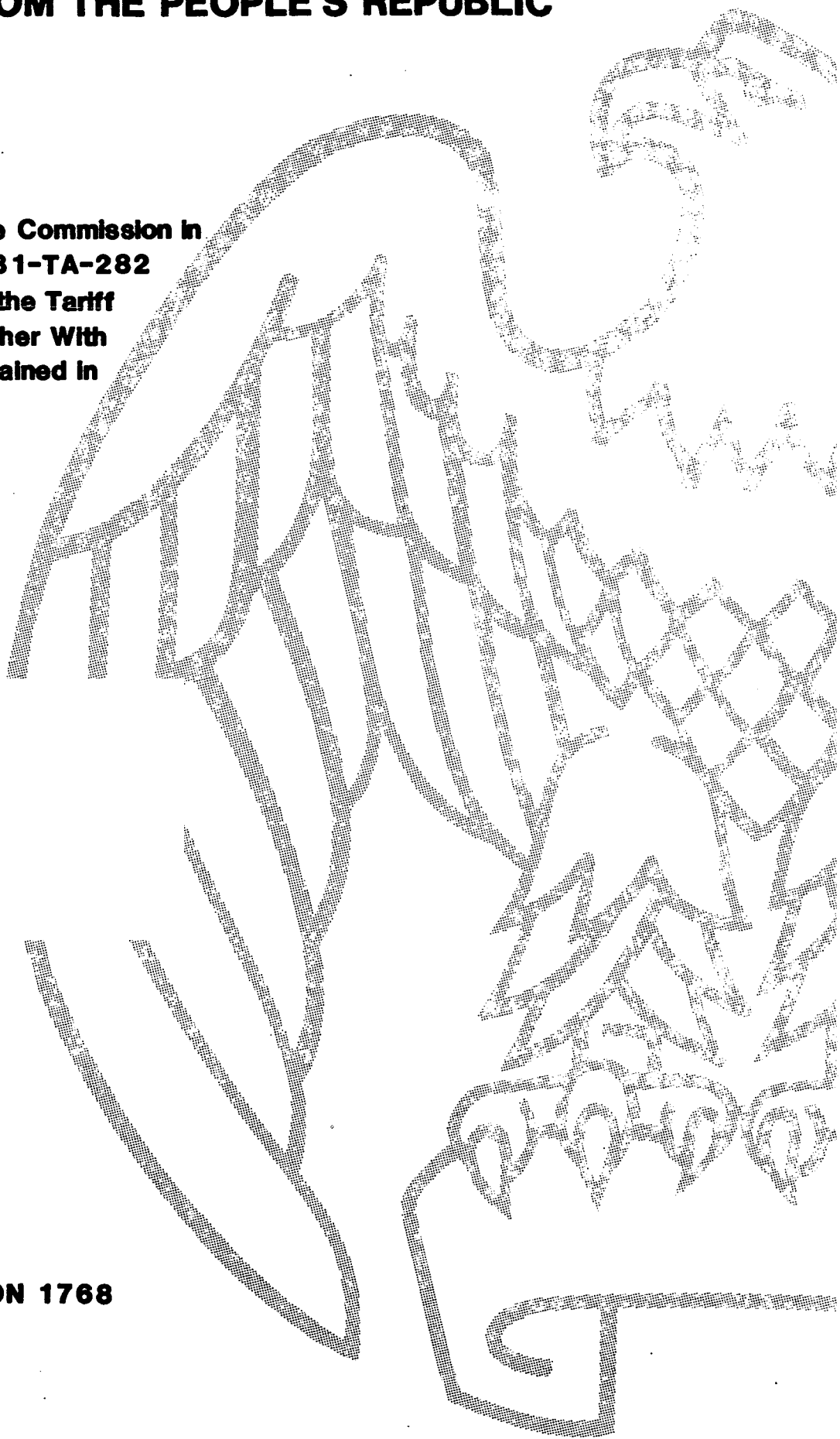


CANDLES FROM THE PEOPLE'S REPUBLIC OF CHINA

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

USITC PUBLICATION 1768

OCTOBER 1985



UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note: Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-282 (Preliminary)

CANDLES FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured 2/3/ by reason of imports from the People's Republic of China of candles of petroleum wax, provided for in item 755.25 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On September 4, 1985, a petition was filed with the Commission and the Department of Commerce by the National Candle Association, Arlington, VA, alleging that an industry in the United States is materially injured, or threatened with material injury, by reason of LTFV imports of candles of petroleum wax from the People's Republic of China. Accordingly, effective September 4, 1985, the Commission instituted preliminary antidumping investigation No. 731-TA-282 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting

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

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

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

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 September 11, 1985 (50 F.R. 37065). The conference was held in Washington, DC, on September 20, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the record in this preliminary investigation, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of certain imports of petroleum wax candles from the People's Republic of China (PRC), as provided for in the Tariff Schedules of the United States (TSUS) item number 755.25, which are allegedly being sold at less than fair value (LTFV). 1/ 2/ 3/

Although limited data were gathered in this preliminary investigation, they provide indications that the performance of the domestic industry has deteriorated since 1982. This downturn has occurred during a period of dramatic increase in the volume and market penetration of low-priced imports from the PRC.

Like product/domestic industry

To determine that there is a reasonable indication of material injury to a domestic industry, it is necessary, as a threshold matter, to identify the domestic industry. Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major portion of the total domestic production of that product." 4/ "Like product" is defined as "a product which is like, or in the absence of like,

1/ Chairwoman Stern finds a reasonable indication of material injury or a threat of material injury to the domestic industry.

2/ Vice Chairman Liebler finds only a reasonable indication of a threat of material injury to the domestic industry. See Vice Chairman Liebler's Additional Views, infra.

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

4/ 19 U.S.C. § 1677(4)(A).

most similar in characteristics and uses with, the article subject to an investigation" 5/

The imports from the PRC in this investigation are petroleum wax candles in various shapes and sizes, including tapers, columns, spirals, straight-sided dinner candles, votives and petroleum wax-filled glass containers. 6/ Petroleum wax candles are produced in the United States in various shapes and sizes. 7/ The Commission also considered whether candles made of materials other than petroleum wax, principally beeswax, should be considered a part of the like product.

