

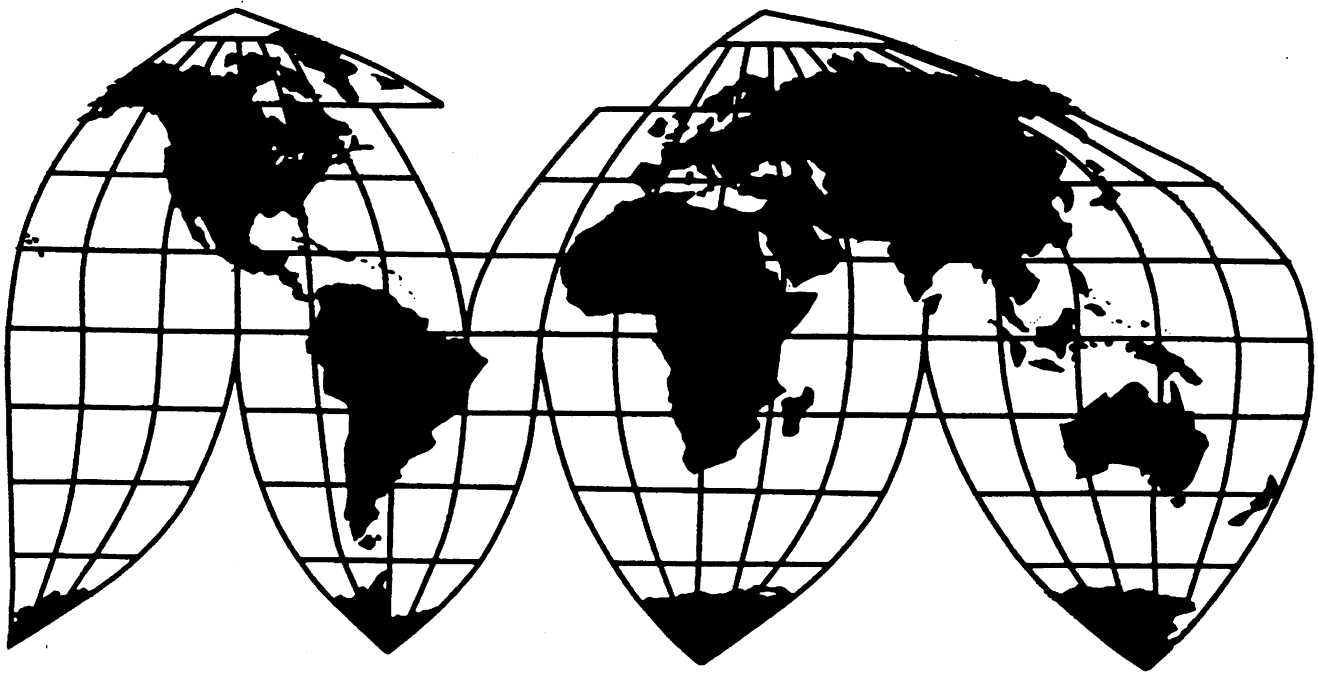
# Folding Gift Boxes From China

Investigation No. 731-TA-921 (Preliminary)

Publication 3411

April 2001

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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## **Folding Gift Boxes From China**

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

## GLOSSARY

A.J. Cohen	A.J. Cohen Distributors of General Merchandise
Bigfield	Bigfield Goldenford Holdings Ltd.
Braha	Braha Industries, Inc.
c.i.f.	Cost, insurance, freight
Climax	Climax Manufacturing Company
COGS	Cost of goods sold
Commerce	U.S. Department of Commerce
Commission	U.S. International Trade Commission
D&G Industrial	D&G Industrial International, Inc.
Family Dollar	Family Dollar Stores, Inc.
FGBs	Folding gift boxes
Field	Field Container Company, L.P.
f.o.b.	Free on board
FR	Federal Register
Harvard	Harvard Folding Box Company, Inc.
HTS	Harmonized Tariff Schedule of the United States
Ideal	Ideal Boxmakers
Lindy Bowman	The Lindy Bowman Company
LTFV	Less-than-fair-value
Luk Ka	Luk Ka Printing Company, Ltd.
Party Concepts	Party Concepts, Inc.
PPC	Paperboard Packaging Council
PRWs	Production and related workers
R&D	Research and development
Red Point	Red Point Paper Products Company, Ltd.
Roses	Rose's Stores, Inc.
SG&A	Selling, general and administrative
Simkins	Simkins Industries, Inc.
Sterling	Sterling Packaging Corporation
Superior	Superior Packaging, Inc.
Variety	Variety Wholesalers, Inc.



# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-921 (Preliminary)

## FOLDING GIFT BOXES FROM CHINA

### DETERMINATION

On the basis of the record<sup>2</sup> developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of folding gift boxes, provided for in subheadings 4819.20.00 and 4819.50.40 (statistical reporting numbers 4819.20.0040 and 4819.50.4060) 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).

### COMMENCEMENT OF FINAL PHASE INVESTIGATION

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 (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 February 20, 2001, a petition was filed with the Commission and the Department of Commerce by Harvard Folding Box Company, Inc., Lynn, MA, and Field Container Company, L.P., Elk Grove, IL, alleging that an industry in the United States is materially injured and is threatened with material injury by reason of LTFV imports of folding gift boxes from China. Accordingly, effective February 20, 2001, the Commission instituted antidumping duty investigation No. 731-TA-921 (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 March 1, 2001 (66 FR 12957). The conference was held in Washington, DC, on March 13, 2001, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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<sup>2</sup> The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).



## VIEWS OF THE COMMISSION

Based on the record in this investigation, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of folding gift boxes from China that are allegedly sold in the United States at less than fair value (“LTFV”).

### I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in a preliminary antidumping investigation requires the Commission to find, 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.<sup>1</sup> 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.”<sup>2</sup>

### II. DOMESTIC LIKE PRODUCT AND INDUSTRY

#### A. In General

In determining 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.”<sup>3</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Act”), defines the relevant domestic industry as the “producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>4</sup> In turn, the Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”<sup>5</sup>

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.<sup>6</sup> No single factor is dispositive, and the Commission

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<sup>1</sup> 19 U.S.C. § 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).

<sup>2</sup> American Lamb, 785 F.2d at 1001; *see also* Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

<sup>3</sup> 19 U.S.C. § 1677(4)(A).

<sup>4</sup> 19 U.S.C. § 1677(4)(A).

<sup>5</sup> 19 U.S.C. § 1677(10).

<sup>6</sup> *See, e.g.*, NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int’l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of

(continued...)

may consider other factors it deems relevant based on the facts of a particular investigation.<sup>7</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>8</sup> 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 LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>9</sup>

## **B. Product Description**

Commerce’s notice of initiation defines the imported merchandise within the scope of this investigation as follows:

The merchandise subject to this petition is certain folding gift boxes. Folding gift boxes are a type of folding or knock-down carton manufactured from paper or paperboard. Folding gift boxes are produced from a variety of recycled and virgin paper or paperboard materials, including, but not limited to, clay-coated paper or paperboard and kraft (bleached or unbleached) paper or paperboard. The scope of the petition excludes gift boxes manufactured from paper or paperboard of a thickness of more than 0.8 millimeters, corrugated paperboard, or papier mache.

Folding gift boxes are typically decorated with a holiday motif using various processes, including printing, embossing, debossing, and foil stamping, but may also be plain white or printed with a single color. The subject merchandise includes folding gift boxes, with or without handles, whether finished or unfinished, and whether in one-piece or multi-piece configuration. One-piece gift boxes are die-cut or otherwise formed so that the top, bottom, and sides form a single, contiguous unit. Two-piece gift boxes are those with a folded bottom and a folded top as separate pieces. Folding gift boxes are generally packaged in shrink-wrap, cellophane, or other packaging materials, in single or multi-box packs for sale to the retail customer. The scope of the petition excludes folding cartons that have a retailer’s name, logo, trademark or similar company information printed prominently on the folding carton’s top exterior (such folding cartons are often known as “not-for-resale” gift boxes or “give-away” gift boxes and may be provided by department and specialty stores at no charge to their retail customers).<sup>10</sup>

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<sup>6</sup> (...continued)

factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

<sup>7</sup> See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

<sup>8</sup> Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49. See also S. Rep. No. 96-249 at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

<sup>9</sup> Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

<sup>10</sup> 66 Fed. Reg. 15400 (Mar. 19, 2001). On March 16, 2001, petitioners filed an amendment to the scope, which  
(continued...)

C. **Domestic Like Product**<sup>11</sup>

**Whether “Not-for-Resale” or “Give-Away” Gift Boxes Should be Included Within the Definition of the Domestic Like Product**<sup>12</sup>

Petitioners argue that “not-for-resale” or “give-away” gift boxes should not be included in the definition of the domestic like product.<sup>13</sup> Respondents Lindy Bowman Company and Plus Mark assert that the Commission should determine that there is one domestic like product that includes all folding gift boxes, both for-resale and not-for-resale, whether plain white, single colored, or with designs, company names or logos, and whether or not shrink-wrapped.<sup>14</sup> Based on the available evidence on the record in the preliminary phase of this investigation, we define the domestic like product as certain folding gift boxes, not including give-away boxes, and coextensive with Commerce’s amended scope. We find this issue to be a close one, however, and intend to examine this issue further and to seek

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<sup>10</sup> (...continued)

provides for the exclusion of gift boxes for which no side of the box, when assembled, is at least nine inches in length. It also excludes folding cartons in which both the outside of the carton is a single color and the carton is not packaged in shrink-wrap, cellophane, other resin-based packaging films, or paperboard. Commerce agreed to the amended scope. *See* Confidential Report (“CR”) at I-3 n.11, Public Report (“PR”) at I-2 n.11. Commerce noted that imports of the subject merchandise are classified under U.S. Harmonized Tariff Schedule subheadings 4819.20.00.40 and 4819.50.40.60. These subheadings also cover products that are outside the scope of this petition. 66 Fed. Reg. at 15400.

<sup>11</sup> Commissioner Bragg does not join section II.C. of these views, with the exception of the Commission’s findings regarding gift bags and set-up boxes to which she joins. Upon review of the limited record at this stage of the proceedings, Commissioner Bragg finds that, on balance, the record indicates that there is one like product consisting of all folding gift boxes, including “not-for-resale” folding gift boxes. Although the preliminary record indicates that not-for-resale boxes and all other folding gift boxes are often sold in different channels of distribution, the record also indicates that not-for-resale boxes and other folding gift boxes: (1) share similar physical characteristics and uses; (2) are interchangeable; and (3) utilize common manufacturing facilities and employees. CR at I-2 - I-3, I-5, PR at I-2-I-4; Tr. At 82 (Mr. Blinderman). Commissioner Bragg notes, however, that she will examine this issue further in any final phase investigation, particularly in light of the several areas of incomplete information in the preliminary record. *See infra* n. 39.

<sup>12</sup> We note that the petitioners intended the scope of the investigation to cover “folding gift boxes of a kind sold at retail” and intended to exclude so-called “give-away” boxes that retailers give customers to accompany purchases. *See* Petition at 1, 3. The scope as written achieves this exclusion indirectly, by reference to boxes with company names or logos, or single color boxes that are not shrink wrapped (such as plain white or gray shirt or blouse boxes often given away by retailers with a purchase).

For purposes of this preliminary determination, we find that the definition does distinguish between the two types of boxes. Respondents submitted evidence that some high-end retailers do offer their boxes for sale, although in some cases it appeared that this was done as an extra charge for putting on-line purchases in boxes, rather than as sales of the boxes alone. *See* Lindy Bowman’s Postconference Brief at Exh. 1. In addition, we do not know the extent to which there may be multi-colored give-away boxes that do not contain a company name or logo. We intend to gather further facts on these issues in any final phase investigation.

<sup>13</sup> Petitioners’ Postconference Brief at 9.

<sup>14</sup> Lindy Bowman’s Postconference Brief at 7; Plus Mark’s Postconference Brief at 5.

additional information on the pertinent products, including give-away boxes, in any final phase investigation.<sup>15</sup>

Although for-resale folding gift boxes may be printed with a single color or left plain white,<sup>16</sup> the majority of for-resale folding gift boxes have distinctive holiday motifs or colors. By contrast, most give-away folding gift boxes are either plain or have a company name, logo, or other such identification.<sup>17</sup> For-resale boxes are generally shrink-wrapped and packaged for retail sale whereas give-away boxes are packaged in bulk.<sup>18</sup> While all folding gift boxes are used to package gifts, for-resale gift boxes generally require no additional wrapping by the end users.<sup>19</sup>

For retail stores buying folding gift boxes, for-resale boxes are not interchangeable with give-away boxes; the former generate revenue (upon resale) whereas the latter are used as expense items.<sup>20</sup> Thus, for-resale folding gift boxes are typically purchased by retail buyers whereas purchasing agents typically buy the give-away boxes.<sup>21</sup> We note, however, that both types of boxes are distributed to end-use consumers for similar, ultimate use.

The design phase of for-resale gift boxes, which includes determining the size and shape of the box as well as the graphic designs to be printed on the box, is typically performed by the gift box producer. For give-away gift boxes, by contrast, customers typically purchase or create designs that are specifically tailored to their product.<sup>22</sup> The manufacturing process is then identical up to the packaging phase, although flexographic printers are more often used in the production of give-away boxes whereas lithographic printers are more often used to produce for-resale boxes.<sup>23</sup> The method of packaging then diverges; the for-resale boxes are collated and wrapped, while the give-away boxes are shipped in bulk to the customer.<sup>24</sup>

There is some evidence that producers perceive for-resale folding gift boxes and give-away folding gift boxes to be distinct products. Those manufacturers that produce both types have different divisions responsible for sales of each type.<sup>25</sup> Customers at the top of the distribution chain for each type of box reportedly view the products differently: because department stores wish to control costs, they view the give-away boxes they purchase as expense items or as an advertising vehicle; retailers view the for-resale boxes they purchase as means to generate revenue.<sup>26</sup> End-users, however, may find the

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<sup>15</sup> We note that the data collected in this preliminary phase investigation pertain to for-resale gift boxes as delineated in Commerce's scope before it was amended.

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

<sup>17</sup> In any final phase investigation, we intend to explore the extent to which give-away boxes employ holiday motifs during the holiday season.

<sup>18</sup> CR at I-5, PR at I-4.

<sup>19</sup> See Petition at 4.

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

<sup>21</sup> CR at I-6, PR at I-4. *But see* CR/PR at III-1 n.2 (\*\*\*) sells give-away boxes to higher end specialty retailers).

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

<sup>23</sup> Petitioners' Postconference Brief at 15, 19; Tr. at 11 (Mr. Aducci).

<sup>24</sup> CR at I-5, PR at I-4. Three of the four reporting producers source their packaging services through outside parties. CR at III-2, PR at III-2.

<sup>25</sup> Petitioners' Postconference Brief at 16; *see* Tr. 45 (Mr. Graham).

<sup>26</sup> CR at I-6, PR at I-4.

distinctions between for-resale and other gift boxes to be less significant. Finally, give-away boxes generally cost less than for-resale gift boxes.<sup>27</sup>

In view of the differing physical characteristics, limited interchangeability, differing channels of distribution, differing means of production, differences in producer and customer perceptions, and differences in price, we find for purposes of this preliminary phase determination that the domestic like product does not include give-away folding gift boxes.<sup>28</sup> Consequently, we define the domestic like product as certain folding gift boxes for resale, coextensive with the amended scope of the investigation. As we stated above, we intend to revisit this issue in any final phase investigation.

