38.

[14] Conference transcript, pp. 36 and 40.

product to product depending on the desired food taste requirements. PMC stated that roughly 20 percent of its total sales of saccharin is used in products that contain blends.[15]

Manufacturing Processes

Two production processes are currently in use worldwide: the Maumee process,[16] a continuous-production method which was developed in the United States and is the only process used domestically, and the older Remsen-Fahlberg process, a batch-production method using different starting materials,[17] that is the predominant method used worldwide. Both processes are used in China.

Channels of Distribution

*** domestically-produced saccharin and most imported product is sold to end users. Approximately three-quarters and one-quarter of imported saccharin from China was shipped to end users and to distributors, respectively, in 2001.

Price

Further information on prices of saccharin obtained in this investigation is presented in Part V entitled "Pricing and Related Information." In nearly all available price comparisons between U.S. and Chinese sodium, calcium, and acid saccharin sold to end users, the Chinese product was priced below the domestic product.

DOMESTIC LIKE PRODUCT ISSUES

In the 1993-94 investigations, the Commission determined that there was a single like product including all grades and forms of saccharin; the Commission declined to include aspartame, an alternative artificial sweetener, in the domestic like product.[18] In this investigation, no party has argued that the domestic like product should include any nonsubject product.[19] [20]

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[15] Conference transcript, p. 51.

[16] Starting with methyl anthranilate and using a modified Maumee process, the first saccharin product produced by PMC is ammonia saccharin. The next step in the process is a transformation to a crude insoluble saccharin, and then to a soluble sodium saccharin, which can be purified to a grade acceptable for use by any customer. The purified sodium saccharin can be sold for use in that form, or further modified to pure insoluble acid saccharin, which can likewise be sold for use in that form or further modified to produce pure calcium saccharin. Phone interview with ***, August 15, 2002; conference transcript, pp. 21-22; and petition, p. 4.

[17] Ortho-toluene sulfonamide is the starting material for the Remsen-Fahlberg process. Conference transcript, p. 21, and petition, p. 4.

[18] USITC Pub. 2824, p. I-6.

[19] Respondents state that they do not argue that non-nutritive sweeteners other than saccharin, including aspartame and acesulfame K, should be included in the domestic like product, but state that they are conditions in the marketplace because they take sales away from saccharin. Respondents' postconference brief, p. 3.

[20] PMC fully supports the Commission's previous like product determination. Conference transcript, p. 32. PMC states that it produces no other high-intensity sweeteners except saccharin, and no domestic producers of other high-intensity sweeteners also produce saccharin, so there is no overlap of production facilities or employees. PMC also

(continued...)

Although respondents state that sodium and calcium saccharin should be considered a like product, they question whether insoluble saccharin should perhaps be considered a separate like product, arguing that insoluble saccharin, unlike sodium and calcium saccharin, is not water soluble and not sold as a sweetener to the food industry, but is instead sold as a chemical intermediate to industries producing pesticides and herbicides.[21] Respondents also claim that transforming insoluble saccharin into sodium or calcium saccharin is very expensive and that insoluble saccharin is a high-end niche product which is sold at a much higher price than sodium saccharin and at a higher price than calcium saccharin.[22]

PMC states that all grades of saccharin begin with the same raw materials, involve the same production workers, and undergo essentially the same production processing steps. PMC further states that "there have been no significant changes in the nature of the product, the production process, or the marketing for these products since the time of the prior investigation[s]." PMC produces all types of saccharin for inventory and then sells them to end users as ordered. PMC states that the channels of distribution are "essentially the same" for all types of saccharin and although there are some price differences between the various saccharin forms, they are all sold within a similar price range.[23]

Semi-Finished Product Analysis

Crude insoluble saccharin[24] is transformed into sodium saccharin, which can be sold in that form, or modified into acid (insoluble) saccharin. The acid (insoluble) saccharin can be sold in that form or further modified into calcium saccharin. According to PMC, the molecular structure of all forms of saccharin are the same and they all begin with the same raw materials and undergo the same processing steps. It further states that the few additional steps that acid (insoluble) saccharin and calcium saccharin go through at the end of the production process are "not significant," although they do "add a small portion of value to the products."[25] PMC further states that the channels of distribution[26] are also similar

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[20] (...continued)
states that the chemical structure and physical characteristics of each high-intensity sweetener are unique and the raw material processing used to produce saccharin is different than those used to produce the other sweeteners. Furthermore, whereas use of other high-intensity sweeteners is usually restricted to food and beverages, saccharin is used in a variety of other end uses, and also saccharin is consistently priced lower than all other high-intensity sweeteners. Petitioner's postconference brief, p. 4.

[21] Respondents' postconference brief, pp. 4-5 and 7.

[22] Ibid., p. 6. It appears that respondents confuse the crude insoluble form of saccharin which is produced early in the production process and not typically sold commercially with the acid (insoluble) saccharin which is produced from sodium saccharin and either sold (largely to produce herbicides and pesticides) or consumed to produce calcium saccharin. ***. Throughout this report, unless otherwise specified, all references to acid and/or insoluble saccharin refer to the "finished" product which is marketed commercially and not to the crude insoluble form of saccharin produced early in the production process. Acid (insoluble) saccharin is sold at a higher price than sodium saccharin and calcium saccharin was usually the highest priced saccharin throughout the period examined. See tables III-3 and IV-2; conference transcript, pp. 21-22; and phone interview with ***, August 15, 2002. PMC states that it has ***, but to produce acid (insoluble) saccharin from sodium saccharin, and to produce calcium saccharin from acid saccharin involves only "a few additional steps that add a small portion of value to the product." Phone interview with ***, August 15, 2002, and petitioner's postconference brief, p. 5.

[23] Petitioner's postconference brief, p. 3.

[24] ***. Phone interview with ***, August 15, 2002.

[25] Petitioner's postconference brief, p. 5.

[26] *** of PMC's sales are to end users and *** are to distributors.

and all of its saccharin is produced for inventory and then sold and shipped when an order is received.[27] *** of PMC's sodium saccharin is sold to end users[28] and the rest is further processed into acid (insoluble) saccharin. About *** of PMC's acid (insoluble) saccharin is sold to end users[29] and the remaining *** is further processed into calcium saccharin, which is in turn *** sold to end users.[30]

Respondents state that insoluble saccharin is sold to the chemical industry to produce such products as pesticides and herbicides. Respondents state that insoluble saccharin is produced in the production process before sodium saccharin.[31] They also state that to transform insoluble saccharin into sodium and calcium saccharin is "very expensive" and that sodium and calcium saccharin are sold to food industries, whereas insoluble saccharin is sold as a chemical intermediate to industries producing pesticides and herbicides.[32]

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[27] Petitioner's postconference brief, p. 5.

[28] Commercially-sold sodium saccharin is primarily used as a sweetener in such diverse applications as foods and fountain beverages, animal feeds, tobacco, personal care products such as mouthwash and toothpaste, pharmaceuticals, and in scented candles; some sodium saccharin is also used in such industrial products as adhesives and metal working fluids. Phone interview with ***, August 16, 2002.

[29] *** percent of commercially-sold acid (insoluble) sodium is used as an intermediate in herbicide and pesticide production. Other end uses include as a sweetener in beverages, mouthwash, chewing gum, lip balm, denture cream, and toothpaste as well as being used in adhesives. Phone interview with ***, August 16, 2002.

[30] Calcium saccharin is used in tabletop sweeteners, foods, soft drinks (primarily canned or bottled), and chewing gum. Phone interview with ***, August 16, 2002.

[31] ***. Phone interview with respondents' counsel, August 16, 2002. As previously mentioned, PMC, in its production process, produces sodium saccharin before acid (insoluble) saccharin.

[32] Respondents' postconference brief, pp. 6-8.

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

U.S. CHANNELS OF DISTRIBUTION/MARKET SEGMENTS

PMC reported that *** of its U.S. sales of saccharin during the period examined were made directly to end users, and *** were to distributors. Subject importers sold most of their Chinese saccharin directly to end users, and a declining share to distributors. Subject importers' shipments of Chinese saccharin to distributors accounted for 32.0 percent of total shipments in 1999, 25.2 percent in 2000, 25.1 percent in 2001, and 22.5 percent in interim 2002.