Based upon the responses to questionnaires, petitioner's conference testimony, and telephone interviews, the evidence presently available supports a finding that beeswax candles differ in characteristics and uses from petroleum wax candles. Therefore, for purposes of this preliminary determination, we conclude that the domestic like product shall consist only of petroleum wax candles and that the domestic industry consists of the producers of petroleum wax candles. 8/

The Commission also considered whether four domestic producers of candles who also import PRC candles should be excluded as related parties. The

5/ Section 771(10); 19 U.S.C. § 1677(10).

6/ 50 Fed. Reg. 39,743 (Sept. 30, 1985).

7/ Report of the Commission (Report) at A-2.

8/ In the event of a final investigation, more conclusive data will be required about the extent to which domestically produced beeswax candles are fungible with petroleum wax candles. Data will be obtained to determine if all investigated styles and shapes of candles have similar characteristics and uses. In particular, information will be developed on domestic production and uses of petroleum wax-filled glass containers.

statute provides, in appropriate circumstances, for exclusion from the domestic industry of producers who are also importers. 9/

Application of the related parties provision is within the discretion of the Commission after analyzing the facts in each case. The ultimate consideration is whether there is a connection between the domestic producer and the allegedly LTFV imports which, if not accounted for, may result in an inaccurate assessment of material injury. Domestic producers who are protected from injury because of their relation to the subject imports are properly excluded as related producers.

At this time, the evidence is inconclusive as to whether the domestic producers who import PRC candles are protected from injury. Furthermore, including data obtained from these producers in this preliminary investigation has not biased the assessment of material injury. On the basis of the information available, we have excluded no domestic producers as related parties. 10/

Condition of the domestic industry

Under Section 733 of the Tariff Act of 1930, as amended, the Commission is required to determine, in the first instance, whether there is a reasonable indication that an industry in the United States is materially injured or

9/ 19 U.S.C. § 1677(4)(B) provides in pertinent part:

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

10/ We note that there is an indication that at least one of the domestic producers may be directing its imports to obtain substantial benefit from the allegedly LTFV candles from the PRC. In the event of a final investigation, more complete data will be required to determine if appropriate circumstances exist which would warrant exclusion of domestic producers as related parties.

threatened with material injury. 11/ In making a material injury determination, the Commission considers, among other factors, production, capacity utilization, sales, market share, employment, wages, and profitability. 12/ We have determined that the record in this preliminary investigation of the domestic candle industry provides a "reasonable indication" of material injury. 13/ 14/

Since 1982, the consumption of candles in the United States has increased at a steady rate. 15/ Domestic production and capacity also increased from 1982-84. 16/ Capacity utilization decreased slightly during that period. A comparison of the first half of 1985 (interim reporting period) with the same

11/ 19 U.S.C. § 1673(b). The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant." 19 U.S.C. § 1677(7).

12/ 19 U.S.C. § 1677(7)(C)(iii).

13/ Chairwoman Stern does not believe it necessary or desirable to make a determination on the question of material injury separate from the consideration of causality. She joins her colleagues by concluding that the domestic industries are experiencing economic problems.

14/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. The Court of International Trade recently held that:

The Commission must make an affirmative finding only when it finds both (1) present material injury (or threat to or retardation of the establishment of an industry) and (2) that the material injury is 'by reason of' the subject imports. Relief may not be granted when the domestic industry is suffering material injury but not by reason of unfairly traded imports. Nor may relief be granted when there is no material injury, regardless of the presence of dumped or subsidized imports of the product under investigation. In the latter circumstances, the presence of dumped or subsidized imports is irrelevant, because only one of the two necessary criteria has been met, and any analysis of causation of injury would thus be superfluous.

American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1276 (Ct. Int'l Trade 1984) (emphasis supplied) aff'd sub nom., Armco, Inc. v. United States, 760 F.2d 249 (C.A.F.C. 1985).

15/ Report at A-6.

16/ Id. at A-8. That increase does not necessarily reflect activity on the part of all domestic producers.

period in 1984 reveals a decrease in domestic capacity utilization from 50.2 percent of capacity to 45.8 percent of capacity as production decreased. 17/

The volume of domestic candles shipped increased from 1982 to 1984. 18/ The value of the domestic shipments increased from 1982 to 1983 by 4.9 percent, but increased by only 0.4 percent from 1983 to 1984. A comparison of the 1985 interim reporting period with that in 1984 reveals a 6.6 percent decrease in the volume of candles shipped and a corresponding 13.2 percent decrease in the value of the domestic shipments. 19/

While domestic candle inventories, in pounds of candles, increased in 1982 and 1983, they decreased by 1.0 percent for the period ending December 31, 1984. From January 1-June 30, 1985, they decreased again, by 6.6 percent, when compared with the same period in 1984. When considered as a percentage share of total domestic shipments, however, inventories increased in 1983 and decreased in 1984. In the first half of 1985, they remained at the annualized ratio of 34.6 percent reported in the first half of 1984. 20/

The overall number of workers employed in candle production and related activities has decreased since 1982, although the average annual wages and hourly compensation have increased. 21/ During interim 1985, there was a 14.6 reduction in employment compared to interim 1984. 22/

The available data show significant overall establishment capital expenditures within the domestic candle industry in the last four years. From

17/ Id. at A-9. We note that exports have declined since 1984. Id. at A-10.

18/ Id. at A-9.

19/ Id. at A-9-A-10.

20/ Id. at A-12.

21/ Id. at A-13.

22/ Id. at A-12. In the event of a final investigation, data will be obtained concerning the reasons for reduction in employment.