#### **D. Domestic Industry and Related Parties**<sup>29</sup>

In defining the domestic industry, the Commission's general practice has been to include in the industry all of the domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.<sup>30</sup> Based on our definition of the domestic like product, we define the domestic industry to include all producers of for-resale folding gift boxes as defined in the amended scope.

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves

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<sup>27</sup> CR at I-7, PR at I-5. *But see* Lindy Bowman's Postconference Brief at 14-15 (there is a wide range in prices in all folding gift boxes); Plus Mark's Postconference Brief at 8 (both for-resale and give-away boxes can be inexpensive or expensive); Tr. at 62 (Mr. Price) (continuum of price exists).

<sup>28</sup> We have also considered whether gift bags and set-up boxes should be included in the domestic like product. No party argues that they should. The evidence in the record suggests that although gift bags and set-up boxes may have the same uses as folding gift boxes, their physical characteristics differ. Gift bags are made of paper, not paperboard or paper attached to paperboard. The production of gift bags requires equipment that is very different from that used to produce for-resale gift boxes. Petitioners' Postconference Brief at 20; Lindy Bowman's Postconference Brief at 16. There is no information in the record regarding the price of gift bags as compared to folding gift boxes.

Set-up boxes are manufactured from rigid paperboard that does not fold like a for-resale folding gift box. The designs are printed onto paper that is molded to the set-up box as opposed to being printed directly onto for-resale folding gift boxes. Like gift bags, set-up boxes may be used to package gifts without using wrapping paper. The equipment used to print for-resale folding gift boxes would require significant alterations to print set-up boxes, and additional equipment would be required for their production. Set-up boxes are substantially more expensive than folding gift boxes. Petitioners' Postconference Brief at 20-21. There is evidence in the record that the ultimate consumer will generally view a set-up box for storage and as a keepsake while a folding gift box is more likely to be used for gift packaging. Lindy Bowman's Postconference Brief at 16-17. In view of the foregoing, we determine not to include gift bags and set-up boxes within the definition of the domestic like product.

<sup>29</sup> Based upon her definition of the domestic like product, Commissioner Bragg defines the domestic industry as all domestic producers of folding gift boxes, including producers of not-for-resale folding gift boxes.

<sup>30</sup> *See United States Steel Group v. United States*, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), *aff'd*, 96 F.3d 1352 (Fed. Cir.1996).

importers.<sup>31</sup> Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.<sup>32</sup>

Field Container ("Field"), a petitioner, and Superior Packaging, Inc. ("Superior") both imported subject folding gift boxes during the period of investigation. The quantity of Field's subject imports accounted for \*\*\* percent of its shipments in 1998 and \*\*\* percent in 1999. Field reported \*\*\* imports in 2000.<sup>33</sup> Based on the limited information obtained from the questionnaires,<sup>34</sup> Field represents \*\*\* percent of domestic production and is the \*\*\* domestic producer.<sup>35</sup> Because Field imported only a small number of folding gift boxes from China to meet the needs of one customer,<sup>36</sup> and because its primary interests lie with domestic production rather than importation, we find that appropriate circumstances do not exist to exclude Field from the domestic industry as a related party.

Superior appeared in support of the petition at the conference. Its subject imports accounted for \*\*\* percent of its shipments in 1998, \*\*\* percent in 1999, and \*\*\* percent in 2000.<sup>37</sup> Based on responses obtained from questionnaires, Superior represents \*\*\* percent of domestic production and is the \*\*\* domestic producer.<sup>38</sup> In view of the relatively small percentage of its subject imports and the fact that it is predominantly a producer rather than an importer, we find that appropriate circumstances do not exist to exclude Superior from the domestic industry as a related party.

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<sup>31</sup> 19 U.S.C. § 1677(4)(B).

<sup>32</sup> Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd without opinion*, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producers vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. *See, e.g., Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. *See, e.g., Melamine Institutional Dinnerware from China, Indonesia, and Taiwan*, Invs. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 at 14 n.81 (Feb. 1997).

<sup>33</sup> CR/PR at IV-1 n.1.

<sup>34</sup> The questionnaire responses cover only four of 13 firms contacted by Commission staff. CR/PR at III-1 & n.1. Although the exact number is unknown, at least 12 firms in the United States now manufacture or have recently manufactured for-resale folding gift boxes within the definition of the domestic like product. CR at I-4, PR at I-3.

<sup>35</sup> CR/PR at Table III-1. This information is based on responses to the Commission's domestic producer questionnaires. However, if the data of another responding producer, \*\*\*, were included in the shipment data, \*\*\* alone would account for approximately \*\*\* percent by volume and \*\*\* percent by value of U.S. shipments of folding gift boxes in 2000. CR at III-3, PR at III-2. As a result, Field and Superior would account for less than their reported shares of domestic production. The data for \*\*\*, however, have not been included because Commission staff were unable to satisfactorily reconcile discrepancies in \*\*\* data.

<sup>36</sup> Tr. at 14 (Mr. Aducci), 32-33 (Mr. Aducci).

<sup>37</sup> CR/PR at IV-1 n.1.

<sup>38</sup> CR/PR at Table III-1.



### III. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS<sup>39</sup>

In the preliminary phase of an antidumping duty investigation, 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.<sup>40</sup> In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>41</sup> The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”<sup>42</sup> 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.<sup>43</sup> No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>44</sup>

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry is materially injured by reason of subject imports.

#### A. Conditions of Competition

The following conditions of competition are pertinent to our analysis.

First, in making this preliminary determination, we must rely on data from only four domestic producers, two of which are petitioners.<sup>45</sup> However, in 1997, almost 300 U.S. plants were capable of manufacturing folding gift boxes. Today, it appears that at least 12 U.S. plants manufacture, or have recently manufactured, the domestic like product.<sup>46</sup>

Second, the for-resale gift box market is seasonal, coinciding with the Christmas, Hanukkah, and Kwanzaa holiday seasons. Approximately 60 to 85 percent of the industry’s sales are boxes designed for

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<sup>39</sup> Commissioner Bragg notes that there are several outcome determinative issues which, in her view, are not resolved at this stage of the proceedings, and are of particular relevance to her preliminary present material injury determination. She is satisfied that, based upon the outcome determinative nature of these unresolved issues and the apparent limited factual record at this stage of the proceedings, a final phase investigation will provide the Commission with the opportunity to: (1) obtain purchasers’ input on what constitutes the domestic like product, as well as the level and nature of competition between subject imports and the domestic like product within the various channels of the market, particularly with respect to price competition; (2) collect additional domestic industry performance data and seek further clarification on domestic producers’ product coverage and their allocation and reporting methodology; and (3) assess the role of non-subject imports, if any, in the U.S. market.

<sup>40</sup> 19 U.S.C. §§ 1671b(a) and 1673b(a).

<sup>41</sup> 19 U.S.C. § 1677(7)(B)(i). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each [such] factor . . . [a]nd explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B). *See also* Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

<sup>42</sup> 19 U.S.C. § 1677(7)(A).

<sup>43</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>44</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>45</sup> *See* CR/PR at III-1.

<sup>46</sup> CR at I-4, PR at I-3.

those holidays, with the remainder designed for occasions such as Easter, graduation, Mother's Day, and Father's Day. Shipments are largely made in the last few months prior to the holidays.<sup>47</sup>

Third, folding gift boxes are sold to a diverse customer base: to mass retailers, discount retailers, food and drug retailers, and other retailers.<sup>48</sup> Most U.S.-produced product is sold to mass retailers and to discount retailers, while most subject imports are sold to discount retailers and food and drug retailers.<sup>49</sup> Most U.S. producers believe that demand for for-resale gift boxes has been growing in recent years, in conjunction with the growing popularity of discount retailers and internet sales.<sup>50</sup> Importers feel that recent demand has been more mixed, citing declines in Christmas retail sales levels and competition with gift bags, the most common substitute product for for-resale gift boxes.<sup>51</sup> Overall, however, apparent U.S. consumption of for-resale gift boxes increased in both 1999 and 2000, rising by 11.0 percent on a quantity (pack) basis and by 8.1 percent on a value basis.<sup>52 53</sup>

Fourth, there is a significant time lag between the placement of an order and delivery of the finished boxes – typically at least four to six months. Distributors of the product do not generally take delivery of the boxes until the last few months of the year, *i.e.*, August through early December.<sup>54</sup>

Fifth, the merchandise, especially the printed tops, is generally produced to meet a specific order and is rarely produced for the general inventory of the gift box manufacturer.<sup>55</sup> Thus, inventories are not a significant issue in this investigation.<sup>56</sup> The record also indicates that the equipment used to produce the folding gift boxes within the scope of this investigation is used to produce other types of folding boxes and cartons.<sup>57</sup>

Sixth, sales are generally pursuant to one-year contracts and are fixed in terms of price and quantity.<sup>58</sup> Price is an important factor in the purchasing decision, although non-price factors such as quality and design are also important.<sup>59</sup>

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<sup>47</sup> CR at II-5, PR at II-4; Petition at 9-10; Petitioners' Postconference Brief at 22, 24; Tr. at 7 (Mr. Graham).

<sup>48</sup> CR/PR at Tables II-1, II-2.

<sup>49</sup> CR at II-2, PR at II-1.

<sup>50</sup> CR at II-5, PR at II-3.

<sup>51</sup> CR at II-5 - II-6, PR at II-3.

<sup>52</sup> Despite importers' less positive outlook regarding demand, import volume rose substantially faster than did domestic shipment volume. Moreover, import sales are far more concentrated in the discount retailer portion of the market (an apparent growth area) than are domestic sales (which are concentrated in the mass retailer portion of the market). CR/PR at Tables V-1 - V-4, C-1; CR at II-2, PR at II-1.

<sup>53</sup> The industry standard for quantity measure is the "pack." A pack may contain two, three, four, or 10 boxes. It is unclear what the relationship is between numbers of packs reported shipped by producers and importers and the number of boxes shipped. As a result, we find the value shipped more probative than the quantity shipped. We intend to attempt to obtain more accurate data as to quantities shipped during the period of investigation in any final phase investigation.

<sup>54</sup> CR at V-3, PR at V-1; Petition at 10.

<sup>55</sup> Petition at 10.

<sup>56</sup> Petitioners' Postconference Brief at 26; Tr. at 17 (Mr. Lenscak).

<sup>57</sup> See Tr. at 8-9 (Mr. Aducci).

<sup>58</sup> CR at V-3, PR at V-2.

<sup>59</sup> See CR at II-8 n.8, V-15, PR at II-4 n.8.

Finally, the record indicates that both U.S. producers and U.S. importers find U.S. and Chinese for-resale gift boxes to be interchangeable (“always” for domestic producers, “always” or “frequently” for U.S. importers).<sup>60</sup> Nonetheless, there can be significant product differences or differences in sales conditions between the domestic and the Chinese product (“sometimes” according to U.S. producers; “sometimes,” “frequently,” or “always,” according to U.S. importers).<sup>61</sup> With respect to quality, for example, some U.S. importers that sell for-resale gift boxes directly to consumers believe that U.S. for-resale gift boxes are superior, while others believe that Chinese for-resale gift boxes are superior. This is consistent with statements of market participants favoring the thicker boxes of the U.S. producers, on the one hand, and the superior designs of the Chinese producers on the other.<sup>62</sup> U.S. producers may also have some advantage in delivery time and delivery terms but not in supply reliability, product availability, or service. Chinese suppliers have their biggest advantages in product range and lowest price.<sup>63</sup>

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

Section 771(7)(C)(i) of the Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”<sup>64</sup>

The quantity and value of subject imports rose steadily over the period examined, as did subject import market share. The value of subject imports rose from \$2.5 million in 1998 to \$3.7 million in 1999, then climbed further to \$4.5 million in 2000. The quantity of subject imports increased from 5.0 million packs in 1998 to 6.7 million packs in 1999, then increased further to 8.2 million packs in 2000.<sup>65</sup> Subject import market share, measured by value, increased from \*\*\* percent in 1998 to \*\*\* percent in 1999, then to \*\*\* percent in 2000.<sup>66</sup>

At the same time, U.S. producers’ market share declined. U.S. market share, as measured by value, declined from \*\*\* percent in 1998 to \*\*\* percent in 1999, then declined further to \*\*\* percent in 2000.<sup>67</sup> Thus, subject imports gained market share at the expense of the domestic producers.<sup>68</sup>

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.

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<sup>60</sup> Compare CR/PR at Table II-3 with CR/PR at Table II-4.

<sup>61</sup> Compare CR/PR at Table II-5 with CR/PR at Table II-6.

<sup>62</sup> CR at II-8 n.8 & Figure II-1, II-9, PR at II-4 & Figure II-1, II-5.

<sup>63</sup> CR/PR at Figure II-1, CR at II-9, PR at II-5.

<sup>64</sup> 19 U.S.C. § 1677(7)(C)(i).

<sup>65</sup> CR/PR at Table IV-1.

<sup>66</sup> CR/PR at Table IV-3.

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

<sup>68</sup> Although the only imports about which we have obtained data are from China, we note that there are at least 11 other sources of product within one of the HTS categories for all folding gift boxes that includes subject merchandise. See CR/PR at Table D-2. We intend to seek data regarding folding gift boxes from nonsubject countries in any final phase investigation.

**C. Price Effects of the Subject Imports**

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

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

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>69</sup>

As stated above, price is an important factor in purchasing decisions. Information obtained from U.S. producers and importers indicates that domestically-produced folding gift boxes and subject imports are generally substitutable.<sup>70</sup>

Prices for the domestic like product showed no clear trend during the period examined, rising for some products and declining for others. Nonetheless, even for those products for which prices rose, the evidence in the record indicates that the increases may not have been sufficient to cover the increases in the domestic industry's costs.<sup>71</sup> Further, the subject imports undersold the domestically-produced folding gift boxes in \*\*\* of \*\*\* quarters for which pricing data could be compared.<sup>72</sup> The margins of underselling ranged from \*\*\* percent to \*\*\* percent.<sup>73</sup>

Although the record is limited at this stage of the proceeding, we nonetheless find, based primarily upon the shift in market share from the domestic like product to subject imports, as well as evidence of underselling and of confirmed lost sales and revenues discussed below, that subject imports are having significant negative price effects on the domestic like product.

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<sup>69</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>70</sup> See CR/PR at Tables II-3, II-4.

<sup>71</sup> The cost of goods sold rose from \$\*\*\* in 1998 to \$\*\*\* in 1999, then climbed to \$\*\*\* in 2000. CR/PR at Table VI-1.

<sup>72</sup> CR at V-14, PR at V-3.

<sup>73</sup> CR at V-14, PR at V-3. Much of this underselling was to “other” retailers (*i.e.*, retailers other than mass merchandise, food and drug, or discount merchandise retailers) (10 of 11 comparisons) or to food and drug retailers (5 of 9 comparisons). These customers accounted for \*\*\* percent of reported U.S. producers' sales and \*\*\* percent of reported importers' sales, respectively. There were no direct price comparisons for sales to mass merchant retailers and limited instances of underselling (1 of 5 comparisons) for sales to discount retailers, customer categories that accounted for the majority of reported sales of the domestic like product and the subject imports. CR at V-14 - V-15, PR at V-3-V5 (price comparisons) and CR at II-1 - II-2, PR at II-1 (customer categories/channel structure). We intend to explore further in any final phase investigation the degree of price competition for sales to diverse types of customers.