Both PMC and the Chinese suppliers produce the three main types of saccharin–sodium, calcium, and acid or insoluble saccharin. Sodium saccharin is the most commonly used saccharin in the U.S. market. It is sold in a variety of particle sizes and concentrations and is water soluble. Sodium saccharin is produced in granular, powder, and spray dry powder forms. Calcium saccharin has improved taste characteristics over sodium saccharin and has gained recent popularity because it does not contain sodium. Calcium saccharin is also water soluble and is produced in powder form. Calcium saccharin is currently used in tabletop sweeteners,[1] diet fountain drinks, and various other products. Acid (insoluble) saccharin is used as a chemical intermediate to produce such products as herbicides; because it is only slightly soluble in water it is used in such applications as pharmaceuticals, lip balms, and chewing gum. According to PMC, acid saccharin accounts for a small share, less than five percent, of the saccharin market. Acid saccharin is also produced in a powder form.[2]

Both PMC and Chinese importers sell all three primary types of saccharin in the United States. PMC's and Chinese importers' 2001 U.S. shipments of saccharin, by product type, are shown in the tabulation below:

Saccharin type	PMC shipments (*1,000 pounds*)	Chinese importers' shipments (*1,000 pounds*)
Sodium	***	1,277
Calcium	***	***
Acid or insoluble	***	***

Captive Consumption

* * * * * * *[3]

[1] Karsten Kohler of Helm stated that calcium saccharin has been used by Cumberland in its Sweet-N-Low product. The reason that Cumberland turned to calcium saccharin rather than sodium saccharin was reportedly the warning label required for sodium saccharin. In the 1970s, Cumberland believed that saccharin's cancer problem had something to do with the sodium saccharin and not the calcium saccharin. Conference transcript, p. 64.

[2] Conference transcript, pp. 22 and 64.

[3] ***.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic supply

Based on available information, PMC is likely to respond to changes in saccharin's price with large changes in the quantity shipped to the U.S. market. Supply responsiveness is constrained by PMC's inability to switch between production of saccharin and production of other products. However, *** levels of excess capacity, and substantial levels of inventories and export shipments suggest greater supply responsiveness.

Industry capacity

PMC's capacity to produce saccharin *** during 1999-2001. U.S. production of saccharin fell by *** percent from *** pounds in 1999 to *** pounds in 2001. Likewise, PMC's capacity utilization fell from *** percent in 1999 to *** percent in 2001.

Export markets

PMC's export shipments of saccharin were *** compared with total shipments. The percentage of PMC's export shipments of saccharin relative to its total shipments fell from *** percent in 1999 to *** percent in 2000, then increased to *** percent in 2001.

Inventories

U.S. producers' inventories of saccharin were substantial during the period examined. The ratio of such inventories to total shipments increased from *** percent in 1999 to *** percent in 2001.

Production alternatives

PMC reported ***.

Chinese Imports

Chinese producers are likely to respond to changes in price with moderate changes in the quantity of saccharin shipped to the U.S. market. The main reasons for Chinese producers' supply responsiveness are sizable levels of excess capacity, the existence of substantial alternate markets from which Chinese producers could shift sales, and the levels of inventories. Chinese producers' inability to shift between production of saccharin and other products is a constraint on Chinese producers' supply response.

Industry capacity

Reporting Chinese producers' capacity to produce saccharin increased slightly from 41.5 million pounds in 1999 to 41.7 million pounds in 2001. Chinese production of saccharin fell by *** percent from 32.3 million pounds in 1999 to *** pounds in 2000, then increased by *** percent to *** million pounds in 2001. Chinese saccharin capacity utilization fell from 77.8 percent in 1999 to *** percent in 2000, then increased to *** percent in 2001.

Alternative markets

Chinese producers' home market shipments relative to their total shipments increased from *** percent in 1999 to *** percent in 2000, then fell to *** percent in 2001. Chinese producers' exports of saccharin to countries other than the United States relative to their total shipments fell from *** percent in 1999 to *** percent in 2001.

Inventories

Chinese producers held *** levels of saccharin inventories relative to their total shipments during the period examined. The ratio of Chinese producers' inventories to their total shipments fell from *** percent in 1999 to *** percent in 2000, then increased to *** percent in 2001.

Production alternatives

* * * * * * *

U.S. Demand

Demand Characteristics

The U.S. demand for saccharin depends on the demand for the products that use saccharin. Saccharin is used in a wide range of low-calorie and sugar-free food and beverage applications such as soft drinks, tabletop sweeteners, baked goods, jams, chewing gum, canned fruit, candy, desert toppings, and salad dressings. Saccharin is also used in cosmetic products, vitamins, pharmaceuticals, animal feeds, and tobacco.[4] Saccharin is particularly important to people whose diets require a restriction of caloric or carbohydrate intake.[5]

PMC maintains that, in general, the demand for saccharin is not seasonal since a lot of saccharin is used in personal care products and pharmaceuticals which are not seasonal products. The only seasonal end use is the soft drink market–more soft drinks are sold during the summer.[6] The demand for products that use saccharin tends to follow general economic conditions.

In 1977, Congress passed the Saccharin Study and Labeling Act that required warning labels to be attached to products containing saccharin. The basis for the warning label requirement was a Canadian study that found an increased incidence of bladder tumors in male rats fed high doses of sodium saccharin. Since then, the International Life Sciences Institute (ILSI) conducted research into the mechanism responsible for male rat bladder tumors initiated by sodium saccharin and other sodium salts.

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[4] Conference transcript, pp. 12-13.

[5] Conference transcript, p. 12.

[6] Conference transcript, p. 41.

The lack of effect on mice, and more importantly on monkeys, combined with strong epidemiologic evidence from humans, supported the conclusion that exposure to saccharin does not pose a carcinogenic risk to humans. The National Toxological Program and the FDA agreed with ILSI and delisted saccharin. On December 21, 2000, President Clinton signed the SWEETEST Act, which removed the warning label requirement for saccharin.[7]

PMC reported that saccharin demand has been increasing, and in 2001 the rate of change increased with the removal of the warning label requirement.[8] Three responding importers reported that saccharin demand has been stable, and one importer reported that saccharin demand has declined because of increased demand for other sweeteners. At the conference, respondents maintained that U.S. demand for saccharin has been stable during the investigation period. Reasons cited for the lack of growth are the general economic downturn and the lingering effects of the cancer warning labels.[9] Respondents maintain that any increases in demand have been more due to general increases in demand for diet drinks and foods, and not because of the removal of the warning label.[10] Respondents also theorize that some of the multinational customers may have moved some of their production facilities to the United States, leading to an increase in U.S. demand.[11] Based on Commission questionnaire responses and official import statistics, apparent U.S. consumption of saccharin increased by *** percent from *** pounds in 1999 to *** pounds in 2000, then increased by *** percent to *** pounds in 2001.

Respondents cite a Beverage Industry magazine article that predicts that demand for saccharin will decline from $10 million in 1999 to $8 million in 2004.[12] Respondents also cite a Prepared Foods Magazine article that reported new beverage launches since 1999. This article reported that saccharin was used in only four new launches, representing only 1 percent of the new beverage launches during 1999-2001. In contrast, sucralose was used in 71 new launches, acesulfame K was used in 85 new launches, and aspartame was used in 56 new launches.[13]

Substitute Products

PMC maintains that there are no substitutes for saccharin because other sweeteners are so different in terms of chemical and physical properties. PMC notes that saccharin is 300 times sweeter than sugar, while aspartame is 180 times sweeter than sugar. PMC argues that, because their taste profiles are different, each product requires vastly different compensating ingredients in any given food formulation. Furthermore, PMC states that saccharin and aspartame have different melting points and solubility characteristics. Saccharin is heat, time, and pH stable, which makes for a very stable product. Aspartame, on the other hand, degrades easily and has to be managed carefully for temperature exposure, time rotation, and the acidity or basicity of the end-use product. In addition, PMC states that, in the human body, aspartame is metabolized and furnishes just as many calories as sugar–four calories per gram. Alternatively, saccharin is unmetabolized and furnishes zero calories.[14] Because of these differences in chemical characteristics, PMC argues that in order to substitute aspartame for saccharin,

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[7] Conference transcript, pp. 19-20.

[8] Conference transcript, pp. 10, 13, 26, and 33.

[9] Conference transcript, pp. 58-59 and 65, and respondents' postconference brief, pp. 17-20.

[10] Conference transcript, p. 79; respondents' postconference brief, p. 10; and petitioner's postconference brief, p. 6.

[11] Conference transcript, p. 80.

[12] Respondents' postconference brief, p. 11.

[13] Respondents' postconference brief, p. 17.

[14] Conference transcript, p. 24.

the finished product would have to be completely reformulated.[15] PMC also notes that the price of aspartame exceeds the price of sugar by 15 to 20 times on a sugar equivalency basis.[16] Finally, PMC maintains that approximately 80 percent of the saccharin applications (i.e., mouthwash, toothpaste, electroplating, tobacco, medicines, etc.) use saccharin by itself, rather than blending saccharin with other sweeteners.[17]

PMC maintains that the demand for saccharin has actually increased with the advent of other sweeteners.[18] PMC notes that some people can taste bitterness in products where saccharin is the only sweetener. PMC states that the bitter taste can be removed by blending the saccharin with other sweeteners. PMC maintains that most sweeteners, if used alone, will carry some bitterness with them, so the whole product tastes better if you blend multiple sweeteners together.[19]

Most importers reported that other sweeteners could be substituted for saccharin. Reported substitute products include sugar, aspartame, acesulfame-K, tagatose, alitame, and sucralose. At the conference, respondents maintained that aspartame and other sweeteners compete with saccharin, and that the prices for these other sweeteners directly affect the prices for saccharin.[20] Respondents argue that the competition with other sweeteners has become even more intense as prices for all artificial sweeteners have fallen.[21] [22]

Cost Share

Saccharin is used in a wide variety of products. For this reason, cost shares for saccharin range from less than 1 percent (for products such as soft drinks, personal care products, pharmaceuticals, and electroplating) to 10 percent (for table top sweeteners).