1982 to 1984, these investments nearly tripled and from January-June, 1985, they nearly doubled as compared with the same period in 1984. 23/ From 1982 to 1984, research and development expenditures increased, while they decreased in the first half of 1985. 24/

During the preliminary investigation, income-and-loss data were obtained from five firms whose shipments represent less than 50 percent of the total domestic shipments from 1982-84. The limited data show aggregate net sales fluctuated during the period. From 1982 to 1983, they increased by 3.5 percent; in 1984, they declined by 1.8 percent; and they decreased by 6.8 percent in the first half of 1985 when compared with the same period in 1984.

The industry operated profitably during the entire 1982-84 reporting period. However, net operating income as a percent of sales plunged from 11.0 percent in 1983 to 4.6 percent in 1984, recovering slightly to 6.3 percent in the 1985 interim period. Two of the responding firms reported operating losses in the 1985 interim period. 25/

23/ Id. at A-16. Some questionnaire responses indicated that the reported capital expenditures were necessary to improve price competitiveness.

24/ Id. at A-18.

25/ Id. at A-14.

Reasonable indication of material injury by reason of allegedly LTFV imports 26/ 27/

In making its determination whether there is a reasonable indication that material injury to the domestic industry is "by reason of" allegedly LTFV imports, 28/ the Commission must consider, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry. 29/

The volume of imports of petroleum wax candles from the PRC rose substantially during the investigative period from 8.8 million pounds in 1982 to 26.7 million pounds in 1984. They continued to increase in the first half of 1985 as compared to the same 1984 period.

Imports accounted for a rapidly increasing domestic market share. 30/ The ratio of imports from the PRC to apparent U.S consumption increased from 8.2 percent in 1982 to 18.3 percent in 1984. 31/ The ratio in the 1985 interim period was 15.6 percent in comparison to 10.0 percent for the same period in 1984. Importers' inventories of PRC candles at the end of 1984 were over 8 times the level at year end 1982. They were even higher at the end of June 1985.

Twelve of the 19 domestic importers surveyed indicated that price was a "very important" reason in their decision to import PRC candles. 32/ During

26/ In this preliminary investigation there were virtually no data available about PRC candle production, capacity, and capacity utilization. This may be attributed, in part, to the fact that no respondent entered an appearance until the day before the preliminary vote.

27/ Vice Chairman Liebelier finds only a reasonable indication of a threat of material injury to the domestic industry. See Vice Chairman Liebelier's Additional Views, infra.

28/ 19 U.S.C. § 1673(b).

29/ 19 U.S.C. § 1677(7).

30/ Report at A-21.

31/ Id.

32/ Id.

the period, PRC candles undersold virtually all domestic candles and did so by substantial price differentials. 33/

As noted in the report, domestic price trends are unclear. 34/ The price of 12-inch tapers, for example, increased in some markets and during the same period decreased in others. Other candles, columns for instance, experienced price differentials which may be seasonal. 35/ Although lost sales and lost revenue data were mixed, some lost sales were confirmed.

The limited pricing data do indicate flat or decreasing price trends for the items sampled. The record in this preliminary investigation indicates that the presence of increasing volumes of low-priced imports from the PRC may have suppressed domestic prices, thus decreasing the profitability of the domestic industry. Therefore, we find there is a reasonable indication that the domestic industry producing petroleum wax candles is experiencing material injury by reason of allegedly LTFV imports from the PRC. 36/

33/ Id. at A-25.

34/ Id. at A-23.

35/ Id.

36/ Chairwoman Stern, while concurring with the analysis of her colleagues relating to material injury, also determines that a reasonable indication of a threat of material injury exists. First, Chairwoman Stern notes that profits of the domestic industry are declining. Secondly, due to the lack of information about PRC candle production, capacity, and capacity utilization, the Commission has no indication of the PRC industry's capabilities in these areas. However, Chairwoman Stern observes that the continued increasing ratio of imports from the PRC to apparent U.S. consumption at prices significantly below those of domestic producers signals a reasonable indication of a threat of material injury to the domestic industry from PRC candle imports.

Additional Views of Vice Chairman Liebeler

Based on the record in Investigation No. 731-TA-282 (preliminary), I determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of certain allegedly dumped imports of petroleum wax candles from the People's Republic of China (PRC). I join my colleagues in their discussion of like product, domestic industry and related parties.

Condition of the Industry

As the majority opinion indicates, information concerning the condition of the domestic industry presents a mixed picture. Production, shipments, capacity, capital expenditures, average annual wages, hours worked, and average hourly compensation all trended upward from 1982 to 1984. Interim 1985 (January-June) figures have shown a slight downturn in these categories. In addition, profit figures declined in 1984, although they recovered somewhat in interim 1985. I conclude that these indicators do not provide a reasonable indication of material injury to the domestic industry but they do indicate that the domestic industry may be threatened with injury.

Threat of Material Injury

In order to make a finding that a domestic industry is threatened with material injury at the preliminary investigation phase, there must be a reasonable indication that the threat is real and imminent.¹ There are five factors which I look at to determine whether actual material injury is caused by imports: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices, and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).² At this stage, I have found that there is a reasonable indication of (1) moderate and rapidly increasing market share and (2) substantial dumping margins (taking the allegations as given).³ These figures, in conjunction with the

¹Tariff Act of 1930, 19 U.S.C. § 1677(F)(ii)(1985).

²See Certain Red Raspberries from Canada, Inv. No. 731-TA-196 (Final), USITC Pub. No. 1707 (June 1985) (Additional Views of Vice Chairman Liebeler).

³The data on domestic prices is scanty and conflicting. Moreover, the pricing data indicates that PRC candles sell for substantially less than domestic candles. This may indicate that the products are not closely substitutable. Finally, there are substantial imports of petroleum wax candles from other countries.

data on the condition of the domestic industry, are sufficiently high to warrant a preliminary affirmative threat determination.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 4, 1985, an antidumping petition was filed with the United States International Trade Commission and the U.S. Department of Commerce by the National Candle Association, Arlington, VA. The petition alleges that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from the People's Republic of China (China) of candles of petroleum wax, provided for in item 755.25 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, the Commission instituted a preliminary antidumping investigation (investigation No. 731-TA-282 (Preliminary)) under section 733(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China of candles of petroleum wax. The statute directs that the Commission make its determination within 45 days after its receipt of the petition, or, in this case, by October 21, 1985.