#### 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.<sup>74</sup> These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>75 76 77</sup>

As a threshold issue, we note that the domestic industry’s trade and financial data in the preliminary phase of this investigation are limited and that the domestic industry producing even the narrow set of folding gift boxes that we have defined to be the domestic like product may be larger than the four producers identified in the petition. We will therefore seek in any final phase investigation more complete data on domestic production of both folding gift boxes for resale and give-away folding gift boxes, consistent with our conclusion to re-examine the like product issue. We will also examine closely the industry trade and financial data we receive, with a view to resolving the type of questions that have arisen in the preliminary phase of this investigation with respect to producers’ allocation and reporting methodologies.<sup>78</sup>

Domestic production of for-resale folding gift boxes increased irregularly between 1998 and 2000,<sup>79</sup> as did capacity and capacity utilization.<sup>80</sup> The quantity of domestic producers’ U.S. shipments

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<sup>74</sup> 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851, 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.).

<sup>75</sup> 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, 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25 n.148.

<sup>76</sup> The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii) (V). In its notice of initiation, Commerce identified estimated dumping margins ranging from 65.00 to 87.68 percent. 66 Fed. Reg. 15400, 15402 (Mar. 19, 2001).

<sup>77</sup> Commissioner Bragg notes that she does not ordinarily consider the magnitude of dumping to be of particular significance in evaluating the effects of subject imports on the domestic products. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996); Anhydrous Sodium Sulfate from Canada, Inv. No. 731-TA-884 (Preliminary), USITC Pub. 3345 (Sept. 2000) at 11 n.63.

<sup>78</sup> See, e.g., CR/PR at VI-1. We note that \*\*\* failed to submit their financial statements, despite a request by the Commission staff. CR/PR at VI-1 n.2.

<sup>79</sup> Domestic production decreased from \*\*\* packs in 1998 to \*\*\* packs in 1999, then increased to \*\*\* packs in 2000. CR/PR at Table III-2.

<sup>80</sup> Capacity fell from \*\*\* packs in 1998 to \*\*\* packs in 1999, then climbed to \*\*\* packs in 2000. Capacity utilization decreased from \*\*\* percent in 1998 to \*\*\* percent in 1999, then increased to \*\*\* percent in 2000. CR/PR at Table III-2.

followed the same trend and the value of these shipments increased slightly throughout the period.<sup>81</sup> Production and shipments, however, grew at a slower rate than did apparent U.S. consumption.<sup>82</sup>

By contrast, domestic market share declined over the period<sup>83</sup> as the volume of subject imports increased steadily. The evidence in the record indicates six confirmed lost sales totaling approximately \$\*\*\*, a likely lost sale to a major customer, \*\*\*, in the amount of \$\*\*\*,<sup>84</sup> and lost revenues in the amount of \$\*\*\*.<sup>85</sup> While total net sales increased irregularly,<sup>86</sup> gross profits declined steadily. By 2000, gross profits were at half the levels achieved in 1998.<sup>87</sup> The ratio of cost of goods sold to net sales increased.<sup>88</sup> The domestic industry experienced \*\*\* that increased steadily over the period, such that in 2000 it was greater than five times what it was in 1998.<sup>89</sup> In addition, the domestic industry's \*\*\* increased between 1998 and 2000.<sup>90</sup>

The record also indicates that capital expenditures increased significantly from 1998 to 1999, but declined between 1999 and 2000 to approximately half the level reported in 1998.<sup>91</sup> The number of the domestic industry's production and related workers fell, as did their hours worked.<sup>92</sup>

Overall, the data on industry performance contained in the record of the preliminary phase of this investigation are mixed. On balance, however, we find that the significant and increasing volume of low-priced subject imports is having a significant negative impact on the U.S. industry producing folding gift boxes, in view of the industry's loss of market share, lost sales and revenues, and \*\*\*.

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<sup>81</sup> The quantity of domestic producers' U.S. shipments decreased from \*\*\* packs in 1998 to \*\*\* packs in 1999, then increased to \*\*\* packs in 2000. The value of these shipments rose from \$\*\*\* in 1998 to \$\*\*\* in 1999, then to \$\*\*\* in 2000. CR/PR at Table III-3.

Although inventories are not important in this industry, given that much of the production is made to order, we note that inventories declined over the period. Domestic producers' end-of-period inventories fell from \*\*\* packs in 1998 to \*\*\* packs in 1999, then fell further to \*\*\* packs in 2000. CR/PR at Table III-4.

<sup>82</sup> Apparent U.S. consumption increased, by value, from \$\*\*\* in 1998 to \$\*\*\* in 1999, then to \$\*\*\* in 2000, and by volume from \*\*\* packs in 1998 to \*\*\* packs in 1999, then to \*\*\* packs in 2000. CR/PR at Table IV-3.

<sup>83</sup> U.S. producers' market share, as measured by value, decreased from \*\*\* percent in 1998 to \*\*\* percent in 1999 and then to \*\*\* percent in 2000. CR/PR at Table IV-3.

<sup>84</sup> CR/PR at Table V-5; Petitioners' Postconference Brief at 25, Exh. 7.

<sup>85</sup> See CR/PR at Tables V-5, V-6.

<sup>86</sup> Total net sales, by value, increased from \$\*\*\* in 1998 to \$\*\*\* in 1999, then to \$\*\*\* in 2000, and by volume decreased from \*\*\* packs in 1998 to \*\*\* packs in 1999, then increased to \*\*\* packs in 2000. CR/PR at Table VI-1.

<sup>87</sup> Gross profit declined from \$\*\*\* in 1998 to \$\*\*\* in 1999, then declined further to \$\*\*\* in 2000. CR/PR at Table VI-1.

<sup>88</sup> The ratio of cost of goods sold to net sales increased from \*\*\* percent in 1998 to \*\*\* percent in 1999, then to \*\*\* percent in 2000. CR/PR at Table VI-1.

<sup>89</sup> \*\*\* was \$\*\*\* in 1998, \$\*\*\* in 1999, and \$\*\*\* in 2000. CR/PR at Table VI-1.

<sup>90</sup> The \*\*\* increased from \$\*\*\* in 1998 to \$\*\*\* in 1999, then to \$\*\*\* in 2000. CR/PR at Table VI-1.

<sup>91</sup> Capital expenditures rose from \$\*\*\* in 1998 to \$\*\*\* in 1999, then fell to \$\*\*\* in 2000. CR/PR at Table VI-4.

<sup>92</sup> The average number of production and related workers decreased from \*\*\* in 1998 to \*\*\* in 1999, then decreased further to \*\*\* in 2000. Their hours worked fell from \*\*\* in 1998 to \*\*\* in 1999, then to \*\*\* in 2000. CR/PR at Table III-5.

## **CONCLUSION**

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





# PART I: INTRODUCTION

## BACKGROUND

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

<i>Date</i>	<i>Action</i>
February 20, 2001 . . .	Petition filed with Commerce and the Commission; <sup>4</sup> institution of Commission investigation (66 FR 12957, March 1, 2001)
March 13, 2001 . . . .	Commission's conference <sup>5</sup>
March 19, 2001 . . . .	Commerce's notice of initiation (66 FR 15400)
April 6, 2001 . . . . .	Date of the Commission's vote
April 6, 2001 . . . . .	Commission determination transmitted to Commerce

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

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

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

<sup>4</sup> In its notice of initiation, Commerce estimated the margins to range from 65.00 to 87.68 percent.

<sup>5</sup> A list of witnesses appearing at the conference is presented in app. B.

## 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 questionnaire responses of four firms that accounted for \*\*\* percent of U.S. shipments of all folding cartons for retail sale during 2000.<sup>6</sup> U.S. imports are based on data obtained by the Commission through its questionnaires.<sup>7</sup> FGBs have not been the subject of any previous Commission investigation.

## THE PRODUCT

The imported FGBs subject to this investigation are a type of folding (or knock-down) carton<sup>8</sup> manufactured from a variety of paper or paperboard<sup>9</sup> (recycled or virgin, clay-coated, bleached or unbleached). FGBs are often decorated with a holiday motif using various processes (e.g., printing, embossing, debossing, foil stamping), but may also be printed with a single color or left plain white. They may have handles, may be finished or unfinished, and may be either of one-piece or multi-piece configuration.<sup>10</sup> FGBs are generally packaged in shrink-wrap, cellophane, or other packaging materials, in single or multi-box packs for sale to retail customers.

Gift boxes with a retailer's name, logo, trademark, or similar company information printed prominently on the top exterior are excluded from the scope of this investigation. Such boxes may be known as "not-for-resale" gift boxes or "give-away" gift boxes and may be provided by department and specialty stores at no charge to their retail customers. Also excluded from this investigation are any gift boxes manufactured from paperboard more than 0.8 millimeters thick, from corrugated paperboard, or from papier mache; small (less than 9 inches long on all sides) gift boxes; and gift boxes that are both single color and not packaged in shrink-wrap or cellophane.<sup>11</sup>

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<sup>6</sup> Based on the value of shipments of folding cartons by end use statistics compiled by the PPC. Since the data collected by the PPC for the retail segment include the subject FGBs, not-for-resale gift boxes, as well as other items such as food carry-out boxes and trays, this may not be a good basis on which to compute the coverage by the four firms. In 2000, this retail category accounted for 5.8 percent of total shipments of folding cartons by end use.

<sup>7</sup> The HTS subheadings covering imports of FGBs also cover many products that are outside the scope of the investigation (e.g., non-gift item folding boxes such as cereal boxes, office products folding cartons, other consumer products, paperboard boxes, etc.). The petition points out that any non-corrugated folding carton manufactured from paperboard that is not designed for contact with food (e.g., Chinese food delivery boxes) would fall within the 4819.20.0040 subheading; petition, volume I, p. 5.

<sup>8</sup> Folding cartons may also be called folding boxboard packages or folding paperboard packages. They are designed to be folded flat for convenience in shipment and storage and for easy assembly when ready for use.

<sup>9</sup> The distinction between paper and paperboard may vary in certain instances, but a sheet is generally considered to be paperboard if it is 0.012 inches (0.3 millimeters) or greater in thickness. American Paper Institute, Inc., *The Dictionary of Paper*, New York, NY, 1980, p. 296.

<sup>10</sup> One-piece gift boxes are die-cut or otherwise formed so that the top, bottom, and sides form a single contiguous unit. Two-piece gift boxes are those with a folded bottom and a folded top as separate pieces.

<sup>11</sup> The last two exclusions result from a March 16, 2001 request from petitioners. In a fax on March 21, 2001, Commerce advised the Commission that the following sentences were added to the product scope: "The scope of the petition also excludes those gift boxes for which no side of the box, when assembled, is at least nine inches in length." and: "The scope of the petition also excludes folding cartons where both the outside of the carton is a single color and the carton is not packaged in shrink-wrap, cellophane, other resin-based packaging films, or

(continued...)

This section presents information related to the Commission's "domestic like product" determination.<sup>12</sup> The respondents have taken exception to the distinction between for-resale and not-for-resale gift boxes and allege that the like product should include both products. They claim that the "not-for-resale" boxes, which are excluded from the product scope, are physically and functionally very similar or even identical to "for-resale" FGBs. The only difference is the design of "not-for-resale" boxes, which often includes company names or logos. The respondents contend that there is not a clear distinction between the for-resale and not-for-resale gift boxes and that the domestic like product should include not-for-resale boxes.<sup>13</sup> On the other hand, the petitioners contend that, aside from the differences in design, other very significant differences exist. The for-resale FGB market is largely seasonal. In addition, the for-resale and not-for-resale gift boxes are sold to different customers in different markets through different distribution channels.<sup>14</sup> The respondents also object to the changes in product scope.<sup>15</sup> They argue that the essential end use of a gift box is not changed by the manner in which it is packaged, whether or not it has a logo, or whether or not it is a single color.

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

FGBs are manufactured in a variety of styles and designs. In 1997, an estimated 575 U.S. plants were engaged in the manufacture of all types of folding cartons,<sup>16</sup> and almost 300 of those plants were capable of manufacturing gift boxes the same as or similar to the subject product.<sup>17</sup> At least 12 U.S. plants are now manufacturing or have recently manufactured subject FGBs.

Typically, the raw material for a FGB is paperboard. The PPC estimates that 56 percent of all folding cartons are manufactured with recycled paperboard,<sup>18</sup> 29 percent are manufactured from bleached paperboard,<sup>19</sup> and 15 percent are manufactured from unbleached kraft.<sup>20</sup> The petitioners estimate that a majority of all FGBs and approximately 100 percent of "holiday" FGBs are manufactured with a type of

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<sup>11</sup> (...continued)  
paperboard."

<sup>12</sup> The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price.

<sup>13</sup> Conference transcript, p. 63.

<sup>14</sup> Ibid., p. 20.

<sup>15</sup> Letter dated March 20, 2001.

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

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

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

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

<sup>20</sup> The term "kraft" refers to the pulping process. Kraft pulping produces a relatively strong wood pulp which is especially good for the manufacture of paperboard; *Pulp and Paper 1999 North American Fact Book*, Miller Freeman, Inc., San Francisco, CA, 1998, p. 468.

recycled paperboard known as clay-coated newsback<sup>21</sup> and that imports are made from the same type of paperboard.<sup>22</sup>

The design phase, the first step in manufacturing a “for-resale” FGB, includes determining the size and shape of the box as well as any graphic designs to be printed on the box. The design phase is often not necessary for other types of gift boxes; customers typically have designs which are tailored specifically to their product.<sup>23</sup>

The manufacturing phase begins with the selected design being printed on paperboard using either a flexographic or a lithographic printer.<sup>24</sup> Next, the printed paperboard sheets are fed through a die cutter, which cuts the material to shape and creates the appropriate creases, scores, or perforations. The manufacturing phase concludes as the boxes are fed through gluing machines that apply glue to the appropriate spots and fold the boxes.

To this point, the manufacturing of not-for-resale gift boxes is identical to that of for-resale FGBs. Unlike the not-for-resale gift boxes, which at this stage would be shipped in bulk to customers,<sup>25</sup> for-resale FGBs require collating and packaging. Because manufacturers of for-resale FGBs offer many different designs, collating equipment is necessary that allows tops with different designs to be included in a single pack. If the FGBs being produced are two-piece boxes, the equipment will also add the appropriate number of tops and bottoms to each pack. Once properly assembled, the packs of boxes are compressed, wrapped, and packed in cartons for shipment.

### **Channels of Distribution and Interchangeability**

Petitioners contend that channels of distribution are different for for-resale and not-for-resale gift boxes. For-resale and not-for-resale gift boxes are sold to different customers.<sup>26</sup> On the one hand, purchases of not-for-resale gift boxes are made by purchasing agents who are concerned with controlling cost.<sup>27</sup> On the other hand, for-resale FGB purchases are made by retail buyers who are concerned with purchasing revenue-producing merchandise.

Most of the for-resale FGB market is seasonal or holiday business.<sup>28</sup> The highly seasonal nature of the for-resale FGB market requires that boxes must be stored in warehouses until the late summer and

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<sup>21</sup> Clay-coated newsback is a clay-coated paperboard manufactured from old newspapers and other various recycled fiber; *ibid.*, p. 440.