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[15] At the conference, Dr. Pearson maintained that each food blend requires a special formula because of the other ingredients' impact and the taste profile that the finished product will have. Therefore, the aspartame/saccharin ratio would vary from one product to another. Dr. Pearson acknowledged that it is probably the objective of the food formulator to come up with the optimum taste at the least possible cost. Therefore, the formulator is going to blend several sweeteners to get the optimum taste, while trying to keep the cost of the product down. Conference transcript, pp. 36-37.

[16] Conference transcript, pp. 24-25.

[17] Conference transcript, pp. 43 and 50.

[18] Petitioner's postconference brief, p. 6.

[19] Conference transcript, p. 40.

[20] Conference transcript, pp. 60 and 121, and respondents' postconference brief, pp. 15-16.

[21] Conference transcript, p. 64, and respondent's postconference brief, p. 12.

[22] Respondents cite a magazine article that maintains that, for some applications that used to blend saccharin and aspartame, companies are now blending sucralose and acesulfame K with aspartame, because the new products give the stability of saccharin without the health risks. Respondents' postconference brief, p. 11.

SUBSTITUTABILITY ISSUES

Comparisons of Domestic Products and Subject and Nonsubject Imports

PMC reported that U.S.-produced and imported Chinese saccharin are used interchangeably. PMC also reported that there are no significant differences in product characteristics or sales conditions between U.S.-produced and imported Chinese saccharin. At the conference, PMC stated that, while there may have been questions about Chinese quality during the 1993-94 investigations, Chinese producers have corrected any quality problems and can now meet the qualification requirements of U.S. customers.[23] PMC argues that it is relatively unimportant to end users whether they use the saccharin of one manufacturer or another, or whether the saccharin is produced domestically or by a foreign manufacturer as long as the saccharin meets or exceeds the Foods Chemical Codex and the United States Pharmacopeia/National Formulary specifications.[24]

All nine responding importers reported that U.S.-produced and imported Chinese saccharin are used interchangeably. However, one importer, ***, qualified its statement, noting that in many instances Chinese imports have better uniformity of particle size. Three of five responding importers reported that there are significant differences between U.S.-produced and imported Chinese saccharin. *** stated that customers may demand faster delivery, which only PMC can supply. *** maintained that size consistency as well as non-clumping favor imported Chinese saccharin. *** claimed that domestic saccharin imparts a different taste than imported Chinese saccharin. *** reported that the quality, purity, color, and granulation of U.S.-produced saccharin is slightly different than that of imported Chinese saccharin. At the conference, respondents maintained that all saccharin imported from China into the United States meets FCC and USP requirements.[25] In their postconference brief, respondents maintain that PMC has very substantial quality problems.[26] As evidence, respondents cite ***.[27]

At the conference, respondents argued that an important differentiating factor is that the Chinese suppliers are larger companies that can better supply large multinational customers. Respondents estimate that 80 percent of the U.S. saccharin market is accounted for by less than 20 companies, including globally-operating companies such as Colgate Palmolive, Procter and Gamble, Coca-Cola, and Unilever. Respondents maintain that PMC does not have the capacity or the multinational supply sources to effectively supply the large multinational customers.[28] PMC argues that it is a major global player in chemicals, and sells products globally every day.[29] PMC notes that its largest customers (***) are large multinational purchasers of saccharin.[30] PMC maintains that there is no reason for it to make saccharin outside of the United States at this point because it already has the capacity in the United States to meet its requirements.[31] Respondents also argued that qualification is a big issue, citing a customer that demanded a $100,000 cost break because it would cost between $75,000 to $80,000 for it to qualify the

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[23] Conference transcript, p. 11.

[24] Conference transcript, pp. 15 and 23.

[25] Conference transcript, pp. 76-77.

[26] Respondents' postconference brief, p. 30.

[27] Respondents' postconference brief, p. 31.

[28] Conference transcript, pp. 61, 65-66, 73, and 75, and respondents' postconference brief, pp. 2, 12, and 23-27.

[29] Conference transcript, p. 115.

[30] Petitioner's postconference brief, p. 20.

[31] Conference transcript, p. 115.

supplier.[32] Respondents note that, for this reason, in order to gain new business, the offered saccharin price must be very competitively priced.[33] Furthermore, respondents acknowledge that sodium saccharin has become very much a commodity product.[34] Respondents also acknowledge that price competition is fierce, but maintain that the source of the price competition is not the Chinese dumping their product, but tremendous price pressure from the customers who are competing fiercely at the downstream levels.[35]

PMC reported lead times of *** for sales from inventory, and *** for made-to-order sales. Subject importers reported lead times of 1-7 days for sales from inventory, and 4-8 weeks for made-to-order sales. PMC maintains that since only a few grades and product forms of saccharin are used, it is easy for importers to stock saccharin in large quantities in the United States.[36]

PMC reports that the Koreans bring in mostly sodium saccharin (about 90 percent) and the remainder is predominantly calcium saccharin, while the Japanese bring in mostly calcium saccharin.[37] Respondents maintain that if the Chinese saccharin producers are blocked from supplying the U.S. market, the Koreans, and to some extent the Japanese, will replace the Chinese market share.[38] Respondents state that, in the early 1990s, the quality of Korean saccharin was better than the quality of the Chinese product. However, currently the Chinese producers have upgraded their quality to meet world-class standards. These standards include minimal impurities such as volatile organic compounds and material having no residual odor, besides meeting the USP-FCC criteria.[39]

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[32] Conference transcript, p. 62, and respondents' postconference brief, pp. 27-29.

[33] Conference transcript, p. 100.

[34] Conference transcript, p. 105.

[35] Conference transcript, p. 120.

[36] Conference transcript, pp. 14-15.

[37] Petitioner's postconference brief, p. 10.

[38] Conference transcript, pp. 60-61, 67, and 70.

[39] Conference transcript, p. 69.

PART III: U.S. PRODUCER'S PRODUCTION, SHIPMENTS, 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 alleged 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 response of one firm that accounted for 100 percent of U.S. production of saccharin during the period examined.

U.S. PRODUCER[1]

PMC is the only producer of saccharin in the United States. PMC is wholly owned by PMC, Inc., Sun Valley, CA, which purchased the saccharin-producing operations of Sherwin-Williams Co. in 1985. Sherwin-Williams began producing saccharin in 1966 when it purchased the Cincinnati, OH, saccharin plant of Maumee Chemical Co. Numerous other firms, including Monsanto Co., St. Louis, MO; Lakeway Chemical Co., Muskegon, MI; and Pillsbury Co., Minneapolis, MN, previously produced saccharin in the United States. All of these other firms ceased production of the subject product by 1972. PMC imported *** of saccharin from China in 2001,[2] but ***. PMC is not related to any firm, either domestic or foreign, engaged in producing saccharin, importing saccharin from China into the United States, or exporting saccharin from China to the United States.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data on PMC's capacity, production, and capacity utilization are presented in table III-1. Its reported capacity is *** than the U.S. market size according to data collected in this investigation.

Table III-1
Saccharin: U.S. producer's capacity, production, and capacity utilization, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

PMC's production of saccharin steadily decreased from 1999 to 2001 while apparent consumption steadily increased during that period. PMC's production declined by *** percent from 1999 to 2001 while apparent consumption increased by *** percent. PMC normally shuts down its saccharin unit for up to 4 weeks a year for maintenance, but expects the plant to be closed for 16 weeks this year due to reduced sales.[3]

* * * * * * *

[1] PMC is the petitioner.

[2] See conference transcript, p. 110. See Part IV for further details on PMC's imports.

[3] Conference transcript, pp. 17-28 and 52-54.

U.S. PRODUCER'S DOMESTIC SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

PMC's shipments of saccharin are shown in table III-2. The volume and value of its U.S. shipments of saccharin declined from 1999 to 2001 by *** and *** percent, respectively. However, the average unit value of its U.S. shipments rose by *** percent during the same period, reflecting lower sales of sodium saccharin and higher sales of both calcium saccharin and acid (insoluble) saccharin. *** of its U.S. shipments were made to end users.

Table III-2
Saccharin: U.S. producer's shipments, by type, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

PMC reported *** internal consumption/company transfers of its domestically produced saccharin.[4] ***.

PMC's U.S. shipments of saccharin by type are shown in table III-3. ***.

Table III-3
Saccharin: U.S. producer's U.S. shipments, by type of saccharin, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

U.S. PRODUCER'S INVENTORIES

As shown in table III-4, PMC's end-of-period inventories of saccharin increased from 1999 to 2000 and then decreased in 2001, but inventories as a ratio to production, U.S. shipments, and total shipments increased throughout 1999-2001.

Table III-4
Saccharin: U.S. producer's end-of-period inventories, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Data provided by PMC on the number of production and related workers (PRWs) engaged in the production of saccharin, the total hours worked by such workers, and wages paid to such PRWs during the period for which data were collected in the investigation are presented in table III-5.