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 September 11, 1985 (50 F.R. 37065). 1/ The conference was held in Washington, DC, on September 20, 1985. 2/

On September 30, 1985, Commerce instituted an investigation to determine whether petroleum wax candles from China are being, or are likely to be, sold in the United States at LTFV. 3/

The Commission's briefing and vote on this investigation was held on October 16, 1985. The Commission has conducted no previous investigations concerning candles.

The Product

Description and uses

A candle is a molded or dipped mass generally of petroleum wax, beeswax, stearic acid, or combinations thereof, containing a wick that may be burned so as to give light, heat, or scent or used for celebration or votive purposes. Candles covered in this investigation consist only of petroleum wax; hereinafter, unless otherwise defined, the term "candle" will apply only to such a product wholly or chiefly of petroleum wax.

1/ A copy of the Commission's notice of institution is presented in app. A.

2/ A list of witnesses appearing at the conference is presented in app. B.

3/ A copy of Commerce's notice of institution is presented in app. C.

There are many varieties of candles sold in the U.S. market, including tapers, straight-sided dinner candles, spirals, columns, and votives. Some of these varieties come in different sizes and fragrances, and all come in a range of colors. The domestic manufacturers generally produce a large variety of candle sizes, fragrances, and colors; the Chinese manufacturers apparently produce a smaller variety of sizes, fragrances, and colors. Information obtained in response to the Commission's questionnaires indicates that in 1984, votive candles accounted for 19 percent of domestic shipments (in terms of pounds of wax), candles for churches accounted for 14 percent, tapers for 13 percent, columns for 11 percent, and spirals and straight-sided dinner candles for 5 percent; the remaining 38 percent consisted of decorative candles, candles in glass containers for use by restaurants, hotels, and other institutional users, and unspecified candles. In 1984, tapers accounted for 43 percent of reported sales (in terms of pounds of wax) of Chinese candles in the United States, columns accounted for 32 percent, votives for 13 percent, spirals for 5 percent, and "other" candles for approximately 8 percent; there were no reported imports from China of straight-sided dinner candles or of candles in glass containers. Many Chinese candles sold in the U.S. market are sold during the Christmas season. Many of the merchandisers contacted in the course of this investigation indicated that they only purchase Chinese candles in red, white, and green for the Christmas season, and that they primarily rely on domestic candles for their everyday displays of many candle colors.

U.S. tariff treatment

U.S. imports of candles are classified under item 755.25 of the TSUS. This tariff item provides for candles and tapers. The current column 1 rate of duty 1/ is 6.9 percent ad valorem; this rate is scheduled to be reduced annually to 5.8 percent by January 1, 1987. The United States extended column 1 duty treatment to China effective February 1, 1980. 2/ Prior to that date, U.S. imports from China were dutiable at the higher column 2 rates. 3/

The petitioner has alleged that significant amounts of candles produced in China are being transshipped through Hong Kong and are entering the United States as products of Hong Kong. The rate of duty currently applicable to

1/ The rates of duty in column 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. China, Hungary, Romania, and Yugoslavia are the only Communist countries eligible for MFN treatment.

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

3/ The column 2 rates of duty apply to imported products from those Communist countries and areas enumerated in general headnote 3(d) of the TSUS.

U.S. imports of candles from Hong Kong is the column 1 rate of duty. Because imports of candles from Hong Kong exceeded the competitive-need limits, as of March 30, 1980, Hong Kong was no longer accorded duty-free treatment on candles under the Generalized System of Preferences (GSP). 1/ Also, on March 31, 1982, Hong Kong was graduated from GSP eligibility for candles. Accordingly, since March 30, 1980, there has been no duty rate differential between candles from Hong Kong and those from China.

Nature and Extent of Alleged Sales at LTFV

The petition alleges that candles from China are being sold in the United States at prices well below the foreign market value. Alleged margins of dumping range from 245 percent to 450 percent.

The foreign market value used by the petitioner in determining the alleged margins of dumping is not the foreign market value in China, but rather the foreign market value in Malaysia. Since China is a State-controlled economy, which, according to the petition, "with regard to candle production and sales, allows its State-controlled candle industry to set prices without regard to production costs and, therefore, does not permit a reliable determination of foreign market value based either on sales or offers of sale of candles in (China)," 2/ the petitioner, pursuant to 19 U.S.C. § 1677b(c), 19 C.F.R. § 353.8(a) and (b), determined the foreign market value on the basis of price in a surrogate non-State-controlled-economy country (Malaysia) at a stage of economic development comparable to that of China. The petitioner claims to have considered each of the major Far East developing country suppliers of candles to the United States as possible surrogate countries to China, but contends, for various reasons stated in the petition, 3/ that Malaysia is the most appropriate choice for a surrogate country.

The Malaysian foreign market values in the petition consist of June 1985 price quotes for arm's-length transactions for certain types of taper, spiral, column, and 15-hour votive candles. The petitioner made no adjustments to the foreign market prices for differences in quantities or circumstances of sale or for additional packing costs specifically for shipment to the United States.

The U.S. prices used by the petitioner for comparison with the Malaysian foreign market values consist of the medians of price quotes made for the offer of sales of various types of taper, spiral, column, and 15-hour votive candles from China to the United States in * * * 1985. The price quotes are

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

2/ Petition in the subject investigation, p. 12.

3/ Ibid., pp. 12-17.

those received by * * *, and those made to * * * in * * * 1985 by * * *. When possible, the petitioner adjusted the price quotes in accordance with 19 U.S.C. § 1677a.