<sup>22</sup> Conference transcript, p. 44.

<sup>23</sup> *Ibid.*, p. 20.

<sup>24</sup> Flexographic presses, usually rotary presses, have raised rubber plates (analogous to a stamp pad) from which ink is transferred to the paper. Lithographic presses have flat plates with areas either attractive or repellant to ink. Ink having been applied to the plate, the image is captured by the alternately repellant and attractive regions and is transferred to paper. Several factors are considered when selecting the type of press to use. Simpler designs requiring two or three colors and long runs may be suitable for a flexographic printer. More complex designs require a lithographic printer.

<sup>25</sup> Conference transcript, p. 41.

<sup>26</sup> *Ibid.*, p. 20.

<sup>27</sup> *Ibid.*, pp. 20, 49.

<sup>28</sup> Respondents testified that approximately 60 percent of the for-resale FGB market was seasonal and that the remaining 40 percent was non-seasonal (conference transcript, pp. 98-99). On the other hand, the petitioners estimate that seasonal sales are roughly 85 percent of the total market (conference transcript, p. 43).

early fall when the deliveries to customers' distribution centers start in earnest.<sup>29</sup> Non-seasonal for-resale and not-for-resale gift boxes do not require warehousing. Not-for-resale gift boxes are shipped in bulk to customers for their own use.<sup>30</sup> For-resale FGBs all require packaging, and because manufacturers of seasonal, for-resale FGBs offer many different designs, seasonal, for-resale FGBs are collated to allow different designs to be included in a single pack.

Counsel for the respondents argues that for-resale and not-for-resale gift boxes are typically the same size, serve the same purpose, and are completely interchangeable.<sup>31</sup> Respondents also contend that not-for-resale boxes are sold by retailers in some cases, a contention disputed by the petitioners.<sup>32</sup>

The pricing of for-resale FGBs is different than that for "not-for-resale" gift boxes and other types of folding cartons. Not-for-resale gift boxes cost considerably less than for-resale FGBs. They have simpler designs, they are shipped in bulk so do not require packaging, and they require less warehousing. Prices are generally determined through competitive bids. Typically, for-resale FGBs have separate designs. Thus, they require collating in addition to packaging and labeling. Prices are generally not determined through competitive bids but rather through a process of negotiation between the manufacturer and the customer.<sup>33</sup>

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<sup>29</sup> Field trip notes of discussions with \*\*\*, March 14, 2001.

<sup>30</sup> Conference transcript, p. 41.

<sup>31</sup> Lindy Bowman's postconference brief, pp. 11-12.

<sup>32</sup> Respondents cited examples of sales of not-for-resale gift boxes through on-line purchases (conference transcript, p. 62). In their postconference brief, the petitioners allege that the examples cited by the respondents were actually a total gift wrapping service including card, tissue paper, and ribbon in addition to the gift box; petitioners' postconference brief, p. 3.

<sup>33</sup> Telephone conversation on March 19, 2001, with \*\*\*.



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

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

U.S.-produced FGBs are primarily sold to retailers such as mass merchandisers (e.g., Wal-mart, K-mart, Target), discount stores (e.g., Dollar Tree, Consolidated, Family Dollar), food and drug stores (e.g., CVS, Eckerd Drug, Albertsons), and other retail stores. Imported Chinese FGBs are either sold by importers to retail stores, or imported directly by the retail stores and then resold to the retail customers. Based on reported price data, \*\*\* percent of imported Chinese FGBs were sold by importers to retail stores and \*\*\* percent were imported directly by retail stores during 1998-2000.

Tables II-1 and II-2 show sales of U.S.-produced and imported Chinese FGBs by type of customer and product, based on reported price data.

**Table II-1**

**FGBs: Sales of U.S.-produced FGBs, by type of customer and product, January 1998-December 2000**

\* \* \* \* \*

**Table II-2**

**FGBs: Sales of imported Chinese FGBs, by type of customer and product, January 1998-December 2000**

\* \* \* \* \*

Based on reported price data, U.S. producers sold \*\*\* percent of their FGBs to mass retailers, \*\*\* percent to discount retailers, \*\*\* percent to food and drug retailers, and \*\*\* percent to other retailers. \*\*\* percent of U.S. imports of Chinese FGBs went to mass retailers, \*\*\* percent went to discount retailers, \*\*\* percent went to food and drug retailers, and \*\*\* percent went to other retailers. \*\*\*

### SUPPLY AND DEMAND CONSIDERATIONS

#### U.S. Supply

##### Domestic supply

Based on available information, U.S. producers of FGBs are likely to respond to changes in price with substantial changes in the quantity shipped to the U.S. market. Supply responsiveness is constrained by the \*\*\* share of shipments that are exported and the \*\*\* inventories. However, \*\*\* excess capacity and the ability to switch between production of subject FGBs and other products suggest greater supply responsiveness.

##### Industry capacity

U.S. producers' capacity to produce FGBs fell from \*\*\* packs in 1998 to \*\*\* packs in 1999, then increased to \*\*\* packs in 2000. U.S. producers' production of FGBs fell from \*\*\* packs in 1998 to

\*\*\* packs in 1999, then increased to \*\*\* packs in 2000. U.S. producers' capacity utilization fell from \*\*\* percent in 1998 to \*\*\* percent in 1999, then increased to \*\*\* percent in 2000.

### *Export markets*

\*\*\* reported export shipments of FGBs to \*\*\*. \*\*\*. U.S. producers' export shipments of FGBs were \*\*\* compared with total domestic shipments. The percentage of U.S. producers' export shipments of FGBs relative to their total shipments (on a value basis) was \*\*\* percent in 1998 and 1999, then increased slightly to \*\*\* percent in 2000.

### *Inventories*

U.S. producers' inventories of FGBs were \*\*\* during the period of investigation. The ratio of such inventories to total shipments fell from \*\*\* percent in 1998 to \*\*\* percent in 2000.

### *Production alternatives*

U.S. producers manufacture other products on the same equipment and machinery used in the production of FGBs. \*\*\* reported that it produces give-away boxes, pizza boxes, and other products on the same equipment used to produce FGBs. \*\*\* reported that they produce other folding cartons (retail packaging) on the same equipment used to produce FGBs.

### **Imports for China**

The United States consulate in Hong Kong provided the Commission with information regarding Hong Kong companies that are producers and or exporters of FGBs. According to the United States consulate, Hong Kong's printing and packaging industries have invested in advanced machinery and equipment in recent years to enhance competitiveness. According to the Trade and Development Council, packaging products are made mainly for the local and Chinese markets. Like other manufacturing industries, Hong Kong's printing and packaging trades have relocated most of their factories across the border to China. According to industry sources, most Hong Kong manufacturers of FGBs do so as packaging for toys, electronic appliances, and consumer products.

According to the Hong Kong Census and Statistics Department, about \*\*\* percent of Hong Kong exports of folding cartons, cases, and boxes (harmonized system 48192000) went to China in 1999 and 2000. Exports to the United States accounted for about \*\*\* percent of total domestic exports by quantity in 1998 and 1999, and dropped to \*\*\* percent in 2000.



## U.S. Demand

### Demand Characteristics

Domestic shipments of folding cartons follow consumer spending trends and real disposable income levels.<sup>1</sup> One industry source indicates that sales of FGBs are not as closely linked to the economy as sales of other folding cartons. According to this source, the FGB market is not quite mature and is still growing.<sup>2</sup>

The for-resale FGB market consists of seasonal or holiday FGBs and non-holiday FGBs. Respondents testified at the conference that approximately 60 percent of the for-resale FGB market was seasonal and the remaining 40 percent was non-seasonal.<sup>3</sup> Petitioners estimate that the seasonal FGB sales are roughly 85 percent of the total for-resale FGB market.<sup>4</sup> The remaining 15 percent is split between white boxes and non-holiday decorated boxes. One industry source estimated that white boxes accounted for 13 to 14 percent and non-holiday decorated boxes accounted for 1 to 2 percent of the market.<sup>5</sup>

Most U.S. producers reported that demand for FGBs has increased during 1998-2000. \*\*\* reported that demand for FGBs has increased because of the increase in discount retailers. \*\*\* reported that demand for FGBs has increased because of improvements in the convenience, style, and graphics of FGBs. \*\*\* reported that demand for FGBs has increased because of the increased popularity of discount store chains and the increase in gift purchasing over the internet.

Importers' responses concerning demand were mixed. \*\*\* reported that demand is increasing, \*\*\* importers reported that demand is decreasing, and \*\*\* importers reported that demand hasn't changed since 1998. Those importers that reported decreasing demand cited factors such as competition with gift bags and set-up boxes, and declines in retail Christmas sales levels.

Based on Commission questionnaire responses, the value of apparent U.S. consumption of FGBs increased by \*\*\* percent from \*\*\* in 1998 to \*\*\* in 1999. Apparent U.S. consumption further increased by \*\*\* from \*\*\* in 1999 to \*\*\* in 2000.

### Substitute Products

Most U.S. producers reported that gift bags and set-up boxes could be substituted for FGBs. Nine responding importers reported that there are substitutes for FGBs, while eight responding importers reported that there are no substitutes for FGBs. Those importers that reported substitutes for FGBs cited products such as gift bags, set-up boxes, wrapping paper, gift tins, and department store supplied folding gift boxes as substitute products.

### Cost Share

FGBs are end products whose cost typically accounts for only a small share of the cost of the gift they are being used to package.

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<sup>1</sup> *Pulp and Paper 1999 North American Fact Book*, Miller Freeman, Inc., San Francisco, CA, 1998, p. 468.

<sup>2</sup> \*\*\*.

<sup>3</sup> Conference transcript, pp. 98-99; however, these and the other estimates in this paragraph were all made before the scope changes that excluded certain white and single-color boxes.

<sup>4</sup> *Ibid.*, p. 43.

<sup>5</sup> Field notes.

## SUBSTITUTABILITY ISSUES

\*\*\* reported that U.S.-produced and imported Chinese and nonsubject FGBs are always used interchangeably (table II-3). \*\*\* were split between U.S.-produced and imported Chinese and nonsubject FGBs being always or frequently used interchangeably (table II-4).<sup>6</sup>

\*\*\* reported that there are sometimes significant differences in product characteristics or sales conditions between U.S.-produced and imported Chinese and nonsubject FGBs (table II-5).<sup>7</sup> \*\*\* generally reported that there are either always, frequently, or sometimes significant differences in product characteristics or sales conditions between U.S.-produced and imported Chinese and nonsubject FGBs (table II-6).<sup>8</sup>

U.S. purchasers that imported FGBs directly and sold them to retail customers were asked to compare U.S.-produced FGBs to imported subject Chinese FGBs based on 14 purchase factors. The results of these comparisons are shown in figure II-1. Responding U.S. purchasers generally reported that Chinese suppliers offered lower prices and a greater product range. For the remaining factors, purchasers generally rated U.S. and imported Chinese FGBs as comparable.

At the conference, petitioners maintained that, although every FGB producer has its own designs, the designs themselves are very similar and it is not possible for the retail customer to identify a design as being from a domestic or Chinese producer.<sup>9</sup> Petitioners further state that even though they add a couple of new designs each year, all producers of FGBs, whether domestic or Chinese, use traditional Christmas themes and colors. This makes it almost impossible for producers to use designs to

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<sup>6</sup> \*\*\* maintained that FGBs are interchangeable only from a strict physical/functional perspective. Store gift boxes are also functionally interchangeable. Other factors such as the quality of the artwork are important to customers. These factors stimulate the purchase decision by store owners, meeting the store owners' goal of increasing traffic. \*\*\* reported that price plays a major factor in all the merchandise that it purchases.

<sup>7</sup> \*\*\* maintained that differences in quality were sometimes significant with some of the imports from China. According to \*\*\*, the overall quality of the Chinese product has increased dramatically over the last few years, both in terms of material and printing.

<sup>8</sup> \*\*\* reported that some FGBs made in China are thinner than those produced in the United States. Poorer quality of the Chinese product would be a disadvantage. The transportation factor could be an advantage or disadvantage for FGBs produced in China compared to FGBs produced in the United States. Based on shipping points, transportation costs vary. \*\*\* maintained that there is a significant difference in the quality of FGBs manufactured in the United States versus those produced in China. U.S.-produced FGBs are much superior to imported Chinese FGBs. \*\*\* argued that, although FGBs produced in the United States and China are similar for usage, FGBs produced in China are significantly different since Chinese importers have the ability to produce programs (bags, set-up boxes) that provide design continuity at the retail level. This capability is important to the customer when it is choosing its FGB supplier. \*\*\* reported that FGBs from both countries are used for similar purposes, however the availability of the designs made in China allows \*\*\* to sell multiple related wrap items with the same or similar designs and artwork. \*\*\* reported that the imported Chinese FGBs' board weight is lower. \*\*\* maintained that price is one factor—however, designs and the ability to match designs on other products are equally as important. \*\*\* reported that the artwork on FGBs that it purchases from China is superior to that available in the United States.

<sup>9</sup> Conference transcript, p. 9.

**Table II-3**

**FGBs: Interchangeability between country pair products, as reported by U.S. producers**

\* \* \* \* \*

**Table II-4**

**FGBs: Interchangeability between country pair products, as reported by Chinese importers**

\* \* \* \* \*

**Table II-5**

**FGBs: Differences in product characteristics or sales conditions between country pair products, as reported by U.S. producers**

\* \* \* \* \*

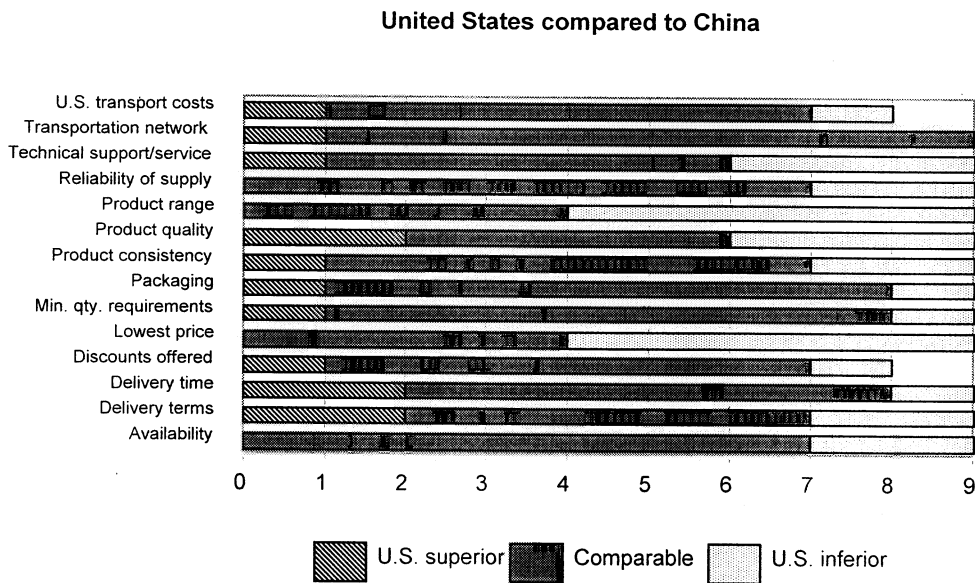
**Table II-6**

**FGBs: Differences in product characteristics or sales conditions between country pair products, as reported by Chinese importers**