[4] ***.

Table III-5
Saccharin: Average number of production and related workers producing saccharin, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

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

U.S. IMPORTERS

The Commission sent questionnaires to 38 firms believed to be importers of saccharin. Questionnaire responses with usable data were received from 16 firms, 13 of which reported that they imported the subject product.[1] With the exception of ***, it is believed that all the major importers of saccharin from China responded to the Commission's questionnaire. In comparison with official statistics of the U.S. Department of Commerce, questionnaire data of the responding firms accounted for approximately 88, 93, and 88 percent of the volume of imports from China in 1999, 2000, and 2001, respectively. Official statistics are used in this report due to somewhat incomplete questionnaire coverage of subject imports and the fact that both petitioner and respondents stated that they are not aware of any product other than saccharin which is imported under HTS subheading 2925.11.00.

Suzhou-Chem USA is the only importer known to be related to a producer of saccharin in China. It is ***-owned by Suzhou Fine Chemicals Group Co., Ltd. (Suzhou). ***.

PMC imported *** pounds of saccharin from China in 2001.[2] Its imports were equal to *** percent of its production in that year. PMC ***.

Questionnaire respondents were primarily located in New York (5), New Jersey (3), California, (2), and Massachusetts (2).[3] Six firms reported imports of saccharin from Japan and Korea during the period examined. *** U.S. importers imported saccharin under the temporary importation under bond (TIB) program and *** entered the subject product into or withdrew it from foreign trade zones or bonded warehouses.

U.S. IMPORTS

Table IV-1 shows that the quantity and value of U.S. imports of saccharin from all sources increased from 1999 to 2001 by 60 and 37 percent, respectively, while average unit values decreased by 14 percent during the same period. Virtually all of the increase in total imports from 1999 to 2001 is attributable to imports from China, which rose from 1999 to 2001 by 150 percent. Imports from all other sources combined declined by 2 percent during the same period. About 70 percent of the import quantities from all other sources combined during January 1999-March 2002 was from Korea and about 27 percent was from Japan.

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[1] The following importers reported imports from China: Suzhou-Chem USA, Inc.; Rit-Chem Co., Inc. (Rit-Chem); Helm New York Inc.; PMC Specialties Group, Inc.; ***. The following importers reported imports from countries other than China: ***.

[2] See testimony of Ms. Joan Ni of Suzhou-Chem USA that PMC "bought ten tons of insoluble saccharin from us [in November 2001]" (conference transcript, p. 110). ***. E-mail transmission by Brad Hudgens, August 7, 2002. Respondents describe PMC's joint venture discussions as "sham negotiations" and "attempts to get data to file a dumping case." Conference transcript, p. 62.

[3] Importers of the subject product were located in ***.

Table IV-1
Saccharin: U.S. imports, by sources, 1999-2001, January-March 2001, and January-March 2002

Source	Calendar year			January-March	
	1999	2000	2001	2001	2002
			Quantity (*1,000 pounds*)		
China	1,040	1,409	2,598	656	740
All others	1,521	1,363	1,490	279	457
Total	2,562	2,772	4,088	935	1,197
			Value (*$1,000*)		
China	1,645	2,353	4,011	1,079	1,171
All others	3,604	2,963	3,195	675	882
Total	5,250	5,316	7,206	1,754	2,053
			Unit value (*per pound*)		
China	$1.58	$1.67	$1.54	$1.65	$1.58
All others	2.37	2.17	2.14	2.42	1.93
Average	2.05	1.92	1.76	1.88	1.71
			Share of quantity (*percent*)		
China	40.6	50.8	63.6	70.1	61.8
All others	59.4	49.2	36.4	29.9	38.2
Total	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
China	31.3	44.3	55.7	61.5	57.0
All others	68.7	55.7	44.3	38.5	43.0
Total	100.0	100.0	100.0	100.0	100.0

Note.–Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

U.S. SHIPMENTS OF U.S. IMPORTS BY TYPE

Table VI-2 shows U.S. shipments of U.S. imports by type of saccharin. Responding importers reported that most shipments were sodium saccharin, followed by calcium saccharin and then acid (insoluble) saccharin.[4] *** export shipments were made to ***.

Table IV-2
Saccharin: U.S. importers' U.S. shipments of Chinese product, by type of saccharin, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

APPARENT U.S. CONSUMPTION

As presented in table IV-3, the volume and value of apparent U.S. consumption increased by *** and *** percent, respectively, from 1999 to 2001.

U.S. MARKET SHARES

PMC's share of consumption decreased by *** from 1999 to 2001 and China's share of consumption increased by *** during the same period (table IV-4).

[4] As previously mentioned, most nonsubject saccharin imports are either from Korea or Japan. According to petitioner, about 90 percent of the Korean product is sodium saccharin and the remaining 10 percent is predominantly calcium saccharin, whereas virtually all the Japanese product is calcium saccharin. Petitioner's postconference brief, p. 10, n. 1.

Table IV-3
Saccharin: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1999-2001, January-March 2001, and January-March 2002

Item	Calendar year			January-March	
	1999	2000	2001	2001	2002
	Quantity (*1,000 pounds*)				
U.S. producer's shipments	***	***	***	***	***
U.S. imports from--					
China	1,040	1,409	2,598	656	740
All other sources	1,521	1,363	1,490	279	457
Total imports	2,562	2,772	4,088	935	1,197
Apparent U.S. consumption	***	***	***	***	***
	Value (*$1,000*)				
U.S. producer's shipments	***	***	***	***	***
U.S. imports from--					
China	1,645	2,353	4,011	1,079	1,171
All other sources	3,604	2,963	3,195	675	882
Total imports	5,250	5,316	7,206	1,754	2,053
Apparent U.S. consumption	***	***	***	***	***

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

Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.

Table IV-4
Saccharin: Apparent U.S. consumption and market shares, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

PMC reported that raw material costs to produce saccharin accounted for *** percent of the cost of goods sold in 1999, *** percent in 2000, and *** percent in 2001.

Transportation Costs to the U.S. Market

Transportation costs for saccharin from China to the United States (excluding U.S. inland costs) are estimated to be approximately 5.9 percent of the customs value of saccharin. These estimates are derived from January-December 2001 official import data and represent the transportation and other charges on imports on a c.i.f. basis, as compared with customs value.

U.S. Inland Transportation Costs

Inland transportation costs generally account for a small share of the delivered price of saccharin. PMC reported that transportation costs accounted for *** percent of the total delivered cost of saccharin. Importers estimated that U.S. inland transportation costs for their shipments of subject imports from China accounted for between 1 and 10 percent.

PMC tends to ship saccharin longer inland distances than do importers. PMC reported that *** percent of its shipments are for distances within 100 miles of its production facility, *** percent are for distances between 101 and 1,000 miles, and *** percent are for distances greater than 1,000 miles. Subject importers reported that 66.7 percent of their shipments are for distances less than 100 miles from their U.S. storage facility or port of entry, 30.9 percent are for distances between 101 and 1,000 miles, and only 2.4 percent are for distances greater than 1,000 miles.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Chinese yuan relative to the U.S. dollar remained essentially unchanged during the period examined because the Chinese yuan has been pegged to the U.S. dollar since January 1, 1994. Real exchange rates cannot be calculated due to the unavailability of the relevant Chinese producer price information.

PRICING PRACTICES

PMC reported that prices have ***. Most importers reported that prices are negotiated on a transaction-by-transaction basis, and are not determined by price lists. Most importers reported that they do not have set discount policies, although three importers, ***, reported that higher volume sales generally receive lower prices. Importers quote prices on both an f.o.b. and a delivered basis, and sales terms are typically net 30 days.

Neither PMC nor the 12 responding importers reported sales of saccharin over the internet. However, at the conference, Rit-Chem reported participating in a reverse auction for saccharin on the internet. Rit-Chem did not sell any saccharin through this reverse auction.[1]

Contracts

PMC reported that *** percent of its sales are on a contract basis and *** are on a spot basis. PMC reported that its contracts are ***.

Subject importers reported that 46.2 percent of their sales are on a contract basis and 53.8 percent are on a spot basis. Most subject importers reported that contracts are typically one year in duration, and are renegotiated at the end of the year. Contracts generally fix both price and quantity. Five of six responding importers reported that contracts usually do not have meet-or-release provisions. Standard minimum quantity requirements ranged from 20 metric tons per order to 300,000 pounds per year, and price premiums for sub-minimum shipments ranged from 5 to 15 percent.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly quantity, f.o.b. value, and delivered value data for sales to end users and distributors during the period January 1999 through March 2002. Product specifications for which pricing data were requested are as follows:

Product 1.–Sodium saccharin, granular, sized or unsized, FCC, 10-17 percent water.

Product 2.–Sodium saccharin, powder, FCC, 3-6 percent water.

Product 3.–Acid or insoluble saccharin, spray-dried powder, FCC.

Product 4.–Calcium saccharin, spray-dried powder, FCC.

Product 5.–Sodium saccharin, granular, sized or unsized, non-food grade, 10-17 percent water.