The Domestic Market

U.S. producers

There are over 90 known producers of candles for commercial sale in the United States, not to mention the many small craft producers for local, noncommercial use. 1/ The Commission sent questionnaires to 35 firms believed to produce candles in the United States for commercial sale. The 35 firms consisted of all of the known major producers of candles as well as a number of medium-size and small producers. It is estimated that the 35 firms to which questionnaires were sent account for the great bulk (perhaps over 90 percent) of U.S.-produced candles.

Completed responses to the questionnaire were received from 13 firms, including nearly all, or all, of the largest candle producers. It is estimated that the 13 responding firms account for most (approximately 75 percent) of the total U.S. production of candles. The following tabulation shows the responding producers, 2/ the location of production facilities, production level in 1984 (in thousands of pounds of wax), and each producers' share (in percent) of known production:

<u>Producer</u>	<u>Production</u>	<u>Share</u>
* * *-----	***	***
* * *-----	***	***
* * *-----	***	***
* * *-----	***	***
* * *-----	***	***
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* * * of the producers in the tabulation above, representing 72 percent of known production, are in support of the petition in this investigation. Of the * * * producers, * * * are in support, * * * opposition, and * * *. Each of the known major producers is discussed below.

* * * * *

1/ The petitioner claims that during the past 5 years, at least 30 candle producers have closed as a result of unfairly traded imports from China (petitioner's postconference brief, p. 7).

2/ Two producers responded too late to include their data in this report.

U.S. importers

Information provided by the U.S. Customs Service identified over 70 importers of candles from China during fiscal years 1983, 1984, and 1985 (up to June 1985). Most of the importers imported only small amounts. The Commission sent a questionnaire to 36 importers, including all the known major importers of candles and also a number of medium and small importers. The 36 importers are believed to account for the great bulk (at least 60 percent and probably significantly more) of total imports of candles from China during the period covered by this investigation. Nineteen importers provided at least some data in response to the Commission's questionnaire. Fourteen importers, accounting for approximately 49 percent of total imports in 1984, provided usable data on their quantities of candles imported from China. The following tabulation shows the responding importers (and several domestic producers that import), the importers' locations, imports from China in 1984 (in thousands of pounds of wax), and each importer's share (in percent) of total U.S. imports from China (total U.S. imports from China are based on official statistics of the U.S. Department of Commerce):

<u>Importer</u>	<u>Imports</u> (1,000 pounds)	<u>Percent of total</u>
Importers from China that are also		
U.S. producers:		
* * *	***	***
* * *	***	***
* * *	1/	2/
* * *	***	3/
Subtotal	***	***
Other importers:		
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***
* * *	***	***
All others	***	***
Subtotal	***	***
Total	26,705	100.0

1/ * * *.
 2/ * * *.
 3/ * * *.

Each of the known major importers of candles from China is discussed below.

* * * * *

Apparent U.S. consumption

Data on the apparent U.S. consumption of candles presented in this report are composed of the sum of (1) reported domestic shipments of domestically produced candles by U.S. producers responding to the Commission's questionnaire, 1/ and (2) U.S. imports of candles as reported in official statistics of the U.S. Department of Commerce. The following tabulation presents the data collected on the apparent U.S. consumption (including captive consumption) 2/ of candles:

<u>Period</u>	<u>Total apparent consumption (1,000 pounds)</u>
1982-----	106,464
1983-----	124,532
1984-----	145,679
January-June--	
1984-----	51,655
1985-----	55,673

Total apparent U.S. consumption of candles increased from 106.5 million pounds in 1982 to 124.5 million pounds in 1983, or by 17.0 percent, and increased to 145.7 million pounds in 1984, or by 17.0 percent. Total apparent consumption in January-June 1985 increased by 7.8 percent from the level in the corresponding period of 1984.

Channels of distribution

Domestic producers and importers sell candles directly to retail stores such as department stores, specialty stores, or mass merchandisers (chain, variety, drug, and discount stores), or directly to wholesale distributors that later distribute the candles to various retail outlets and end users. Department stores and specialty (gift) stores are generally considered the "high" end of the market, since they tend to carry a wider selection of candles in a large assortment of sizes and colors especially formulated to match the latest home furnishings. Mass merchandisers such as drugstore chains and supermarkets carry a more limited selection of candles (mostly dinner candles), although they frequently introduce a Christmas program. (Christmas candle sales account for a considerable part of candle sales in the United States.) The following tabulation, based on the questionnaire responses of 11 producers, presents the share of sales (based on pounds of wax) of domestically produced candles in 1984 to each of the designated outlets:

1/ Apparent consumption is understated due to the fact that domestic producers' shipments are significantly understated.

2/ Captive consumption of candles accounts for less than 1.5 percent of domestic shipments in all periods.

<u>Sales outlets</u>	<u>Percentage distribution</u>
Wholesale distributors-----	31.2
Mass merchandisers-----	27.8
Department, jewelry, and specialty stores----	10.9
Restaurants-----	10.4
Churches-----	8.0
Own retail outlets, franchises, and private label-----	6.6
All other <u>1</u> /-----	<u>5.2</u>
Total-----	100.0

1/ Mainly church goods dealers.

The responding large producers tend to sell principally to wholesale distributors and mass merchandisers, while the responding small producers tend to sell to churches and church goods dealers; to department, jewelry, and specialty stores; to mass merchandisers; and to their own retail stores and franchises.

The following tabulation, based on responses of nine importers to the Commission's questionnaire, presents the share of sales (based on pounds of wax) of Chinese candles in 1984 to each of the designated outlets:

<u>Sales outlets</u>	<u>Percentage distribution</u>
Mass merchandisers-----	44.8
Own retail outlets, franchises, and private label-----	31.3
Wholesale distributors-----	12.8
Churches-----	1.3
Department, jewelry, and specialty stores----	.5
Restaurants-----	<u>1</u> /
Other and nonspecified-----	<u>9.2</u>
Total-----	100.0

1/ Less than 0.05 percent.

The responding large importers sell to mass merchandisers, wholesale distributors, and in their own retail outlets, whereas the responding small importers sell most of their candles to mass merchandisers.