\* \* \* \* \*

**Figure II-1**

**Comparison of U.S.-produced and imported subject Chinese FGBs, by factors**



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

distinguish their products.<sup>10</sup> Petitioners also maintain that they used to have better graphics, design, print quality, raw materials, and packaging but that is no longer the case.<sup>11</sup>

In their postconference brief, petitioners maintain that subject imports and the domestic like product are fungible and are sold on the basis of price. Petitioners argue that the designs of the domestic like product are not distinguishable from the designs of the subject imports. Petitioners further maintain that all parties agree that the quality of the subject imports has improved and is now equal to the quality of the domestic like product.<sup>12</sup>

At the conference, respondents maintained that there are a variety of factors that U.S. purchasers consider and that there are distinct differences between the quality and capabilities of domestic and Chinese suppliers of FGBs. U.S. producers have the ability to emboss FGBs, whereas Chinese producers generally cannot. U.S. producers generally are superior in terms of lead time, the rigidity of the cardboard, and the appearance of the printing surface whereas Chinese producers offer greater flexibility in terms of design reproduction. U.S. producers tend to print their FGBs in a repeat pattern, whereas Chinese producers print their FGBs in sheet-fed presses which allows them to print the design in a consistent manner. Chinese producers are also able to register a foil-stamped embellishment to a FGB, whereas U.S. producers generally cannot.<sup>13</sup> In addition, respondents cited factors such as differences in design, service, matching programs, board weight, pack number, packaging, and finish that differentiate U.S.-produced and imported Chinese FGBs.<sup>14</sup>

In its postconference brief, Lindy Bowman maintained that FGBs are highly differentiated products.<sup>15</sup> Lindy Bowman argues that FGBs are purchased for the attractiveness of their artwork, a criterion that varies based upon personal taste. Numerous varieties in styles exist to satisfy purchasers' individual desires for specific colors, designs, patterns, and other intangibles (such as the desire for matching designs over a product line).<sup>16</sup> Furthermore, Lindy Bowman argues that imported Chinese FGBs principally compete with U.S.-produced FGBs based on the quality of the artwork and the ability to coordinate designs across products. Lindy Bowman maintains that it has high quality designs, exceptional service, and is heavily involved in "matching programs," where gift bags, FGBs, and set-up boxes all have matching designs.<sup>17</sup> Lindy Bowman claims that a few years ago it changed the market with its innovations, with new types of printing, and with unique designs for both individual stores and across matching lines of nonsubject merchandise.<sup>18</sup> Lindy Bowman further states that U.S. producers typically print their FGBs in an all-over repeat pattern while Chinese manufacturers offer the ability to print the design in a consistent manner, centering the image on the FGBs.<sup>19</sup>

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<sup>10</sup> Ibid., p. 16.

<sup>11</sup> Ibid., p. 34.

<sup>12</sup> Petitioners' postconference brief, pp. 22 and 24.

<sup>13</sup> Conference transcript, p. 84.

<sup>14</sup> Ibid., pp. 66, 68, 71, 73-75, and 77.

<sup>15</sup> Lindy Bowman's postconference brief, p. 25.

<sup>16</sup> Ibid., p. 27.

<sup>17</sup> Ibid., p. 30.

<sup>18</sup> Ibid., p. 17.

<sup>19</sup> Ibid., p. 24.

## PART III: U.S. PRODUCERS' 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 responses of four firms.<sup>1</sup>

### U.S. PRODUCERS

The Commission sent producer questionnaires to the four firms cited in the petition and an additional nine companies believed to be producing FGBs. Responses were received from seven firms, with four providing data and three responding that there was no production of FGBs.<sup>2</sup> The four firms providing data on U.S. production of FGBs are shown in table III-1. Harvard and Field are the petitioners in this investigation and are back integrated into paperboard production.<sup>3</sup> Superior, Melville, NY, and Sterling, Jeannette, PA, also provided information on their operations producing FGBs and

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

Firm	Location	Share (percent) of reported production
Field	Elk Grove Village, IL	***
Harvard	Lynn, MA	***
Sterling	Jeannette, PA	***
Superior	Melville, NY	***

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

<sup>1</sup> Respondents allege that there are many more producers of FGBs (this includes not-for-resale gift boxes) than those presented in the petition; see letter dated February 27, 2001, from respondents; conference transcript, p. 61; and Lindy Bowman's postconference brief, p. 29. As summarized in this section of the report, staff attempted to contact additional firms identified by respondents as producing the subject product (but not identified in the petition) and companies provided by other sources as being producers of gift boxes.

<sup>2</sup> In addition to the three who responded to the Commission's questionnaire that they did not produce FGBs, Climax (who did not respond) reportedly told counsel for petitioner that it does not produce the subject merchandise; petitioners' postconference brief, p. 4 and exhibit 10. However, in a telephone conversation on March 19, 2001, \*\*\*.

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

are in support of the petition.<sup>4</sup> Harvard is the largest producer of FGBs in the United States.<sup>5</sup> Harvard<sup>6</sup> \*\*\*. Field provided data for its five facilities (Elk Grove, IL; Marion, OH; Salisbury, MD; Tuscaloosa, AL; and Mommence, IL) involved in the production of FGBs during the period of investigation. Field closed its Salisbury facility in April 2000 and shifted the production of the plant to Elk Grove for the rest of 2000. Field also closed its \*\*\*.<sup>7</sup> Field imported a small volume of FGBs from China in 1998 and 1999.<sup>8</sup> Superior is a unionized U.S. producer and distributor of FGBs and other types of packaging materials. Superior also imports FGBs from China in order to remain competitive in the U.S. market due to the low pricing of the Chinese product.<sup>9</sup> In its questionnaire response Superior reported that it \*\*\*. Harvard, Field, and Superior produce other folding boxes and cartons on the same equipment and using the same production and related workers that they use to produce FGBs.<sup>10</sup>

In addition to the firms listed in the petition, the staff attempted to contact companies that might also be producing FGBs.<sup>11</sup> \*\*\*. \*\*\* produces FGBs with approximately \*\*\* percent for-resale FGBs. Approximately \*\*\* percent of its production of gift boxes are plain white boxes.<sup>12</sup> A questionnaire response was received from \*\*\* on March 23 but in telephone calls on March 26 and March 29, staff was unable to satisfactorily correct discrepancies in the data and therefore the data are not included in this report. However, if the quantity and value of sales that \*\*\* reported were included in the U.S. shipment data, the totals would be (in 1,000 packs and \$1,000): \*\*\* valued at \$\*\*\* in 1998; \*\*\* valued at \$\*\*\* in 1999; and \*\*\* valued at \$\*\*\* in 2000. \*\*\* would have accounted for approximately \*\*\* and \*\*\*, respectively, of U.S. shipments of FGBs in 2000. \*\*\* responded that it produces gift boxes, both decorated and white.<sup>13</sup> In the past, FGBs accounted for approximately \*\*\* percent of its business. \*\*\* indicated that it produces custom decorated boxes as well as solid colors and white. \*\*\* estimates that it produces approximately \*\*\* FGBs annually.<sup>14</sup> FGBs account for approximately \*\*\* percent of its business.

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<sup>4</sup> Sterling is \*\*\*. Superior and Sterling are not integrated and purchase the boxboard from larger integrated companies.

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

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

<sup>7</sup> Questionnaire response and conference transcript, pp. 8 and 13-14.

<sup>8</sup> Most of these FGBs were imported for one customer that was demanding price concessions that Field could not provide on its U.S.-produced FGBs; conference transcript, p. 14.

<sup>9</sup> Petition, volume I, exhibit 12, attachment A; questionnaire response, p. 4; and conference transcript, p. 19.

<sup>10</sup> Some of these other folding boxes are for retail packaging, give-away boxes, pizza boxes, etc.; domestic producer questionnaire responses. In its postconference brief, petitioners stated that Field is the only significant producer of both FGBs and give-away boxes. Superior is also a small producer of both products; petitioners' postconference brief, p. 16. See also conference transcript, pp. 8 and 11.

<sup>11</sup> Telephone survey of potential additional firms producing FGBs, March 15 to March 19, 2001.

<sup>12</sup> Telephone conversation with \*\*\*, March 15, 2001.

<sup>13</sup> \*\*\*; telephone conversation, March 15, 2001.

<sup>14</sup> Telephone conversation with \*\*\*, March 15, 2001.

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

Table III-2 presents the industry's capacity, production, and capacity utilization for 1998-2000. The industry was unable to quantify its data on a tonnage basis, therefore the Commission collected the data on the basis of packs. Packs are FGBs that are packaged in cellophane and sold predominantly in packaged sets of two, three, four, and 10. Some of the packs also include FGBs in varying sizes.<sup>15</sup> For these reasons the unit values fluctuate due to the different pack-type. Harvard responded in its questionnaire that numerous factors \*\*\* were constraints that set the limits on its production capacity. Field responded that at the Elk Grove and Salisbury plants the constraint on production was \*\*\*. At the Marion and Tuscaloosa plants the constraint on production is \*\*\*. Superior and Sterling reported that \*\*\*.

**Table III-2**

**FGBs: U.S. producers' capacity, production, and capacity utilization, 1998-2000**

\* \* \* \* \*

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

U.S. producers' shipments are presented in table III-3. Values of commercial shipments increased by \*\*\* percent between 1998 and 2000. None of the reporting producers had internal shipments of FGBs. Only \*\*\* reported small quantities of exports during the period, which were to \*\*\*.

**Table III-3**

**FGBs: U.S. producers' shipments, by types, 1998-2000**

\* \* \* \* \*

## U.S. PRODUCERS' INVENTORIES

Petitioners maintain that inventories are not an issue in this investigation since the ordering and production schedules of producers provides the ability to avoid surges in inventories. Because orders for FGBs are placed early in the year, producers can reduce production in the latter part of the year if production has outpaced orders.<sup>16</sup> U.S. producers' end-of-period inventories are presented in table III-4. End-of-period inventories declined by \*\*\* percent between 1998 and 2000.

**Table III-4**

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

\* \* \* \* \*

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<sup>15</sup> Such packs may contain lingerie boxes (small), shirt boxes (medium), and robe boxes (large).

<sup>16</sup> Postconference brief, p. 26.

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

Table III-5 presents employment data for the U.S. industry. The number of PRWs declined from 1998 to 2000 while the number of hours worked declined irregularly. Wages paid to PRWs increased between 1998 and 1999 then declined in 2000, but to a level slightly above that in 1998. Average wages increased throughout the period while productivity declined. Unit labor costs per pack declined irregularly between 1998 and 2000.

### Table III-5

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

\* \* \* \* \*



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

### U.S. IMPORTERS

As noted earlier in the report, imports under HTS subheading 4819.20.00.40 cover other types of products as well as the subject FBGs. Questionnaires were sent to 62 firms believed to be importers of FBGs, based on information provided in the petition and information provided by the U.S. Customs Service. In addition, importer questionnaires were sent to the 13 firms that received producer questionnaires. Seventeen firms provided usable importer questionnaires.<sup>1</sup>

American Greetings, Cleveland, OH, acquired CPS Corp., Franklin, TN, in July 2000. In March 2001, American Greetings merged CPS and its wholly owned subsidiary, PlusMark, into one entity which is now referred to as PlusMark.<sup>2</sup> PlusMark noted in its postconference brief that approximately \*\*\* percent (by value) of its purchases from China<sup>3</sup> would be delivered from the factory in China to a freight forwarder in Hong Kong. PlusMark's U.S. customer would then take possession of the FBGs in Hong Kong and act as the importer of record.<sup>4</sup> Lindy Bowman, an importer of FBGs from China, estimates that his firm accounts for 60 to 70 percent of the volume of imports from China to the retail trade in the United States.<sup>5</sup> \*\*\* is a foreign subsidiary of \*\*\* for purposes of exportation of FBGs to the United States. Family Dollar also reports that all its imports were from \*\*\*. Walgreen/East West Distributors responded that the producer of its FBGs is \*\*\*. Variety and Roses \*\*\*. Party Concepts began importing FBGs from China in \*\*\*. Braha and A.J. Cohen reported that \*\*\*. A.J. Cohen is \*\*\*. D&G Industrial imported \*\*\*. Three of the responding importers reported planned imports of FBGs during May-August 2001.

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<sup>1</sup> \*\*\* were the only U.S. producers that reported importing FBGs from China. \*\*\*'s imports of FBGs accounted for \*\*\* percent of its shipments in 1998 and \*\*\* percent in 1999. The firm had no imports in 2000. \*\*\*'s imports accounted for \*\*\* percent, \*\*\* percent, and \*\*\* percent of its shipments in 1998, 1999, and 2000, respectively.

<sup>2</sup> Conference transcript, p. 80, PlusMark's postconference brief, p. 1, and telephone conversations with \*\*\*, March 15 and \*\*\*, March 16, 2001. \*\*\* does not import FBGs from China and \*\*\*.

<sup>3</sup> PlusMark named \*\*\* as the producer of its FBGs in China.

<sup>4</sup> PlusMark's postconference brief, p. 2. In 2000, \*\*\* percent (by value) of PlusMark's purchases of Chinese FBGs were imported directly by PlusMark and \*\*\* percent of its purchases of FBGs from China were sold to \*\*\*, which took delivery of the FBGs in Hong Kong and was the importer of record; PlusMark's postconference brief, exhibit 1. Respondents also estimated that independent Chinese sales not designed by Bowman or PlusMark are about 5 percent of the market; conference transcript, p. 93.

<sup>5</sup> Conference transcript, p. 66. Also at the conference, respondents estimated that Lindy Bowman and PlusMark account for 90 to 95 percent of all exports of FBGs from China to the United States; conference transcript, p. 52. Both Lindy Bowman and PlusMark sell a substantial volume of subject FBGs to U.S. customers, where the customers take possession of the product in Hong Kong and are the importers of record. Both of these firms reported the smaller volume of FBGs where they are the importer of record in their questionnaires. Sales by Lindy Bowman and PlusMark (both direct and indirect), and purchases by \*\*\* are believed to account for virtually all subject imports from China; Lindy Bowman's postconference brief, p. 28, and exhibit 6. Exhibit 15 of its postconference brief provides Lindy Bowman's direct and indirect sales of imported FBGs by customer.

## U.S. IMPORTS

According to the data collected by the Commission through its questionnaires, subject imports of FGBs from China increased overall in terms of quantity and value during 1998-2000 (table IV-1). Such imports increased by 62.8 percent in quantity and by 76.9 percent in value during the period.<sup>6</sup> In lieu of the official import statistics, petitioners estimated the volume and value of subject imports from China.<sup>7</sup> Petitioners estimate that the quantity of FGBs from China increased from approximately \*\*\* million packs in 1998 to \*\*\* million packs in 2000, a \*\*\* percent increase. Similarly, the value of subject imports increased from approximately \$\*\*\* million in 1998 to \$\*\*\* million in 2000, a \*\*\* percent increase. Based on petitioners' estimates, imports of FGBs from China (by quantity) increased their share of the U.S. market from \*\*\* percent in 1998 to \*\*\* percent in 2000. Similarly, the value of subject imports increased their market share from \*\*\* percent in 1998 to \*\*\* percent in 2000.