PMC (the sole U.S. producer) and nine Chinese importers provided usable pricing data. Pricing data reported by PMC accounted for *** percent of its U.S. shipments of saccharin during January 1999-March 2002. Pricing data reported by the Chinese importers accounted for 88.5 percent of U.S. commercial shipments of Chinese saccharin during January 1999-March 2002, as reported by firms completing the Commission's questionnaires.

Price Trends

Weighted-average f.o.b. prices and margins of underselling/overselling for U.S.-produced and imported Chinese saccharin are shown in tables V-1 through V-7 and figures V-1 through V-6.[2] In

[1] Conference transcript, pp. 88 and 102, and respondents' postconference brief, pp. 29-30.

[2] In some cases, estimates of f.o.b. prices were determined by subtracting U.S. inland delivery costs from reported delivered prices.

Table V-1
Saccharin: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 sold to end users, and margins of underselling/(overselling), by quarter, January 1999-March 2002

* * * * * * *

Table V-2
Saccharin: Weighted-average f.o.b. prices and quantities of domestic product 2 sold to end users, by quarter, January 1999-March 2002

* * * * * * *

Table V-3
Saccharin: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 sold to end users, and margins of underselling/(overselling), by quarter, January 1999-March 2002

* * * * * * *

Table V-4
Saccharin: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 sold to end users, and margins of underselling/(overselling), by quarter, January 1999-March 2002

* * * * * * *

Table V-5
Saccharin: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 sold to end users, and margins of underselling/(overselling), by quarter, January 1999-March 2002

* * * * * * *

Table V-6
Saccharin: Weighted-average f.o.b. prices and quantities of imported Chinese products 1 and 2 sold to distributors, by quarter, January 1999-March 2002

* * * * * * *

Table V-7
Saccharin: Weighted-average f.o.b. prices and quantities of imported Chinese product 3 sold to distributors, by quarter, January 1999-March 2002

* * * * * * *

Figure V-1
Saccharin: Weighted-average f.o.b. prices of domestic and imported Chinese product 1 sold to end users, January 1999-March 2002

* * * * * * *

Figure V-2
Saccharin: Weighted-average f.o.b. prices of domestic product 2 sold to end users, January 1999-March 2002

* * * * * * *

Figure V-3
Saccharin: Weighted-average f.o.b. prices of domestic and imported Chinese product 3 sold to end users, January 1999-March 2002

* * * * * * *

Figure V-4
Saccharin: Weighted-average f.o.b. prices of domestic and imported Chinese product 4 sold to end users, January 1999-March 2002

* * * * * * *

Figure V-5
Saccharin: Weighted-average f.o.b. prices of domestic and imported Chinese product 5 sold to end users, January 1999-March 2002

* * * * * * *

Figure V-6
Saccharin: Weighted-average f.o.b. prices of imported Chinese products 1, 2, and 3 sold to distributors, January 1999-March 2002

* * * * * * *

general, prices for U.S.-produced and imported Chinese saccharin fell during the period.[3] Prices for U.S.-produced product 1 sold to end users rose *** in the second quarter of 1999, then fluctuated downward during the rest of the period. Prices were *** percent lower at the end of the period than they were at the beginning. Prices for imported Chinese product 1 sold to end users fluctuated between $*** per pound and $*** per pound during 1999-2000, then fell by *** percent during the rest of the period. Prices for U.S.-produced product 2 sold to end users fluctuated downward from a high of $*** per pound in the first quarter of 1999 to a low of $*** per pound in the second quarter of 2001, before generally recovering *** during the rest of the period. Prices were *** percent lower at the end of the period than they were at the beginning. Prices for U.S.-produced product 3 sold to end users fluctuated downward during the period, with a *** dip in the fourth quarter of 2000.[4] Prices were *** percent lower at the end of the period than they were at the beginning. Prices for imported Chinese product 3 sold to end users increased by *** percent from $*** per pound in the first quarter of 1999 to $*** per pound in the second quarter of 2000, then fluctuated between $*** per pound and $*** per pound during the rest of the period. Prices were *** percent higher at the end of the period than they were at the beginning.

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[3] Respondents argue that saccharin price declines have been following price declines in substitute sweeteners and chemicals in general, and that the cause of the price declines has been the general recessionary period worldwide. Conference transcript, p. 92, and respondents' postconference brief, pp. 9 and 13-15. PMC maintains ***. Petitioner's postconference brief, p. 13.

[4] ***.

Prices for U.S.-produced product 4 sold to end users fluctuated downward by *** percent over the period. Prices for imported Chinese product 4 sold to end users fell by *** percent over the period. Prices for U.S.-produced product 5 sold to end users fluctuated downward over the period. Prices were *** percent lower at the end of the period than they were at the beginning. Prices for imported Chinese product 5 sold to end users fluctuated downward from $*** per pound in the first quarter of 1999 to $*** per pound in the second quarter of 2001, then increased by *** percent to $*** per pound in the first quarter of 2002. Overall, prices for Chinese product 5 were *** percent lower at the end of the period than they were at the beginning.

. Prices for imported Chinese product 1 sold to distributors fluctuated downward by *** percent over the period. Prices for imported Chinese product 2 sold to distributors fluctuated upward by *** percent over the period. Prices for imported Chinese product 3 sold to distributors fluctuated between $ and $*** per pound over the period.

Price Comparisons

There were 49 quarterly price comparisons between U.S.-produced and imported Chinese saccharin. Chinese imports undersold domestic products in 46 instances and margins of underselling ranged from 0.7 percent to 59.2 percent. Chinese imports oversold domestic products in 3 instances and margins of overselling ranged from 1.0 percent to 9.7 percent.

There were 13 quarterly price comparisons between U.S.-produced and imported Chinese product 1 sold to end users. Imported Chinese product 1 was priced below domestic product 1 in 11 quarters and margins of underselling ranged from *** percent to *** percent. Imported Chinese product 1 was priced above domestic product 1 in 2 quarters and the margins of overselling were *** and *** percent. There were 10 quarterly price comparisons between U.S.-produced and imported Chinese product 3 sold to end users. Imported Chinese product 3 was priced below domestic product 3 in all quarters and margins of underselling ranged from *** percent to *** percent. There were 13 quarterly price comparisons between U.S.-produced and imported Chinese product 4 sold to end users. Imported Chinese product 4 was priced below domestic product 4 in all quarters and margins of underselling ranged from *** percent to *** percent. There were 13 quarterly price comparisons between U.S.-produced and imported Chinese product 5 sold to end users. Imported Chinese product 5 was priced below domestic product 5 in 12 quarters and margins of underselling ranged from *** percent to *** percent. Imported Chinese product 5 was priced above domestic product 5 in one quarter by *** percent.

LOST SALES AND LOST REVENUES

The Commission requested PMC to report any instances of lost sales and lost revenues it experienced due to competition from imports of saccharin from China during January 1999 to March 2002. The *** usable lost sales allegations totaled *** and involved *** pounds of saccharin.[5] The *** lost revenue allegations totaled *** and involved *** pounds of saccharin. Staff contacted all *** cited purchasers and a summary of the information obtained follows (tables V-8 and V-9).

Table V-8
Saccharin: PMC's lost sales allegations

* * * * * * *

[5] PMC also reported a *** allegation concerning ***. However, PMC did not report *** with this allegation, so staff was unable to verify this allegation.

Table V-9
Saccharin: PMC's lost revenue allegations

* * * * * * *

*** reported that, in reviewing responses to its requests for bids it found no significant differences in the quality of product or level of service between bidders. The selected distributor offered product at a price lower than other bidders.

*** reported that it placed orders with PMC for *** pounds of *** saccharin at $*** per pound. *** also placed orders with other vendors ranging in price from $*** to $*** per pound. *** maintains a multi-vendor environment. The *** pounds of saccharin cited in the *** allegation represents more than ***'s annual requirements.

*** reported that the price for PMC was lowered from $*** per pound to $*** per pound in ***. *** only purchased *** pounds of imported product as a "trial order" on ***. The price for the imported product was $*** per pound. The price for U.S. product is $*** per pound for ***.

*** reported that it does not buy more than *** pounds of saccharin per year.

*** maintained that the allegation that saccharin business was lost at *** due to lowered price is incorrect. *** has long supported the domestic supplier. *** was compelled to switch only after repeated quality non-conformance problems with PMC's saccharin.

*** reported that it agreed to buy saccharin from PMC at $*** per pound. *** was quoted imported Chinese product at $*** per pound.

*** reported that it made an inquiry of PMC for *** pounds of *** saccharin and received a quote of $*** per pound. However, *** did not get the *** business it expected, so it didn't buy any *** saccharin. Imported Chinese product was never considered.

PART VI: FINANCIAL EXPERIENCE OF THE U.S. INDUSTRY

BACKGROUND

PMC, the only U. S. producer of saccharin during the period examined, provided financial data on its saccharin operations. PMC's fiscal year ends on ***.

SACCHARIN OPERATIONS

Income-and-loss data of PMC on its operations producing saccharin are presented in table VI-1; PMC's components of cost of goods sold are shown in table VI-2; and the average prices of its major raw material inputs to produce saccharin are shown in table VI-3.