The Industry in China

Little factual information is available on the candle industry in China. No data are available on Chinese production, capacity, 1/ and exports. Even

1/ It is stated on page 3 of the petition that "recent reports indicate that the PRC is expanding its candle capacity," and "it has been reported that the number of (Chinese) manufacturers producing candles in 1985 will be almost double that of 1984." The source for these statements is apparently * * *.

the Chinese Government apparently has no aggregate data for a decentralized light industry such as the candle industry.

Candle production in China is reportedly primarily located in Beijing, Canton (Guangzhou), * * *, Shanghai, * * *, * * *, and * * *. According to industry sources, candles manufactured in Beijing, * * *, and * * * are higher in quality than those produced elsewhere in China. Candle producers in China that are exporting candles to the United States include * * * and an enterprise in * * *. * * *, * * *, 1/ may also be exporting candles to the United States.

Candle sales to foreigners take place primarily at the annual Canton Fair. However, industry sources indicate that * * * for importing certain Chinese candles.

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

Consideration of Alleged Material Injury

The information in this section of the report has been compiled from responses to questionnaires of the U.S. International Trade Commission. The 13 producers that provided usable questionnaire responses are believed to account for approximately 75 percent of the total U.S. production of candles.

U.S. production, capacity, and capacity utilization

Data on known U.S. production, end-of-period capacity, and capacity utilization of candles are presented in table 1. Production of candles increased from 80.8 million pounds of wax in 1982 to 81.1 million pounds in 1983, or by 0.4 percent. Production increased in 1984 to 85.9 million pounds, or by 5.9 percent. Production in January-June 1985 amounted to 37.8 million pounds, a decrease of 8.8 percent compared with the level of production in the corresponding period of 1984.

Capacity to produce candles increased from 150.6 million pounds of wax in 1982 to 153.6 million pounds in 1983, or by 2.0 percent. Capacity increased in 1984 to 165.0 million pounds, or by 7.5 percent, mainly because of a * * *. Capacity in January-June 1985 amounted to 82.5 million pounds, or virtually remained unchanged from the corresponding period of 1984.

1/ According to industry sources, Chinese petroleum is high in paraffin content, yielding significant amounts of paraffin wax, the principal ingredient in the production of candles.

Table 1.--Candles: U.S. production, end-of-period capacity, and capacity utilization, 1982-84, January-June 1984, and January-June 1985

Item	1982	1983	1984	January-June--	
				1984	1985
Production--1,000 pounds--	80,779	81,105	85,871	41,456	37,803
End-of-period capacity					
1,000 pounds--	150,608	153,560	165,014	82,536	82,472
Capacity utilization					
percent--	53.6	52.8	52.0	50.2	45.8

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

End-of-year capacity utilization was 53.6 percent in 1982, 52.8 percent in 1983, and 52.0 percent in 1984. Capacity utilization in January-June 1985 was 45.8 percent, representing a decrease from the 50.2 percent capacity utilization rate of the corresponding period of 1984.

U.S. producers' domestic shipments

Data on the quantity of U.S. producers' domestic shipments of candles are presented in the following tabulation:

<u>Period</u>	<u>Domestic shipments</u> <u>(1,000 pounds of wax)</u>
1982-----	76,667
1983-----	78,872
1984-----	84,518
January-June--	
1984-----	35,996
1985-----	33,610

U.S. producers' domestic shipments of candles increased from 76.7 million pounds of wax in 1982 to 78.9 million pounds in 1983, or by 2.9 percent. Shipments increased in 1984 to 84.5 million pounds, or by 7.2 percent. ^{1/} Shipments in January-June 1985 amounted to 33.6 million pounds, a decrease of 6.6 percent compared with the level of domestic shipments in the corresponding period of 1984.

^{1/} Candle producers that have ceased production during the period under investigation did not provide data on shipments or any other indicators; if these data were available, the absolute levels of shipments and the period-to-period percentage changes would be affected accordingly.

The value 1/ of U.S. producers' domestic shipments of candles increased from \$104.2 million in 1982 to \$109.3 million in 1983, or by 4.9 percent. The value of shipments increased in 1984 to \$109.7 million, or by 0.4 percent. The value of domestic producers' shipments in January-June 1985 amounted to \$37.5 million, a decrease of 13.2 percent compared with the level in the corresponding period of 1984.

The unit values of U.S. producers' domestic shipments 2/ declined from \$*** per pound in 1982 to \$*** per pound in 1983 and \$*** per pound in 1984. The unit value of U.S. producers' domestic shipments of candles in January-June 1985 was \$***, a decrease compared with the unit value of \$*** in January-June 1984.

U.S. exports

Data on U.S. exports obtained from official statistics of the U.S. Department of Commerce are presented in table 2. Exports of candles increased from 3.0 million pounds of wax in 1982 to 3.2 million pounds in 1983, or by 4.7 percent. Exports decreased in 1984 to 2.3 million pounds, or by 27.0 percent. Exports in January-June 1985 amounted to 660,000 pounds, a decrease of 41.5 percent compared with the level of exports in the corresponding period of 1984.

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

<u>Period</u>	<u>Exports</u>
1982-----	***
1983-----	***
1984-----	***
January-June--	
1984-----	***
1985-----	***

The export data in the tabulation above are significantly lower than the data appearing in table 2, owing to the incomplete industry response to the Commission's questionnaire and to the possibility that firms other than producers may be exporting.

1/ Excludes value data for * * *.

2/ Calculated by excluding * * *.