**Table IV-1**  
**FGBs: U.S. imports, by sources, 1998-2000**

Source	Calendar year		
	1998	1999	2000
<b>Quantity (1,000 packs)</b>			
China	5,023	6,661	8,178
All others	0	0	0
Total	5,023	6,661	8,178
<b>Value (\$1,000)</b>			
China	2,516	3,670	4,451
All others	0	0	0
Total	2,516	3,670	4,451
<b>Unit value (per pack)</b>			
China	\$0.50	\$0.55	\$0.54
All others	0	0	0
Total	0.50	0.55	0.54
Source: Compiled from data submitted in response to Commission questionnaires.			

<sup>6</sup> Import data based on Commerce's official statistics for HTS subheading 4819.20.00.40 are presented in app. D. In terms of quantity and value (table D-1), imports from China increased by 65.9 percent and 62.0 percent, respectively, during 1998-2000. Table D-2 presents U.S. imports, UNDER 4819.20.0040 from the 12 leading sources for 1998-2000.

<sup>7</sup> Petition, volume II, p. 21 and exhibit 3.

## APPARENT U.S. CONSUMPTION AND MARKET SHARES

Tables IV-2 and IV-3 show data on apparent U.S. consumption and market shares for FGBs. Apparent consumption rose steadily between 1998 and 2000, rising \*\*\* percent over the 3-year period. U.S. producers' market share, based on quantity, decreased from \*\*\* percent in 1998 to \*\*\* percent in 2000. The value of U.S. market share also decreased during this period.

### Table IV-2

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

\* \* \* \* \*

### Table IV-3

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

\* \* \* \* \*



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

### **FACTORS AFFECTING PRICES**

#### **Raw Material Costs**

U.S. producers reported that raw material costs to produce FGBs accounted for \*\*\* percent of COGS in 1998, \*\*\* percent in 1999, and \*\*\* percent in 2000.

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

Transportation costs for subject FGBs from China (excluding U.S. inland costs) are estimated to be approximately 14.1 percent of the total cost of FGBs. This estimate is derived from January-December 2000 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**

U.S. inland transportation costs generally account for a significant share of the delivered price of subject FGBs. For U.S. producers, estimates ranged from \*\*\* percent. Importers estimated that U.S. inland transportation costs for their shipments of subject imports from China accounted for \*\*\* percent.

Subject importers tend to ship FGBs longer inland distances than do U.S. producers. Questionnaire responses indicate that \*\*\* percent of U.S. producers' shipments are for distances within 100 miles, \*\*\* percent of U.S. producers' shipments are for distances between 101 and 1,000 miles, and \*\*\* percent are for distances greater than 1,000 miles. Subject importers reported that \*\*\* percent of their shipments are for distances less than 100 miles, \*\*\* percent are for distances between 101 and 1,000 miles, and \*\*\* percent are for distances greater than 1,000 miles.

### **EXCHANGE RATES**

Nominal exchange rate data for China are presented on a quarterly basis in figure V-1.<sup>1</sup> The nominal value of the Chinese currency relative to the U.S. dollar remained constant during January 1998-December 2000.

### **PRICING PRACTICES**

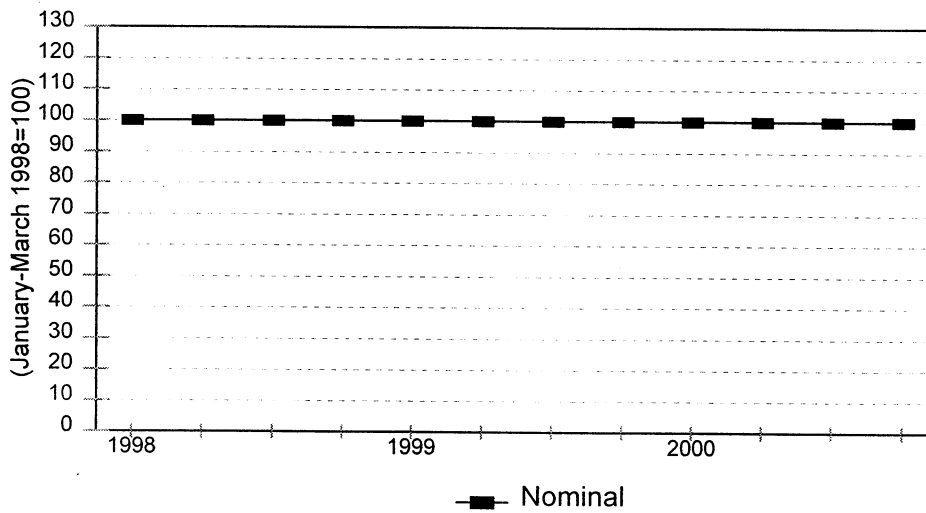
\*\*\* reported that FGB pricing is generally determined by transaction-by-transaction negotiations. \*\*\* quote FGB prices on both a delivered and an f.o.b. warehouse basis, and typical sales terms are net December. \*\*\* quote FGB prices on both a delivered and an f.o.b. Hong Kong or U.S. port of entry basis. Typical sales terms vary from net 10 days to net 60 days, net December, and letters of credit. \*\*\* do not have set discount policies; discounts are negotiated on a transaction-by-transaction basis and depend on factors such as the prevailing competitive environment and potential purchase volumes.

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<sup>1</sup> Real exchange rate data are not available.

**Figure V-1**

**Exchange rates: Index of the nominal exchange rates of the Chinese yuan relative to the U.S. dollar, January 1997-December 2000**



Source: International Monetary Fund, *International Financial Statistics*, February 2001.

\*\*\* sell the vast majority of their FGBs on a contract basis. U.S. producers sold \*\*\* percent of their FGBs on a contract basis and the remaining \*\*\* percent on a spot basis. Chinese importers sold \*\*\* percent of their FGBs on a contract basis and the remaining \*\*\* percent on a spot basis.

In its questionnaire response \*\*\*. Most other U.S. producers and subject importers agreed that FGB contracts are typically one year in duration. FGB contracts generally fix both price and quantity, and do not have meet-or-release provisions. Two suppliers reported minimum quantity requirements.<sup>2</sup>

### PRICE DATA

The Commission requested U.S. producers and importers to provide quantity and f.o.b. value data for their 10 largest sales each year during the period January 1998 through December 2000. The Commission also requested subject importers to provide quantity and f.o.b. value data for their 10 largest purchases each year during the period January 1998 through December 2000 if the importer resold the FGBs directly to retail customers. Product specifications for which pricing data were requested are as follows:

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

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

Four U.S. producers and four Chinese importers provided usable sales price data, and six Chinese importers reported usable purchase price data. Sales price data reported by the U.S. producers

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<sup>2</sup> \*\*\*.

accounted for \*\*\* percent of the value of reported U.S. producers' domestic shipments of FGBs during January 1998-December 2000. Sales and purchase price data reported by the Chinese importers accounted for \*\*\* percent of the value of reported U.S. shipments of imports of Chinese FGBs during January 1998-December 2000.

### Price Trends

Weighted-average prices and margins of underselling/overselling for U.S.-produced and imported Chinese FGBs are shown in tables V-1 through V-4 and figures V-2 through V-9.

#### FGBs Sold to Mass Retailers

Weighted-average prices for U.S.-produced product 1 sold to mass retailers \*\*\* during 1998-2000, fluctuating between \*\*\* per pack and \*\*\* per pack during the period. Weighted-average prices for U.S.-produced product 2 sold to mass retailers \*\*\* per pack during the period. \*\*\*.<sup>3</sup>

#### FGBs Sold to Discount Retailers

Weighted-average prices for U.S.-produced product 1 sold to discount retailers \*\*\* per pack during the period. Weighted-average prices for imported Chinese product 1 sold to discount retailers \*\*\*. Weighted-average prices for U.S.-produced product 2 sold to discount retailers \*\*\*. Weighted-average prices for imported Chinese product 2 sold to discount retailers \*\*\*.

#### FGBs Sold to Food and Drug Retailers

Weighted-average prices for U.S.-produced product 1 sold to food and drug retailers \*\*\*. Weighted-average prices for imported Chinese product 1 sold to food and drug retailers \*\*\*. Weighted-average prices for U.S.-produced product 2 sold to food and drug retailers \*\*\*. Weighted-average prices for imported Chinese product 2 \*\*\*.

#### FGBs Sold to Other Retailers

Weighted-average prices for U.S.-produced product 1 sold to other retailers \*\*\*. Weighted-average prices for imported Chinese product 1 sold to other retailers \*\*\*. Weighted-average prices for U.S.-produced product 2 sold to other retailers \*\*\*. Weighted-average prices for imported Chinese product 2 sold to other retailers \*\*\*.

### Price Comparisons

Overall, there were \*\*\* quarterly price comparisons between U.S.-produced FGBs and imported Chinese FGBs. Chinese imports undersold domestic products in \*\*\* quarters and oversold domestic products in the remaining \*\*\* quarters. Margins of underselling ranged from \*\*\* percent to \*\*\* percent and margins of overselling ranged from \*\*\* percent to \*\*\* percent. There were \*\*\* quarterly price comparisons between U.S.-produced FGBs and imported Chinese FGBs sold to discount retailers. For sales to discount retailers, Chinese imports undersold domestic products in \*\*\* quarter and oversold

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<sup>3</sup> \*\*\*.

**Table V-1**

**FGBs: Weighted-average f.o.b. prices and quantities of domestic products 1 and 2 sold to mass retailers, by quarters, January 1998-December 2000**

\* \* \* \* \*

**Table V-2**

**FGBs: Weighted-average f.o.b. prices and quantities of domestic and imported Chinese products 1 and 2 sold to discount retailers and margins of underselling/(overselling), by quarters, January 1998-December 2000**

\* \* \* \* \*

**Table V-3**

**FGBs: Weighted-average f.o.b. prices and quantities of domestic and imported Chinese products 1 and 2 sold to food and drug retailers and margins of underselling/(overselling), by quarters, January 1998-December 2000**

\* \* \* \* \*

**Table V-4**

**FGBs: Weighted-average f.o.b. prices and quantities of domestic and imported Chinese products 1 and 2 sold to other retailers and margins of underselling/(overselling), by quarters, January 1998-December 2000**

\* \* \* \* \*

**Figure V-2**

**Weighted-average f.o.b. prices of domestic product 1 sold to mass retailers, January 1998-December 2000**

\* \* \* \* \*

**Figure V-3**

**Weighted-average f.o.b. prices of domestic product 2 sold to mass retailers, January 1998-December 2000**

\* \* \* \* \*

**Figure V-4**

**Weighted-average f.o.b. prices of domestic and imported Chinese product 1 sold to discount retailers, January 1998-December 2000**

\* \* \* \* \*

**Figure V-5**

**Weighted-average f.o.b. prices of domestic and imported Chinese product 2 sold to discount retailers, January 1998-December 2000**

\* \* \* \* \*



**Figure V-6**  
**Weighted-average f.o.b. prices of domestic and imported Chinese product 1 sold to food and drug retailers, January 1998-December 2000**

\* \* \* \* \*

**Figure V-7**  
**Weighted-average f.o.b. prices of domestic and imported Chinese product 2 sold to food and drug retailers, January 1998-December 2000**

\* \* \* \* \*

**Figure V-8**  
**Weighted-average f.o.b. prices of domestic and imported Chinese product 1 sold to other retailers, January 1998-December 2000**

\* \* \* \* \*

**Figure V-9**  
**Weighted-average f.o.b. prices of domestic and imported Chinese product 2 sold to other retailers, January 1998-December 2000**

\* \* \* \* \*

domestic products in the remaining \*\*\* quarters. The margin of underselling was \*\*\* percent and margins of overselling ranged from \*\*\* percent to \*\*\* percent. There were \*\*\* quarterly price comparisons between U.S.-produced FGBs and imported Chinese FGBs sold to food and drug retailers. For sales to food and drug retailers, Chinese imports undersold domestic products in \*\*\* quarters and oversold domestic products in the remaining \*\*\* quarters. The margins of underselling ranged from \*\*\* percent to \*\*\* percent and margins of overselling ranged from \*\*\* percent to \*\*\* percent. There were \*\*\* quarterly price comparisons between U.S.-produced FGBs and imported Chinese FGBs sold to other retailers. For sales to other retailers, Chinese imports undersold domestic products in \*\*\* quarters and oversold domestic products in the remaining \*\*\* quarter. The margins of underselling ranged from \*\*\* percent to \*\*\* percent and the margin of overselling was \*\*\* percent.

**LOST SALES AND LOST REVENUES**

The Commission requested U.S. producers of FGBs to report any instances of lost sales and lost revenues they experienced due to competition from imports of FGBs from China during January 1998 to December 2000. The \*\*\* lost sales allegations totaled \*\*\* and involved \*\*\* packs of FGBs. The \*\*\* lost revenue allegations totaled \*\*\* and involved \*\*\* packs of FGBs. Staff contacted all \*\*\* cited purchasers and a summary of the information obtained follows (tables V-5 and V-6). Corrected allegation information is presented in the tables in parentheses.

\*\*\*

**Table V-5**  
**FGBs: U.S. producers' lost sales allegations**

\* \* \* \* \*

**Table V-6**  
**FGBs: U.S. producers' lost revenue allegations**

\* \* \* \* \*

\*\*\*

## PART VI: FINANCIAL CONDITION OF THE U.S. INDUSTRY

### BACKGROUND

Four firms that produced FGBs during the period examined supplied financial data on their FGB operations.<sup>1 2</sup> No producers reported internal consumption and/or transfers to related firms.

### OPERATIONS ON FGBs

The aggregate results of operations of FGB producers are presented in table VI-1. While net sales volume decreased from 1998 to 1999, net sales value increased for the same period. Both sales volume and value increased from 1999 to 2000. However, operating losses increased continually from 1998 through 2000.

**Table VI-1**

**Results of operations of U.S. producers in the production of FGBs, fiscal years 1998-2000**

\* \* \* \* \*

Selected aggregate per-unit sales, cost, and operating income (loss) data of the producers on their operations are presented in table VI-2. Product mix may have a significant impact on the average per-unit values. In the FGB case, differences in product mix, especially the type of packs, play a major role in the fluctuations of per-unit sales value and cost, at least for \*\*\*, unlike industries in which fluctuations in financial results reflect changes in the unit selling prices and costs for virtually the same products. The packs are typically sold in sets of two, three, four, and 10. Since the number of packs sold determines the sales quantity, the unit value and cost are calculated on the basis of the number of packs sold, regardless of total gift boxes sold. Therefore, per-unit selling prices and costs may be over-stated as the number of packs (in sets of higher number of gift boxes in the pack) sold declines, even though total actual number of boxes sold may remain the same.

The aggregate per-pack sales value increased from 1998 to 1999, by \$0.03, and declined from 1999 to 2000, by \$0.05. Unit COGS and total cost showed the same pattern as unit sales prices, which increased from 1998 to 1999 and decreased from 1999 to 2000. However, per-pack total costs increased more than the increase in unit sales price, resulting in increased per-pack operating losses from 1998 to 1999. From 1999 to 2000, per-pack total costs decreased much less than per-pack sales price. Therefore, per-unit operating losses further declined to a \$0.06 loss from a \$0.02 loss in 1999. While unit raw material and direct labor costs remained relatively the same over the period, factory overhead increased somewhat from 1998 to 1999 and remained at the same level in 2000. Per-pack SG&A expenses increased slightly from 1998 through 2000.

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

<sup>2</sup> \*\*\* have not submitted their financial statements, in spite of a telephone request by the Commission staff.