Table VI-1
Results of operations of PMC in the production of saccharin, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

Table VI-2
PMC's components of cost of goods sold in the production of saccharin, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

Table VI-3
Average unit costs for PMC's major raw material inputs in the production of saccharin, 1999-2001 and January-March 2002

* * * * * * *

PMC reported operating *** losses throughout the period.[1] The operating loss margin increased from *** percent of net sales in 1999 to *** percent in 2000 and *** percent in 2001. Such loss margin rose to *** percent of net sales during January-March 2002, compared with *** percent during January-March 2001. ***.

Average cost of goods sold per pound increased in each period mainly due to ***.[2]

Average selling price per pound declined from $*** in 1999 to $*** in 2000, and then increased to $*** in 2001. During January-March 2002, average selling prices rose to $*** per pound, compared with $*** per pound during January-March 2001. The net sales volume increased by *** percent from 1999 to 2000, but then declined by *** percent from 2000 to 2001. During January-March 2002, net sales volume declined by *** percent from its level during January-March 2001. PMC sells three

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[1] See conference transcript, p. 28, and petitioner's postconference brief, p. 17.

[2] Conference transcript, p. 29. Mr. Brad Hudgens testified at the conference that "Respondents may argue today that PMC's financial injury was not a result of declining prices, but rather high production cost and manufacturing inefficiencies. However, PMC is the most efficient producer of saccharin in the world. PMC uses a continuous process that is more efficient than the batch process that is used by Chinese producers. As Mr. McCullough testified earlier, PMC has implemented several measures to make the plant more efficient. As a result, PMC's other factory unit costs declined during 1999 to 2001. The increase in other factory unit costs in interim 2002 was a result of the prolonged shutdowns that PMC was forced to endure because of reduced sales." Ibid.

different grades of saccharin: sodium, calcium, and acid (or insoluble) saccharin. The majority of net sales were of sodium grade, the prices of which are lower than those of the other two grades.

With respect to operating losses in all periods, PMC stated that ***.

With respect to an increase in average unit raw materials cost during 1999-2001, PMC indicated that ***.

CAPITAL EXPENDITURES, RESEARCH AND DEVELOPMENT EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

PMC's capital expenditures, research and development (R&D) expenses, and the value of its property, plant, and equipment used in the production of saccharin are shown in table VI-4.

Table VI-4
Value of assets, capital expenditures, and R&D expenses of PMC, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

CAPITAL AND INVESTMENT

The Commission requested comments from PMC regarding the significance of imports of saccharin from China in terms of the actual or potential negative effects on PMC's return on investment or on its growth, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or scale of capital investments. PMC's response is shown below:

Actual negative effects.–***.

Anticipated negative effects.–***.

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 the U.S. producer's 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

The 1993-94 investigations cited 14 producers of saccharin in China. Respondents stated that nine of them have "closed for a number of different reasons, including bad economic operation due to poor management and pollution problems, which led to closure by the government."[1] Five producers of saccharin in China were listed in the petition and the respondents have confirmed that there are currently only five producers of saccharin in China.[2] The Commission received questionnaire responses from three producers of saccharin in China that are believed to account for the vast majority of all exports of the subject product to the United States in 2001,[3] and about 68 percent of Chinese capacity in 2001. The following are each firm's estimates of its share of total exports of saccharin to the United States in 2001: Suzhou (*** percent); Shanghai Fortune (*** percent); and Kaifeng (*** percent). The following are each firm's reported estimate of its share of total production of saccharin in China in 2001: Suzhou (*** percent); Shanghai Fortune (*** percent); and Kaifeng (*** percent).

Table VII-1 presents aggregated data on the Chinese producers' production and shipments of saccharin. Capacity increased only slightly during the period examined.[4] Respondents reported that the production capacities of Tianjin North Food and Tianjin Changjie, the two Chinese producers that did not respond to the Commission's questionnaires, are 4,000 metric tons (8.8 million pounds) and 5,000 metric tons (11.0 million pounds), respectively.[5]

None of the responding producers of saccharin in China produce products other than saccharin on the same equipment and machinery used in the production of saccharin. The percentages of total firm

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[1] Respondents' postconference brief, p. 32. The following are the nine producers in China that have closed down and the years in which they closed: Tianjing Jingwu in 2002; Shanghai Wangxing in 2001; Shanghai No. 6 Medicine Factory in 2000; Xiamen Electric Chemicals Factory in 2000; Shen Qiu in 2000; Anhui Benbu in 2000; Shanghai Puda in 1999; Liao Yuan Hua Gong in 1997; and Liaoning Benxi in 1996. Ibid.

[2] Conference transcript, p. 76, and respondents' postconference brief, p. 32.

[3] The Commission faxed and mailed the questionnaires to the five producers of saccharin in China that were listed in the petition. Of those five, Suzhou, Shanghai Fortune, and Kaifeng Xinghua Fine Chemical Factory (also known as Kaifeng No. 3 Chemical Plant (Kaifeng)) responded to the Commission's questionnaires. Tianjin North Food and Tianjin Changjie Chemical Co., Ltd. (Tianjin Changjie) did not respond to the Commission's questionnaires. Respondents stated that Suzhou, Shanghai Fortune, and Kaifeng represent the vast majority of U.S. imports of saccharin from China. Conference transcript, p. 77. Rit-Chem stated that it does not import saccharin produced by Tianjin Changjie due to quality concerns. Ibid.

[4] PMC stated that the largest Chinese producer, Suzhou, and the second largest producer, Kaifeng, had recently (since the 1993-94 investigations) added substantial capacity. Conference transcript, p. 31, and petition, p. 37. Respondents reported that Suzhou's capacity grew from a pre-1996 level of *** to *** in 1996 and to *** in 1998. Respondents' postconference brief, p. 32.

[5] Respondents postconference brief, p. 33.

Table VII-1
Saccharin: China's production capacity, production, shipments, and inventories, 1999-2001, January-March 2001, January-March 2002, and projected 2002-03

Item	Actual experience					Projections	
				January-March			
	1999	2000	2001	2001	2002	2002	2003
	Quantity (*1,000 pounds*)						
Capacity	41,467	41,467	41,687	10,422	10,422	41,687	41,686
Production	32,260	***	***	9,400	9,539	***	***
End-of-period inventories	***	***	***	***	***	***[1]	***[1]
Shipments: Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to-- The United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***
	Ratios and shares (*percent*)						
Capacity utilization	77.8	***	***	90.2	91.5	***	***
Inventories to production	***	***	***	***	***	***	***
Inventories to total shipments	***	***	***	***	***	***	***
Shares of total shipments: Internal consumption							
Home market	***	***	***	***	***	***	***
Exports to-- The United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***

[1] *** did not provide end-of-period inventory data for projected 2002-03. Its inventories in 2001 amounted to *** pounds.

Note.–Nonreconciliation of production, inventories, and shipments is the result of unreconciled data reported by ***. Inventory ratios are calculated using data of firms providing both numerator and denominator information. January-March inventory ratios are calculated using annualized production and shipments data.

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

sales in the most recent fiscal year represented by sales of saccharin range from *** to *** percent. In 2001, *** percent of the shipments made by the responding producers of saccharin in China were made to the United States and approximately *** of the total shipments were exports. Other principal export markets reported were ***.[6] Exports to the United States increased by *** percent from 1999 to 2001 while shipments to the home market as a share of total shipments fluctuated *** and exports to all other markets as a share of total shipments decreased.

Table VII-2 presents exports of saccharin from China to the United States by type of saccharin. Responding exporters reported no shipments of types of saccharin other than sodium, calcium, and acid (insoluble) saccharin.

Table VII-2
Saccharin: China's exports to the United States, by type of saccharin, 1999-2001, January-March 2001, and January-March 2002

* * * * * * *

U.S. IMPORTERS' INVENTORIES OF PRODUCT FROM CHINA

Reported inventories held by U.S. importers of subject merchandise from China are shown in table VII-3. Thirteen U.S. importers reported end-of-period inventories and three reported no inventories.

U.S. IMPORTERS' IMPORTS SUBSEQUENT TO MARCH 31, 2002

The Commission requested importers to indicate whether they imported or arranged for the importation of saccharin from China after March 31, 2002. Eleven importers indicated that they imported or arranged for the importation of saccharin from China for delivery after March 31, 2002. A total of 941,038 pounds and 935,948 pounds of saccharin were imported or arranged to be imported in the second and third quarters of 2002, respectively. These figures include ***.

DUMPING IN THIRD-COUNTRY MARKETS

Questionnaire respondents reported no knowledge of import relief investigations regarding the subject product in any country other than the United States.

[6] According to the World Trade Atlas data, total Chinese exports of saccharin were 32.9 million pounds ($36.3 million) in 1999; 32.7 million pounds ($36.4 million) in 2000; and 38.1 million pounds ($40.7 million) in 2001. The largest export markets were Japan, India, Brazil, Indonesia, Germany, the United States, the United Kingdom, Taiwan, the Netherlands, Korea, and Belgium.