Table 2.--Candles: U.S. exports, by markets, 1982-84,
January-June 1984, and January-June 1985

Market	1982	1983	1984	January-June--	
				1984	1985
Quantity (1,000 pounds)					
Canada-----	807	807	1,039	435	277
Sweden-----	334	512	308	160	36
United Kingdom-----	350	320	221	182	86
Australia-----	219	134	109	47	61
Finland-----	190	269	64	16	0
All other-----	1,115	1,115	563	288	200
Total-----	3,015	3,157	2,304	1,128	660
Value (1,000 dollars)					
Canada-----	1,298	1,190	1,558	672	405
Sweden-----	269	305	201	102	34
United Kingdom-----	497	409	331	274	112
Australia-----	225	76	77	40	26
Finland-----	88	158	89	22	-
All other-----	1,298	1,390	951	442	270
Total-----	3,675	3,528	3,207	1,552	847
Unit value					
Canada-----	\$1.61	\$1.47	\$1.50	\$1.55	\$1.46
Sweden-----	.81	.60	.65	.64	.94
United Kingdom-----	1.42	1.28	1.50	1.50	1.30
Australia-----	1.03	.56	.70	.86	.44
Finland-----	.46	.59	1.40	1.40	-
All other-----	1.16	1.25	1.69	1.53	1.35
Average-----	1.22	1.12	1.39	1.38	1.28

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

U.S. producers' inventories

Data on U.S. producers' inventories of candles are presented in the following tabulation:

<u>Date</u>	<u>Inventories</u> (1,000 pounds)	<u>Percent of</u> <u>total shipments</u>
Dec. 31--		
1981-----	14,563	1/
1982-----	18,786	24.5
1983-----	20,072	25.4
1984-----	19,871	23.5
June 30--		
1984-----	24,938	2/ 34.6
1985-----	23,289	2/ 34.6

1/ Not available.

2/ Based on annualized shipment data.

U.S. producers' inventories of candles increased from 14.6 million pounds as of December 31, 1981, to 18.8 million pounds as of December 31, 1982, or by 29.0 percent. Inventories increased to 20.1 million pounds as of December 31, 1983, or by 6.8 percent. Inventories decreased to 19.9 million pounds as of December 31, 1984, or by 1.0 percent. Inventories on June 30, 1985, amounted to 23.3 million pounds, a decrease of 6.6 percent compared with the level of inventories on June 30, 1984.

As a share of U.S. producers' total domestic shipments during the preceding year, inventories increased from 24.5 percent, as of December 31, 1982, to 25.4 percent, as of December 31, 1983, and decreased to 23.5 percent as of December 31, 1984. The annualized ratio was 34.6 percent as of June 30, 1984, and also as of June 30, 1985.

U.S. producers' employment and wages

The average number of production and related workers producing candles for the 12 producers that provided employment data increased from 1,179 in 1982 to 1,184 in 1983, or by 0.4 percent, and then decreased to 1,147 in 1984, or by 3.1 percent (table 3). The number of workers in January-June 1985 was 973, representing a decrease of 14.6 percent from the 1,139 workers in the corresponding period of 1984. Eight of the 12 producers reported a decrease in the number of production and related workers producing candles in January-June 1985 compared with the corresponding period in January-June 1984; the largest reported decrease in the number of workers was * * * reported by * * *.

The number of production and related workers producing all products in establishments where candles are produced increased from 1,621 in 1982 to 1,677 in 1983, or by 3.5 percent, and then decreased to 1,642 in 1984, or by 2.1 percent. The number of workers in January-June 1985 was 1,459, representing a decrease of 8.9 percent from the 1,600 workers in the corresponding period of 1984. The number of hours worked by production and related workers producing candles virtually remained steady at 2.1 million

Table 3.--Average number of employees, total number of production and related workers employed in establishments producing candles, and hours worked by such production and related workers, 1982-84, January-June 1984, and January-June 1985

Item	1982	1983	1984	January-June--	
				1984	1985
All persons employed in the reporting establishments----	2,352	2,356	2,346	2,265	2,143
Production and related workers producing--					
All products-----	1,621	1,677	1,642	1,600	1,459
Candles-----	1,179	1,184	1,147	1,139	973
Hours worked by production and related workers producing--					
All products---1,000 hours--	3,062	3,220	3,231	1,680	1,478
Candles-----do----	2,097	2,143	2,092	1,115	938

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

annually during 1982-84. The number of hours worked in January-June 1985 was 938,000, representing a decrease of 15.9 percent from the 1.1 million hours worked in the corresponding period of 1984.

The following tabulation shows total wages paid, total compensation, average hourly wages, and average hourly compensation of production and related workers producing candles during the period under investigation:

Period	<u>Wages paid</u> <u>(1,000 dollars)</u>	<u>Total compensation</u> <u>(1,000 dollars)</u>	<u>Average</u> <u>hourly wage</u>	<u>Average</u> <u>hourly</u> <u>compensation</u>
1982-----	13,429	16,135	\$6.40	\$7.69
1983-----	14,439	17,623	6.74	8.22
1984-----	15,133	18,304	7.23	8.75
January-June--				
1984-----	7,706	9,324	6.91	8.36
1985-----	6,757	7,939	7.20	8.46

In response to the Commission's questionnaire, several companies reported that they reduced the number of production and related workers producing candles by at least 5 percent or by 50 workers during January 1982 to June 1985. * * * reported that " * * * ." * * * reported a decrease of * * * workers during the period under investigation; * * * percent of this decrease was temporary and due to "decreased demand," and * * * percent was permanent and due to "new equipment." * * * reported that "our labor force has dropped

from * * * or * * * down to * * * or less, and we feel it is partly caused by China intervening the U.S.A. market." * * * reported * * *. * * * also reported. * * * reported * * *. * * * reported a gradual reduction by attrition of * * * workers between 1983 and 1985, owing to "sales down/less production needed/also purchased new machinery which requires less people." * * * reported permanent reductions of * * * workers in * * * and * * * workers in * * * owing to the "lack of work due to reduced orders."

The production and related workers producing candles at most of the reporting producers are not represented by a union. Workers at * * *.
* * *. * * *. * * *.

Financial experience of U.S. producers

In response to the Commission's questionnaire, several firms provided income-and-loss data on their candle operations and on their establishment operations. One firm, * * *, did not provide income-and-loss data on its establishment operations but provided data on its candle operations, while another firm, * * *, provided data on establishment operations for all the reporting periods but did not furnish data for its candle operations in 1982. To facilitate year-to-year comparisons and trend analysis, * * *'s 1983 and 1984 data for candle operations were not used, but its interim period data were used in the aggregated data shown in table 4.