**Table VI-2**  
**Results (per pack) of operations of U.S. producers in the production of FGBs, fiscal years 1998-2000**

\* \* \* \* \*

The results of operations by individual firms are presented in table VI-3. The table presents financial information on a company-by-company basis for net sales value, operating income (loss), and the ratio of operating income (loss) to net sales values. While \*\*\* had an operating income for all periods, \*\*\* had operating losses for all periods. Even though its sales volumes increased substantially over the period, \*\*\*.<sup>3</sup>

**Table VI-3**  
**Results of operations of U.S. producers, by firms, in the production of FGBs, fiscal years 1998-2000**

\* \* \* \* \*

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

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

The U.S. producers' capital expenditures and R&D expenses, together with the value of their fixed assets, are presented in table VI-4. Capital expenditures increased substantially from 1998 to 1999 and decreased significantly from 1999 to 2000.

\*\*\* reported R&D expenses. The original cost of fixed assets and book value increased substantially from 1998 to 1999,<sup>4</sup> due mainly to \*\*\*.

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

\* \* \* \* \*

**CAPITAL AND INVESTMENT**

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

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<sup>3</sup> \*\*\*.

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

## PART VII: THREAT CONSIDERATIONS

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

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

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

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<sup>1</sup> The Commission sent a State Department telegram to the U.S. embassy in Beijing requesting information on the industry in China. On March 19, 2001, the Commission received a telegram from the American Consulate in Hong Kong. According to the Hong Kong Census and Statistics Department, about 73 percent of domestic exports of folding cartons, cases, and boxes (HTS 4819.20.00, a much broader category than for the subject product) went to China in 1999 and 2000, while exports to the United States accounted for about 10 percent in 1998-99 and 5.8 percent in 2000. Hong Kong's printing and packaging trades have relocated most of their factories to China. Most of Hong Kong's producers of FGBs do so as packaging for toys, electronic appliances, and consumer products. In response to a question at the conference, petitioners responded that they are not aware of any production of FGBs in Hong Kong, although most Chinese FGBs are exported from China through Hong Kong; petitioners' postconference brief, p. 31 and exhibit 9. The Commission received a telegram from the U.S. embassy in Beijing on March 20, 2001, in which an official in China's Chamber of Commerce indicated that the HTS number 4819.20.00 in China's Tariff Schedule covers a much larger range of products (i.e., folding cartons, boxes, and cases of corrugated paper or paperboard) and therefore any numbers they could provide would not be product specific.

<sup>2</sup> Mr. Lovett, president of Superior, testified at the conference that the increased Chinese capacity is targeted at the U.S. market with some exports to Canada and Latin America; conference transcript, pp. 23-25.

<sup>3</sup> Petitioners believe that the largest producers/exporters of FGBs from China are: Bigfield Goldenford Holding, Ltd., Luk Ka Printing Company, Ltd., Max Fortune Industrial, Ltd., and Red Point Paper Products Company, Ltd.; petition, volume I, p. 6. The telegram from the American Consulate in Hong Kong stated that Bigfield Goldenford reported that it did not supply FGBs to the United States. However, in its foreign producer questionnaire received March 26, Bigfield reported exports to the United States in 1998, valued at \$\*\*\*. The firm reported that FGBs only account for \*\*\* percent of its total production. Luk Ka provided a questionnaire response to the Commission on March 26. Max Fortune reported to the Consulate that it had production of approximately \$\*\*\* in 1998, 1999, and 2000; one-third of its FGBs are exported to \*\*\*.

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

Red Point and Luk Ka, Hong Kong, were the only Chinese firms to provide usable data in response to the Commission's questionnaires (tables VII-1 and VII-2).<sup>5</sup> Red Point's sales of FGBs accounted for \*\*\* percent of the firm's sales in 2000. Red Point also produces \*\*\* on the same equipment and machinery that it produces the subject product.<sup>6</sup> The firm estimated that it accounted for \*\*\* percent of total production of FGBs in China and \*\*\* percent of China's exports of FGBs to the United States in 2000. The firm exported \*\*\* during the period of investigation.

**Table VII-1**  
**FGBs: Red Point's production capacity, production, shipments, and inventories, 1998-2000 and projected 2001-2002**

\* \* \* \* \*

**Table VII-2**  
**FGBs: Luk Ka's production capacity, production, shipments, and inventories, 1998-2000 and projected 2001-2002**

\* \* \* \* \*

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

**U.S. INVENTORIES OF FGBs FROM CHINA**

Only two of the firms that reported imports of FGBs from China reported end-of-period inventories (table VII-3). One firm reported inventories during 1998-2000 and one firm only had inventories in 2000.

**Table VII-3**  
**FGBs: U.S. importers' end-of-period inventories of imports, 1998-2000**

\* \* \* \* \*

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<sup>5</sup> Bigfield also responded to the Commission's questionnaire on March 26 but the data the firm provided were in value, not in quantity as requested.

<sup>6</sup> A fax was sent to Red Point on March 20 requesting an explanation of its reported capacity. A fax response was received from the firm on March 28 and its revisions have been incorporated into table VII-1. The firm produces FGBs for about \*\*\* of the year, with the remaining \*\*\*; therefore adjustments were made to its calculation of its capacity to produce FGBs.

**APPENDIX A**

***FEDERAL REGISTER NOTICES***





equipment, discount rate(s), and the period over which you incur costs. Capital and startup costs include, among other items, computers and software you purchase to prepare for collecting information, monitoring, and record storage facilities. Generally, your estimates should not include equipment or services purchased: (i) Before October 1, 1995; (ii) to comply with requirements not associated with the information collection; (iii) for reasons other than to provide information or keep records for the Government; or (iv) as part of customary and usual business or private practices.

Dated: February 23, 2001.

E.P. Danenberger,  
Chief, Engineering and Operations Division.  
[FR Doc. 01-4982 Filed 2-28-01; 8:45 am]  
BILLING CODE 4310-MR-P

## DEPARTMENT OF THE INTERIOR

### Minerals Management Service

#### Outer Continental Shelf Oil and Gas and Sulphur Operations

**AGENCY:** Minerals Management Service (MMS), Interior.  
**ACTION:** Notice.

**SUMMARY:** MMS has scheduled its annual Industry Awards Program and Luncheon to honor outstanding companies for their exemplary safety and pollution prevention records during the year 2000.

**DATES:** April 4, 2001.

**FOR FURTHER INFORMATION CONTACT:** Debbie O'Brien, 703-787-1579, deborah.o'brien@mms.gov; or Marcia Oliver, 703-787-1043, marcia.oliver@mms.gov.

**SUPPLEMENTARY INFORMATION:** The MMS will host its annual Industry Awards Program and Luncheon on Wednesday, April 4, 2001. It will be held at the Westin Galleria Hotel in Houston, Texas. This is the 19th year that MMS has honored outstanding companies for their exemplary safety and pollution prevention records, and the third year for our industry awards program. To recognize performance during the year 2000, the following awards will be presented:

- **Corporate Leadership Award (CORLA)**—Recognizes corporation employees for performing an act or service that enhances MMS's ability to meet Offshore Minerals Management or Minerals Revenue Management (MRM) mission objectives. An MMS CORLA recipient must be judged by MMS to have performed an exemplary act or

service that helps MMS meet its mission objectives.

- **Corporate Citizen Award (CORCIT)**—Recognizes OCS lessees that are outstanding in the areas of offshore operating performance and fiscal responsibility. An MMS CORCIT recipient must be judged by MMS to be among the safest and most committed to timely and accurate financial reporting. Contributions to overall industry performance are considered.

- **Secretary of the Interior's Minerals Revenues Stewardship Award**—Recognizes companies committed to timely and accurately filing mineral lease revenue and production reports with the MRM Program.

- **Safety Award for Excellence (SAFE)**—Recognizes exemplary performance by oil and gas lessees, operators, and contractors. It also highlights to the public that companies conduct offshore oil and gas activities safely and in a pollution-free manner, even though such activities are complex and carry a significant element of risk. The SAFE Award Categories are as follows:

- High Activity Operator
- Moderate Activity Operator
- Contractor—Drilling
- Contractor—Production

Please visit our web site at <http://www.mms.gov/awards>. The site has information on registration, luncheon, and hotel reservations. Or, you may contact Ms. O'Brien or Ms. Oliver for further information.

Dated: February 26, 2001.

E.P. Danenberger,  
Chief, Engineering and Operations Division.  
[FR Doc. 01-4983 Filed 2-28-01; 8:45 am]  
BILLING CODE 4310-MR-P

## INTERNATIONAL TRADE COMMISSION

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

### Folding Gift Boxes From China

**AGENCY:** United States 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-921 (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 folded gift boxes, provided for in subheading 4819.20.00.40 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 April 6, 2001. The Commission's views are due at the Department of Commerce within five business days thereafter, or by April 13, 2001.

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:** February 20, 2001.

**FOR FURTHER INFORMATION CONTACT:** Valerie Newkirk (202-205-3190), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>).

### SUPPLEMENTARY INFORMATION:

**Background.**—This investigation is being instituted in response to a petition filed on February 20, 2001, by counsel on behalf of Simkins Industries, Inc., New Haven, CT, and Field Container Company, L.P., Elk Grove Village, IL.

**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 March 13, 2001, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Valerie Newkirk (202-205-3190) not later than March 9, 2001, 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 March 16, 2001, 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: February 23, 2001.

By order of the Commission.

**Donna R. Koehnke,**  
*Secretary.*

[FR Doc. 01-5002 Filed 2-28-01; 8:45 am]

BILLING CODE 7020-02-P

## INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-355 and 731-TA-659-660 (Review)]

### Grain-Oriented Silicon Electrical Steel From Italy and Japan

#### Determination

On the basis of the record<sup>1</sup> developed in the subject five-year reviews, the United States International Trade Commission determines,<sup>2</sup> pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act), that revocation of the countervailing duty order on imports of grain-oriented silicon electrical steel from Italy and revocation of the antidumping duty orders on imports of grain-oriented silicon electrical steel from Italy and Japan would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

#### Background

The Commission instituted these reviews on December 1, 1999 (64 FR 67318) and determined on March 3, 2000, that it would conduct full reviews (65 FR 13989, March 15, 2000). Notice of the scheduling of the Commission's reviews and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on August

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

<sup>2</sup> Vice Chairman Deanna Tanner Okun and Commissioners Lynn M. Bragg and Jennifer A. Hillman dissenting.

16, 2000 (65 FR 50004).<sup>3</sup> The hearing was held in Washington, DC, on January 11, 2001, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its determinations in this investigation to the Secretary of Commerce on February 23, 2001. The views of the Commission are contained in USITC Publication 3396 (February 2001), entitled Grain-Oriented Silicon Electrical Steel from Italy and Japan: Investigations Nos. 701-TA-355 and 701-TA-659-660 (Review).

Issued: February 26, 2001.

By order of the Commission.

**Donna R. Koehnke,**  
*Secretary.*

[FR Doc. 01-5004 Filed 2-28-01; 8:45 am]

BILLING CODE 7020-02-U

## INTERNATIONAL TRADE COMMISSION

[Investigation No. TA-204-4]

### Wheat Gluten; Notice of Commission Determination to Conduct a Portion of the Hearing in Camera

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Closure of a portion of a Commission hearing to the public.

**SUMMARY:** Upon request of counsel for the Wheat Gluten Industry Council, the Commission has determined to conduct a portion of its hearing in the above-captioned investigation scheduled for February 27, 2001, in camera. See Commission rules 201.13(m) and 201.35(b)(3) (19 CFR 201.13(m) and 201.35(b)(3)). The remainder of the hearing will be open to the public. The Commission has determined that the seven-day advance notice of the change to a meeting was not possible. See Commission rule 201.35(a), (c)(1) (19 CFR 201.35(a), (c)(1)).

**FOR FURTHER INFORMATION CONTACT:** William Gearhart, Office of General Counsel, U.S. International Trade Commission, 500 E Street, SW., Washington, D.C. 20436, telephone 202-205-3091, e-mail [wgearhart@usitc.gov](mailto:wgearhart@usitc.gov). Hearing-impaired individuals are advised that information on this matter may be obtained by contacting the Commission's TDD terminal on 202-205-1810.

**SUPPLEMENTARY INFORMATION:** The Commission believes that counsel has justified the need for a closed session. Counsel seeks a closed session to provide a full discussion of information

<sup>3</sup> As revised by 65 FR 75302, December 1, 2000.

recently completed fiscal quarters as of the month preceding the month in which the petition was filed would be the third and fourth fiscal quarters of 2000, July through December 2000.

For this investigation, the petitioners have requested that the Department expand the period of investigation (POI) to include the first two fiscal quarters of 2000, January through June 2000. According to the petitioners, the subject merchandise is sold using long-term contracts that require delivery to be made six to nine months after the contract is signed. The petitioners also contend that the folding gift box industry is highly seasonal and that the volume of folding gift box shipments is linked to the Christmas and Hanukkah holidays. The petitioners argue that, because of these two facts, most sales of folding gift boxes are made during January through April. Therefore, the petitioners claim that the normal POI would only capture a few non-representative sales that will greatly distort the Department's conclusions.

The Department is considering the petitioners' arguments on this matter and will make a determination on whether to expand the normal POI as established by section 351.204(b)(1) of the Department's regulations, July 1 through December 31, 2000, as the investigation proceeds.

#### Determination of Industry Support for the Petitions

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 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the administering agency shall: (i) Poll the industry or rely on other information in order to determine if there is support for the petition as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

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 and workers 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.<sup>1</sup>

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 title." 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, we have adopted the definition of the domestic like product defined in the "Scope of Investigation" section, above. That definition was developed in consultation with the petitioners.

The petitioners established industry support representing over 50 percent of total production of the domestic like product. Therefore, the domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) are met.

Furthermore, because the Department received no opposition to the petition, the domestic producers or workers who support the petition account for 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. Thus, the requirements of section 732(c)(4)(A)(ii) are also met.

Accordingly, the Department determines that the petition was filed on behalf of the domestic industry within

the meaning of section 732(b)(1) of the Act. See Industry Support Attachment to the Initiation Checklist.

#### Export Price and Normal Value

The following is a description of the allegation of sales at less than fair value 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.

Based on their knowledge and experience in the market place and on their examination of publicly available ship manifest data, the petitioners identified the following PRC companies as producers of certain folding gift boxes in the PRC: Bigfield Goldenford Holdings, Ltd., Century Distributing, Inc., China Arts Huajia Import & Export, Chung Tai Printing Company, Ltd., Dexon Workshop Company, Fanguan International Economy and Trade Co., Gold Mile Enterprise, Ltd., Homy Paper Products Company, Ltd., Hong Kong Dasan Paper Products Co., Ltd., Hung Hing Off-Set Printing Company, Ltd., K.C. (Hong Kong), Ltd., Leo Paper Products, Ltd., Luk Ka Printing Company, Ltd., Man Sang Envelope Manufacturing Co., Ltd., Max Fortune Industrial, Ltd., Ningbo Jude Trading Company, Ltd., Rank Sharp Investments, Ltd., and Red Point Paper Products Company, Ltd. Of these 18 companies the petitioners identified Bigfield Goldenford Holdings, Ltd., Luk Ka Printing Company, Ltd., Max Fortune Industrial, Ltd., and Red Point Paper Products Company, Ltd., as the producers of a large quantity of certain folding gift boxes exported to the United States.