Table VII-3
Saccharin: U.S. importers' end-of-period inventories of imports, by source, 1999-2001, January-March 2001, and January-March 2002

Source	Calendar year			January-March	
	1999	2000	2001	2001	2002
Imports from China:					
Inventories (*1,000 pounds*)	214	186	414	273	332
Ratio to imports (*percent*)	23.5	14.1	18.0	12.3	10.7
Ratio to U.S. shipments of imports (*percent*)	27.8	13.9	20.2	14.5	9.8
Imports from all other sources:					
Inventories (*1,000 pounds*)	***	***	***	***	***
Ratio to imports (*percent*)	***	***	***	***	***
Ratio to U.S. shipments of imports (*percent*)	***	***	***	***	***
Imports from all sources:					
Inventories (*1,000 pounds*)	***	***	***	***	***
Ratio to imports (*percent*)	***	***	***	***	***
Ratio to U.S. shipments of imports (*percent*)	***	***	***	***	***

Note.--January-March ratios are based on annualized shipments and imports data.

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

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1013 (Preliminary)]

Saccharin From China

AGENCY: International Trade Commission.

ACTION: Institution of antidumping investigation and scheduling of a preliminary phase investigation.

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigation No. 731–TA–1013 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China of saccharin, provided for in subheading 2925.11.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by August 26, 2002. The Commission's views are due at Commerce within five business days thereafter, or by September 3, 2002.

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

EFFECTIVE DATE: July 11, 2002.

FOR FURTHER INFORMATION CONTACT: D.J. Na (202–708–4727), 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.—This investigation is being instituted in response to a petition filed on July 11, 2002, by counsel for PMC Specialties Group, Inc., Cincinnati, Ohio.

Participation in the investigation and public service list.—Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an

administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigation under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on August 1, 2002, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact D.J. Na (202–708–4727) not later than July 29, 2002, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before August 6, 2002, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must 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 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 207.12 of the Commission's rules.

Issued: July 12, 2002.
By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 02–18125 Filed 7–17–02; 8:45 am]
BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–878]

Initiation of Antidumping Duty Investigation: Saccharin from the People's Republic of China

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

EFFECTIVE DATE: August 8, 2002.

FOR FURTHER INFORMATION CONTACT: Javier Barrientos or Sally Gannon, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–2243, (202) 482–0162, respectively.

SUPPLEMENTARY INFORMATION:

Initiation Of Investigation

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the Tariff Act of 1930 ("Act"), as amended. In addition, unless otherwise indicated, all citations to the Department of Commerce's ("Department") regulations are to 19 CFR Part 351 (2002).

The Petition

On July 11, 2002, the Department received a petition on imports of saccharin from the People's Republic of China ("PRC") filed in proper form by PMC Specialities Group, Inc., hereinafter referred to as "the Petitioner." On July 23, 2002, the Department requested clarification of certain areas of the petition and received a response on July 26, 2002.

In accordance with section 732(b) of the Act, the Petitioner alleges that imports of saccharin from the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, and threatening material injury to, an industry in the United States.

The Petitioner is a saccharin producer and accounts for over fifty percent of domestic production of saccharin, as defined in the petition. Therefore, the Department finds that the Petitioner has standing to file the petition because it is an interested party as defined under section 771(9)(C) of the Act, with respect to the merchandise subject to this investigation. The Petitioner has demonstrated sufficient industry support with respect to the antidumping duty investigation, which it is requesting the Department to initiate (*see* "Determination of Industry Support for the Petition" below).

Scope of Investigation

The product covered by this investigation is saccharin. Saccharin is a non-nutritive sweetener used in beverages and foods, personal care products such as toothpaste, table top sweeteners, and animal feeds. It is also used in metalworking fluids. There are four primary chemical compositions of saccharin: (1) sodium saccharin (American Chemical Society Chemical Abstract Service ("CAS") Registry 128–44–9); (2) calcium saccharin (CAS Registry 6485–34–3); (3) acid (or insoluble) saccharin (CAS Registry 81–

07–2); and (4) research grade saccharin. Most of the U.S.-produced and imported grades of saccharin from the PRC are sodium and calcium saccharin, which are available in granular, powder, spray-dried powder, and liquid forms.

The merchandise subject to this investigation is classifiable under subheading 2925.11.00 of the Harmonized Tariff Schedule of the United States (HTSUS) and includes all types of saccharin imported under this HTSUS subheading, including research and specialized grades.[1] Although the HTSUS subheading is provided for convenience and Customs purposes, the Department's written description of the scope of this investigation remains dispositive.

During our review of the petitions, we discussed the scope with the petitioner to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations (62 FR 27323), we are setting aside a period for parties to raise issues regarding product coverage. The Department encourages all parties to submit such comments within 20 calendar days of the publication of this notice. Comments should be addressed to Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determinations.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product, and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Section 771(4)(A) of the Act defines the "industry" as the producers as a whole of a domestic like product.

Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While the Department and the ITC must apply the same statutory definition regarding the domestic like product (*see* section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the domestic like product, such differences do not render the decision of either agency contrary to law.[2]

Section 771(10) of the Act defines the 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 under this subtitle." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

In this case, the domestic like product referred to in the petition is the single domestic like product defined in the "Scope of Investigation" section, above. At this time, the Department has no basis on the record to find the petition's definition of the domestic like product to be inaccurate. The Department, therefore, has adopted the domestic like product definition set forth in the petition.

Moreover, the Department has determined that the petition contains adequate evidence of industry support; therefore, polling was unnecessary. *See Import Administration AD Investigation of Saccharin from the PRC: Initiation Checklist,* (July 31, 2002) ("*Initiation Checklist*"), at Attachment II (public version on file in the Central Records Unit of the Department of Commerce, Room B–099). To the best of the Department's knowledge, the Petitioner supporting the petition represents over 50 percent of total production of the domestic like product. Additionally, no person who would qualify as an interested party pursuant to section 771(9) (C), (D), (E), (F), or (G) of the Act has expressed opposition to the petition.

Accordingly, the Department determines that this petition is filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

Export Price and Normal Value

The following is a description of the allegation of sales at less than fair value ("LTFV") upon which the Department based its decision to initiate this investigation. The sources of data for the deductions and adjustments relating to U.S. price and factors of production are also discussed in the *Initiation Checklist.* Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determination, we may reexamine the information and revise the margin calculations, if appropriate. The anticipated period of investigation ("POI") is January 1, 2002 through June 30, 2002.

The Petitioner identified five PRC companies as producers and exporters of saccharin in the PRC. *See Initiation Checklist* at Attachment I.

The Petitioner submitted an LTFV analysis for the PRC as a non-market economy ("NME"). The Petitioner provided a dumping margin calculation using the Department's NME methodology as required by 19 C.F.R. § 351.202(b)(7)(i)(C).

Export Price

Petitioner calculated a range of export prices using average unit values (AUVs) of saccharin imports reported by the U.S. Census Bureau and the price quotes it obtained, subtracting ocean freight, insurance, brokerage and handling charges and foreign inland freight, where appropriate. *See* Petition at Exhibit 6; and Letter from Petitioner to the Department: Response to Petition Clarifications Questions (July 26, 2002) ("*Petition Clarifications*") at Exhibits 1 and 2, for a detailed calculation of these export prices. Petitioner did not calculate imputed credit expenses for PRC sales because the petition bases normal value ("NV") on a factors of production analysis pursuant to section 773(c) of the Act. *See Initiation Checklist* for further information.

Petitioner argues that, because at least one PRC producer of saccharin sells to an affiliated reseller in the United States, some sales during the period of investigation ("POI") should be considered constructed export price ("CEP") sales.[3] *See Initiation Checklist.*

[1] *See Harmonized Tariff Schedule of the United States* (2002) (Rev. 3), Chapter 29, Section VI at 29-60.

[2] *See Algoma Steel Corp. Ltd., v. United States,* 688 F. Supp. 639, 642-44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition,* 56 FR 32376, 32380-81 (July 16, 1991).

[3] Petitioner alleges that Suzhou maintains an affiliated reseller, Suzhou-Chem USA, Inc., which is located at 17 Appleby Rd., Suite B1 Wellesley, MA 02482.

Normal Value

For the normal value ("NV") calculation, Petitioner based the factors of production, as defined by section 773(c)(3) of the Act (raw materials, labor and energy), for saccharin on information from PRC producers. *See Initiation Checklist.*

The Petitioner selected India as the surrogate country for purposes of valuing the factors of production. The Petitioner argued that, pursuant to section 773(c)(4) of the Act, India is an appropriate surrogate because it is a market-economy country that is at a comparable level of economic development to the PRC and is a significant producer of comparable merchandise. Based on the information provided by the Petitioner, we believe that the Petitioner's use of India as a surrogate country is appropriate for purposes of initiation of this investigation. *See Initiation Checklist.*

In accordance with section 773(c)(4) of the Act, the Petitioner valued factors of production, where possible, on reasonably available, public, surrogate country data. To value certain raw materials, the Petitioner used various sources including import statistics from India, the periodical *Chemical Weekly*, and U.S. Census data. *See Initiation Checklist.* Where Indian import statistics were used, the Department recalculated the data to exclude NME countries and countries determined to provide non-industry specific export subsidies. *See Final Determination of Sales at Less Than Fair Value: Certain Automotive Replacement Glass Windshields from the People's Republic of China*, 67 FR 6482 (February 12, 2002) and accompanying *Issues and Decision Memorandum.* For inputs valued in Indian Rupees and not contemporaneous with the POI, the Petitioner used information from the wholesale price indices ("WPI") in India, as published by the International Monetary Fund, to determine the inflation adjustment.

The Petitioner explained that, as a result of the saccharin production process, certain byproducts are created that can in turn be sold by the producer to offset the cost of production. Petitioner calculated the quantity of byproducts released per pound of saccharin production, and identified Indian prices to value sales of these byproducts. The quantity of byproduct was then multiplied by the Indian price to determine the total amount of byproduct offset, and subtracted this amount from the total variable cost of producing saccharin. *See Initiation Checklist.*

To value electricity, Petitioner obtained industrial electricity costs in India from the 2000–2001 annual report of National Peroxide Limited ("National Peroxide"), a publicly traded Indian chemical producer. Petitioner maintains that this information is appropriate for use as a surrogate value because it accurately reflects the cost associated with an Indian chemical company's purchases of electricity and is the most contemporaneous pricing data available to Petitioner. *See Initiation Checklist.*

To value coal, Petitioner obtained coal costs in India based on the 1999–2000 financial statement of Hindustan Lever Limited ("Hindustan"), a publicly traded Indian chemical producer. This represents the most contemporaneous information available to Petitioner because National Peroxide's more recent annual report does not contain data regarding purchases of coal. *See Initiation Checklist.*

Pursuant to 19 C.F.R. §351.408(c)(3), the Department calculates and publishes the surrogate values for labor to be used in non-market economy cases. The Petitioner applied the regression formula published on the Department's website to derive the PRC labor rate that would be calculated using the Department's methodology. *See Initiation Checklist.*

For factory overhead ("overhead"), selling, general, and administrative expenses ("SG&A"), and profit, Petitioner states that its research indicated that several companies currently produce saccharin in India. However, to the best of Petitioner's knowledge, all of these companies are privately owned. Consequently, financial statements for an Indian producer of saccharin were not reasonably available to Petitioner. Overhead was, therefore, calculated based on the most recent financial statements of two Indian chemical producers: Calibre Chemicals Pvt. Limited ("Calibre") and National Peroxide. Petitioner states that data from the 2000 annual report of Calibre was used by the Department in its recent preliminary and final results of the annual administrative review of *Persulfates from the PRC*, and that the 2000–2001 annual report for National Peroxide has been placed on the record of the current annual review of the dumping order in the same case. The overhead, SG&A, and profit ratios for each company were averaged to obtain the respective surrogate values used. *See Initiation Checklist.*

We made adjustments to NV for packing materials. For further information, *see* the *Initiation Checklist.*

Based on comparisons of EP and CEP to NV, calculated in accordance with section 773(c) of the Act, the estimated dumping margins for saccharin from the PRC range from 116.64 percent to 355.55 percent.

Fair Value Comparisons

Based on the data provided by the Petitioner, there is reason to believe that imports of saccharin from the PRC are being, or are likely to be, sold in the United States at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petition alleges that the U.S. industry producing the domestic like product is being materially injured, and is threatened with material injury, by reason of the imports of the subject merchandise sold at LTFV. The Petitioner contends that the industry's injured condition is demonstrated by: (1) reduced shipments; (2) reduced market share; (3) reduced prices; (4) declining production and capacity utilization; (5) growing inventories; (6) significant operating losses; and, (7) lost sales.

The Department assessed the allegations and supporting evidence regarding material injury and causation and determined that these allegations are supported by accurate and adequate evidence and meet the statutory requirements for initiation. *See Initiation Checklist* at Attachment IV.

Initiation of Antidumping Investigation

Based upon our examination of the petition on saccharin from the PRC, we find that the petition meets the requirements of section 732 of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of saccharin from the PRC are being, or are likely to be, sold in the United States at LTFV. Unless postponed, we will make our preliminary determination no later than 140 days after the date of this initiation.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the government representatives of the PRC. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition, as appropriate, pursuant to 19 CFR 351.203(c)(2).

International Trade Commission Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will preliminarily determine, no later than August 25, 2002, whether there is a reasonable indication that imports of saccharin from the PRC are materially injuring, or threatening material injury to, a U.S. industry. A negative ITC determination will result in this investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 777(i) of the Act.

Dated: July 31, 2002.

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 02–20076 Filed 8–7–02; 8:45 am]

BILLING CODE 3510–DS–S

APPENDIX B

CALENDAR OF THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

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

Subject:	Saccharin from China
Inv. No.:	731-TA-1013 (Preliminary)
Date and Time:	August 1, 2002 - 9:30 a.m.

Sessions were held in connection with this investigation in the Commission's Main Hearing Room, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Collier Shannon Scott,
Washington, DC
on behalf of

PMC Specialties Group, Inc.

Gordon McCullough, Executive Vice President, PMC Specialties Group, Inc.
Ronald L. Pearson, Research & Development Manager, PMC Specialties Group, Inc.
Cory Davids, Marketing Specialist, PMC Specialties Group, Inc.
Brad Hudgens, Economist, Georgetown Economic Services
John M. Gloninger, Economist, Georgetown Economic Services

David A. Hartquist)
Mary T. Staley) --OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:

Garvey, Schubert & Barer
Washington, DC
on behalf of

Suzhou Fine Chemicals Group Co., Ltd.
Kaifeng Xinghua Fine Chemical Factory
Shanghai Fortune Chemical Co., Ltd.

Joan Ni, Head of Sales, Suzhou-Chem USA, Inc.
George Chan, General Manager, Shanghai Fortune Chemical Co., Ltd.
Wayne Ritell, Vice President of Sales, Rit-Chem Co., Inc.
Karsen Kohler, Director of Sales, HELM U.S. Corp.

William E. Perry)--OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
Saccharin: Summary data concerning the U.S. market, 1999-2001, January-March 2001, and January-March 2002

(Quantity=1,000 pounds, value=$1,000, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data					Period changes			
				January-March					
	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	Jan.-Mar. 2001-2002
U.S. consumption quantity: Amount	***	***	***	***	***	***	***	***	***
Producer's share[1]	***	***	***	***	***	***	***	***	***
Importers' share: China[1]	***	***	***	***	***	***	***	***	***
Other sources[1]	***	***	***	***	***	***	***	***	***
Total importers' share[1]	***	***	***	***	***	***	***	***	***
U.S. consumption value: Amount	***	***	***	***	***	***	***	***	***
Producer's share[1]	***	***	***	***	***	***	***	***	***
Importers' share: China[1]	***	***	***	***	***	***	***	***	***
Other sources[1]	***	***	***	***	***	***	***	***	***
Total importers' share[1]	***	***	***	***	***	***	***	***	***
U.S. imports from– China: Quantity	1,040	1,409	2,598	656	740	149.7	35.5	84.4	12.8
Value	1,645	2,353	4,011	1,079	1,171	143.8	43.0	70.5	8.5
Unit value	$1.58	$1.67	$1.54	$1.65	$1.58	-2.4	5.6	-7.5	-3.9
Ending inventory quantity	214	186	414	273	332	93.0	-13.3	122.6	21.6
Other sources: Quantity	1,521	1,363	1,490	279	457	-2.1	-10.4	9.3	63.7
Value	3,604	2,963	3,195	675	882	-11.4	-17.8	7.8	30.8
Unit value	$2.37	$2.17	$2.14	$2.42	$1.93	-9.5	-8.2	-1.3	-20.1
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources: Quantity	2,562	2,772	4,088	935	1,197	59.6	8.2	47.4	28.0
Value	5,250	5,316	7,206	1,754	2,053	37.3	1.3	35.5	17.1
Unit value	$2.05	$1.92	$1.76	$1.88	$1.71	-14.0	-6.4	-8.1	-8.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producer's– Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization[1]	***	***	***	***	***	***	***	***	***
U.S. shipments: Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***

See footnote at end of table.

Table C-1--*Continued*
Saccharin: Summary data concerning the U.S. market, 1999-2001, January-March 2001, and January-March 2002

(Quantity=1,000 pounds, value=$1,000, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data					Period changes			
				January-March					
	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	Jan.-Mar. 2001-2002
U.S. producer's--*Continued*									
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments[1]	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (*1,000 hours*)	***	***	***	***	***	***	***	***	***
Wages paid (*$1,000*)	***	***	***	***	***	***	***	***	***
Productivity (*pounds/hour*)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income (loss)	***	***	***	***	***	***	***	***	***
COGS/net sales[1]	***	***	***	***	***	***	***	***	***
Operating income (loss)/ sales[1]	***	***	***	***	***	***	***	***	***

[1] "Reported data" are in percent and "period changes" are in percentage points.

Note.--January-March inventory ratios are calculated using annualized shipments data. 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 and from official Commerce statistics.