The petitioners based export price on the price of Chinese-manufactured folding gift boxes from a Chinese exporter. In order to obtain ex-factory prices, the petitioners deducted foreign inland freight and foreign port charges from the sales value. According to an affidavit from a person familiar with the folding gift box industry in the PRC, folding gift boxes are transported to the port by truck. To calculate foreign inland freight, the petitioners used a surrogate value based on information developed by the Department in prior cases and inflated this value to current prices using the Department's normal methodology. To calculate foreign port

<sup>1</sup> 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).

charges, the petitioners used a price quote from a shipping company for port charges from Hong Kong. We reviewed the information provided regarding export price and have determined that it represents information reasonably available to the petitioners and have reviewed it for adequacy and accuracy. See Initiation Checklist.

The petitioners assert that the Department considers the PRC to be an NME country and, therefore, constructed normal value based on the factors-of-production methodology pursuant to section 773(c) of the Act. In previous cases, the Department has determined that the PRC is an NME country. See *e.g.*, *Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Flat-Rolled Carbon-Quality Steel Products from the People's Republic of China (Cold-Rolled Steel from China)*, 65 FR 34660 (May 31, 2000). In accordance with section 771(18)(c)(i) of the Act, the NME status remains in effect until revoked by the Department. The NME status of the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the normal value of the product appropriately is based on factors of production valued in a surrogate market-economy country in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

As required by 19 CFR 351.202(b)(7)(i)(C), the petitioners provided a dumping margin calculation using the Department's NME methodology described in 19 CFR 351.408. For the normal value calculation, the petitioners based the factors of production, as defined by section 773(c)(3) of the Act (raw materials, labor, and overhead), for certain folding gift boxes on the quantities of inputs used by a U.S. producer of certain folding gift boxes. Based on our analysis of the data in the petition, we believe that the petitioners' normal value calculations to be reasonable and accurate. See Initiation Checklist.

The petitioners selected Indonesia as their surrogate country. The petitioners stated that Indonesia is comparable to the PRC in its level of economic development and is the only producer of certain folding gift boxes among the ten countries most comparable to the PRC. Based on the information provided by the petitioners, we believe that the petitioners' use of Indonesia 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 petitioners valued factors of production for certain folding gift boxes, where possible, on reasonably available, public surrogate-country data. To value paperboard, the petitioners used the value for exports as reported in the World Trade Atlas, Indonesian Export Statistics published by the Government of Indonesia. To value ink, glue, shrinkwrap, corrugated boxes, and casing tape, the petitioners used the value for imports as reported in the World Trade Atlas, Indonesian Export Statistics published by the Government of Indonesia. To value labels, the petitioners used the value for exports as reported in the World Trade Atlas, Indonesian Export Statistics published by the Government of Indonesia. The petitioners valued labor using the regression-based wage rate for the PRC, in accordance with 19 CFR 351.408(c)(3). For factory overhead expenses, the petitioners used a rate derived from the experience of the producer of certain folding gift boxes used for the factors of production. Based on information provided in exhibit 13 of the petition, we have found that this is a conservative estimate for purposes of this initiation. For selling, general and administrative expenses and profit, the petitioners applied rates derived from the publicly available annual report of an Indonesian producer of comparable merchandise, PT Pabrik Kertas Tjiwi Kimia Tbk.

The petitioners provided two sets of calculations of CV: one calculation includes packing expenses in the cost of manufacture of the folding gift boxes and the other follows our normal practice of not including packing expenses in the cost of manufacture. The petitioners argued that, unlike other manufactured products where the packaging material is simply an addition to the finished product, folding gift boxes are sold in units of "retail packs" which incorporate the packaging materials as an integral part of the product. For purposes of this initiation, however, we have used the calculation that follows our normal methodology. As noted above, 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 this issue and revise the margin calculations accordingly.

Based on comparisons of export price to normal value, calculated in accordance with section 773(c) of the Act, the estimated dumping margins for

certain folding gift boxes from the PRC range from 65.00 percent to 87.68 percent.

#### Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of certain folding gift boxes 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 less than normal value. The petitioners contend that the industry's injured condition is evident in the declining trends in the following: (1) U.S. market share, (2) domestic production, (3) shipments, (4) capacity utilization, (5) employment, and (6) profit margins.

The allegations of injury and causation are supported by relevant evidence including ITC section 332 import data, lost sales, and pricing information. 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 Attachments to Initiation Checklist, Re: Material Injury).

#### Initiation of Antidumping Investigation

Based upon our examination of the petition on certain folding gift boxes 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 certain folding gift boxes from the PRC are being, or are likely to be, sold in the United States at less than fair value. 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 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.

### 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 April 6, 2001, whether there is a reasonable indication that imports of certain folding gift boxes from the PRC are causing material injury, or threatening to cause 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. Effective January 20, 2001, Bernard T. Carreau is fulfilling the duties the Assistant Secretary for Import Administration.

Dated: March 12, 2001.

**Bernard T. Carreau,**

*Deputy Assistant Secretary, AD/CVD Enforcement II.*

[FR Doc. 01-6756 Filed 3-16-01; 8:45 am]

BILLING CODE 3510-DS-P

## DEPARTMENT OF COMMERCE

### International Trade Administration

#### University of Texas at Austin, et al.; Notice of Consolidated Decision on Applications for Duty-Free Entry of Electron Microscopes

This is a decision consolidated pursuant to Section 6(c) of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Pub. L. 89-651, 80 Stat. 897; 15 CFR part 301). Related records can be viewed between 8:30 a.m. and 5:00 p.m. in Room 4211, U.S. Department of Commerce, 14th and Constitution Avenue, N.W., Washington, D.C.

*Docket Number:* 01-002. *Applicant:* University of Texas at Austin, Austin, TX 78712. *Instrument:* Electron Microscope, Model JEM-2010F. *Manufacturer:* JEOL Ltd., Japan. *Intended Use:* See notice at 66 FR 9557, February 8, 2001. *Order Date:* November 20, 2000.

*Docket Number:* 01-003. *Applicant:* Children's Medical Center of Dallas, Dallas, TX 75235. *Instrument:* Electron Microscope, Model H-7500-1. *Manufacturer:* Hitachi, Japan. *Intended Use:* See notice at 66 FR 9557, February 8, 2001. *Order Date:* September 18, 2000.

*Comments:* None received. *Decision:* Approved. No instrument of equivalent

scientific value to the foreign instrument, for such purposes as these instruments are intended to be used, was being manufactured in the United States at the time the instruments were ordered. *Reasons:* Each foreign instrument is a conventional transmission electron microscope (CTEM) and is intended for research or scientific educational uses requiring a CTEM. We know of no CTEM, or any other instrument suited to these purposes, which was being manufactured in the United States at the time of order of each instrument.

**Gerald A. Zerdy,**

*Program Manager, Statutory Import Programs Staff.*

[FR Doc. 01-6759 Filed 3-16-01; 8:45 am]

BILLING CODE 3510-DS-U

## DEPARTMENT OF COMMERCE

### International Trade Administration

#### North American Free-Trade Agreement, Article 1904 NAFTA Panel Reviews; Request for Panel Review

**AGENCY:** NAFTA Secretariat, United States Section, International Trade Administration, Department of Commerce.

**ACTION:** Notice of first request for panel review.

**SUMMARY:** On March 9, 2001, Cinsa, S.A. de C.V. ("CINSA") and Esmaltaciones de Norte America, S.A. de C.V. ("ENASA") filed a First Request for Panel Review with the United States Section of the NAFTA Secretariat pursuant to Article 1904 of the North American Free Trade Agreement. Panel review was requested of the final antidumping duty 13th administrative review determination made by the International Trade Administration, respecting Porcelain-on-Steel Cookware from Mexico. This determination was published in the **Federal Register** (66 FR 12926) on March 1, 2001. The NAFTA Secretariat has assigned Case Number USA-MEX-2001-1904-02 to this request.

**FOR FURTHER INFORMATION CONTACT:** Caratina L. Alston, United States Secretary, NAFTA Secretariat, Suite 2061, 14th and Constitution Avenue, Washington, DC 20230, (202) 482-5438. **SUPPLEMENTARY INFORMATION:** Chapter 19 of the North American Free-Trade Agreement ("Agreement") establishes a mechanism to replace domestic judicial review of final determinations in antidumping and countervailing duty cases involving imports from a NAFTA country with review by independent

binational panels. When a Request for Panel Review is filed, a panel is established to act in place of national courts to review expeditiously the final determination to determine whether it conforms with the antidumping or countervailing duty law of the country that made the determination.

Under Article 1904 of the Agreement, which came into force on January 1, 1994, the Government of the United States, the Government of Canada and the Government of Mexico established *Rules of Procedure for Article 1904 Binational Panel Reviews* ("Rules"). These Rules were published in the **Federal Register** on February 23, 1994 (59 FR 8686).

A first Request for Panel Review was filed with the United States Section of the NAFTA Secretariat, pursuant to Article 1904 of the Agreement, on June 8, 2000, requesting panel review of the final antidumping duty administrative review described above.

The Rules provide that:

(a) A Party or interested person may challenge the final determination in whole or in part by filing a Complaint in accordance with Rule 39 within 30 days after the filing of the first Request for Panel Review (the deadline for filing a Complaint is April 9, 2001);

(b) A Party, investigating authority or interested person that does not file a Complaint but that intends to appear in support of any reviewable portion of the final determination may participate in the panel review by filing a Notice of Appearance in accordance with Rule 40 within 45 days after the filing of the first Request for Panel Review (the deadline for filing a Notice of Appearance is April 23, 2001); and

(c) The panel review shall be limited to the allegations of error of fact or law, including the jurisdiction of the investigating authority, that are set out in the Complaints filed in the panel review and the procedural and substantive defenses raised in the panel review.

Dated: March 13, 2001.

**Caratina L. Alston,**

*United States Secretary, NAFTA Secretariat.*

[FR Doc. 01-6694 Filed 3-16-01; 8:45 am]

BILLING CODE 3510-GT-U



**APPENDIX B**

**LIST OF CONFERENCE WITNESSES**





**CALENDAR OF THE PUBLIC CONFERENCE**

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigation:

**FOLDING GIFT BOXES FROM CHINA**

**Investigation No. 731-TA-921 (Preliminary)**

**March 13, 2001 - 9:30 am**

The conference was held in Courtroom A of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

**IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES:**

King & Spalding  
Washington, DC  
on behalf of

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

George Lencsak, Jr., Vice President, Harvard Folding Box Co.

Dominick A. Aducci, President and General Manger, Gift Box Division, Field Container Co.

Robert A. Lovett, President, Superior Packaging, Inc.

Thomas R. Graham, King & Spalding )--OF COUNSEL  
Thomas D. Blanford, King & Spalding

**IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES:**

Wiley, Rein & Fielding  
Washington, DC  
on behalf of

Lindy Bowman Co.

Lindy Bowman, President

Alan H. Price )--OF COUNSEL  
Daniel B. Pickard

Daniel Klett, Capital Trade Incorporated

Arent Fox Kitner Plotkin & Kahn  
Washington, DC  
on behalf of

American Greetings/PlusMark

David Blinderman, Executive Director of Marketing

Matthew McConkey )--OF COUNSEL

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



**Table C-1**  
**FGBs: Summary data concerning the U.S. market, 1998-2000**

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**APPENDIX D**

**IMPORT DATA FROM OFFICIAL STATISTICS**





**Table D-1**  
**FGBs: U.S. imports, by sources, 1998-2000**

Source	Calendar year		
	1998	1999	2000
<b>Quantity (1,000 pounds)</b>			
China	17,030	20,998	28,248
Hong Kong	2,160	2,741	5,412
Subtotal	19,190	23,739	33,659
Other sources	235,758	213,654	279,592
Total	254,948	237,393	313,252
<b>Value (1,000 dollars)<sup>1</sup></b>			
China	21,793	26,913	35,308
Hong Kong	3,827	4,851	8,060
Subtotal	25,621	31,764	43,368
Other sources	270,390	261,469	314,686
Total	296,010	293,233	358,055
<b>Unit value (per pound)<sup>1</sup></b>			
China	\$1.28	\$1.28	\$1.25
Hong Kong	1.77	1.77	1.49
Average	1.34	1.34	1.29
Other sources	1.15	1.22	1.13
Average	1.16	1.24	1.14
<b>Share of quantity (percent)</b>			
China	6.7	8.8	9.0
Hong Kong	0.8	1.2	1.7
Subtotal	7.5	10.0	10.7
Other sources	92.5	90.0	89.3
Total	100.0	100.0	100.0
<b>Share of value (percent)</b>			
China	7.4	9.2	9.9
Hong Kong	1.3	1.7	2.3
Subtotal	8.7	10.8	12.1
Other sources	91.3	89.2	87.9
Total	100.0	100.0	100.0
<sup>1</sup> Landed, duty-paid.			
Source: Compiled from official Commerce statistics for HTS 4819.20.00.40.			

Table D-2

FGBs: U.S. imports from leading twelve sources (ranked by quantity in 2000), by source, 1998-2000

Source	Calendar year		
	1998	1999	2000
<b>Quantity (1,000 pounds)</b>			
Canada	214,967	196,957	262,808
China	17,030	20,998	28,248
Hong Kong	2,160	2,741	5,412
Mexico	1,300	3,119	2,635
Taiwan	3,239	2,796	2,555
Korea	1,060	1,022	1,756
Netherlands	2,416	1,657	1,752
Denmark	2,603	1,427	1,587
Israel	165	232	799
Nepal	0	0	663
Switzerland	79	703	577
Malaysia	228	303	564
Subtotal	245,246	231,956	309,355
Other sources	9,702	5,437	3,897
Total	254,948	237,393	313,252
<b>Value (1,000 dollars)<sup>1</sup></b>			
Canada	231,790	227,649	284,382
China	21,793	26,913	35,308
Hong Kong	3,827	4,851	8,060
Mexico	1,647	3,169	2,120
Taiwan	5,810	5,838	5,805
Korea	1,331	1,780	2,482
Netherlands	1,664	963	1,713
Denmark	1,632	861	820
Israel	1,073	1,298	1,597
Nepal	0	0	1,058
Switzerland	384	3,701	3,153
Malaysia	273	339	780
Subtotal	271,226	277,361	347,279
Other sources	24,785	15,872	10,776
Total	296,010	293,233	358,055

Source	Calendar year		
	1998	1999	2000
<b>Unit value (per pound)<sup>1</sup></b>			
Canada	1.08	1.16	1.08
China	1.28	1.28	1.25
Hong Kong	1.77	1.77	1.49
Mexico	1.27	1.02	0.80
Taiwan	1.79	2.09	2.27
Korea	1.26	1.74	1.41
Netherlands	0.69	0.58	0.98
Denmark	0.63	0.60	0.52
Israel	6.49	5.58	2.00
Nepal	0	0	1.59
Switzerland	4.88	5.26	5.46
Malaysia	1.20	1.12	1.38
Average	1.11	1.20	1.12
Other sources	2.55	2.92	2.77
Average	1.16	1.24	1.14
<sup>1</sup> Landed, duty-paid.			
Source: Compiled from official Commerce statistics for HTS 4819.20.00.40.			



**APPENDIX E**

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



The Commission requested U.S. producers to describe any actual or potential negative effects on their return on investment, growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of FGBs from China (Questions III-8 and III-9). Their responses are as follows:

Actual Negative Effects

\* \* \* \* \*

Anticipated Negative Effects

\* \* \* \* \*