Candles.--Five firms, accounting for * * * percent of the known quantity of domestic producers' shipments of candles in 1984, furnished usable income-and-loss data for their operations in producing candles during 1982-84, while six firms, accounting for * * * percent of the known quantity of domestic producers' shipments of candles in 1984, provided such data for both interim periods of 1984 and 1985.

Aggregate net sales of five firms increased by 3.5 percent from \$*** million in 1982 to \$*** million in 1983, and then declined by 1.8 percent to \$*** million in 1984 (table 4). During the interim periods, aggregate net sales of six firms fell by 6.8 percent from \$*** million in 1984 to \$*** million in 1985.

The industry operated profitably during the reporting periods under investigation. However, the operating income dropped more than 50 percent from \$*** million in 1982 and \$*** million in 1983, to \$*** million in 1984. The operating income declined much more than net sales in 1984. The ratio of operating income to net sales plunged from about 11.0 percent in 1982 and 1983 to only 4.6 percent in 1984. During the interim period ended June 30, 1985, the operating income increased to \$*** million, or 6.3 percent of net sales, from \$*** million, or 4.7 percent of net sales, in the corresponding period of 1984. The operating income in interim 1985 rose despite the declining sales, but the operating income margin was still well below the average experienced by the industry in 1982 and 1983. Pretax net income margins followed the same trend as operating income margins. Two of the five reporting firms sustained net losses in 1984 compared with no firms in 1982 and 1983. Two out of six firms reported net losses in the interim period of 1985, compared with three firms in the corresponding period of 1984.

Table 4.--Income-and-loss experience of 5 U.S. producers 1/ on their operations producing candles, accounting years 1982-84 and interim periods ended June 30, 1984, and June 30, 1985

Item	1982	1983	1984	Interim period ended June 30-- <u>2/</u>	
				1984	1985
Net sales-----1,000 dollars--:	***	***	***	***	***
Cost of goods sold-----do-----:	***	***	***	***	***
Gross profit-----do-----:	***	***	***	***	***
General, selling, and administrative expenses-----do-----:	***	***	***	***	***
Operating income-----do-----:	***	***	***	***	***
Interest expense-----do-----:	***	***	***	***	***
Other income or (expense)-----do-----:	(***)	(***)	***	***	***
Net income before income taxes-----do-----:	***	***	***	***	***
Depreciation and amortization <u>3/</u> -----do-----:	***	***	***	***	***
Cash-flow from operations <u>3/</u> -----do-----:	***	***	***	***	***
Ratio to net sales of:					
Cost of goods sold percent--:	62.2	63.4	67.2	68.5	69.0
Gross profit-----do-----:	37.8	36.6	32.8	31.5	31.0
General, selling, and administrative expenses-----do-----:	27.0	25.6	28.2	26.8	24.6
Operating income-----do-----:	10.8	11.0	4.6	4.7	6.3
Net income before income taxes-----do-----:	9.1	9.3	3.6	3.8	5.0
Number of firms reporting:					
Operating losses-----:	0	0	1	2	2
Net losses-----:	0	0	2	3	2

1/ Data were reported by * * *, * * *, * * *, * * *, and * * *.

2/ For both interim periods, six producers reported data, including * * *.
* * *'s * * *.

3/ * * * did not provide depreciation and amortization expenses. Hence, depreciation and amortization expenses and cash-flow from operations are somewhat understated.

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

Cash-flow from operations dropped from \$*** million in 1982 and \$*** million in 1983 to \$*** million in 1984. During the interim periods, such cash-flow increased by 13 percent from \$*** million in 1984 to \$*** million in 1985.

Overall establishment operations.--Five firms, accounting for *** percent of the known quantity of domestic producers' shipments of candles in 1984, provided usable income-and-loss data for their overall establishment operations in which candles are produced.

Establishment net sales of these five firms remained steady at \$*** million during 1982 and 1983, but then dropped to \$*** million in 1984, a decline of 6.2 percent (table 5). Such sales fell further, by 11.0 percent, to \$*** million in the interim period of 1985 from \$*** million in the corresponding period of 1984. The trend for overall establishment operating income in absolute dollars and as a percent of net sales are similar to those for candle operations during the period under investigation. The operating margin dropped from 11.7 percent in 1982 and 11.6 percent in 1983 to 5.7 percent in 1984 and then increased to 7.4 percent in the interim period of 1985 compared with 5.9 percent in the corresponding period of 1984.

Capital expenditures.--Ten firms, accounting for *** percent of the known quantity of domestic producers' shipments of candles in 1984, furnished data relating to their capital expenditures. These data are presented in the following tabulation (in thousands of dollars):

<u>Period</u>	<u>All establishment products 1/</u>	<u>Candles 2/</u>
1982-----	3,258	2,734
1983-----	5,546	5,356
1984-----	8,980	7,545
January-June--		
1984-----	3,941	3,346
1985-----	7,024	7,120

1/ Data are for nine firms.

2/ Data are for ten firms.

Overall establishment capital expenditures nearly tripled from \$3.3 million in 1982 to \$9.0 million in 1984, and nearly doubled to \$7.0 million in January-June 1985 compared with expenditures of \$3.9 million in the corresponding period of 1984.

Capital expenditures relative to candles showed a similar trend as all establishment products, increasing by 176 percent from \$2.7 million in 1982 to \$7.5 million in 1984. Such expenditures more than doubled from \$3.3 million in January-June 1984 to \$7.1 million in the corresponding period of 1985.

Research and development expenditures.--The same 10 firms that provided data on capital expenditures furnished information on their research and

Table 5.--Income-and-loss experience of 5 U.S. producers 1/ on the overall operations of the establishments in which candles are produced, accounting years 1982-84 and interim periods ended June 30, 1984, and June 30, 1985

Item	1982	1983	1984	Interim period ended June 30-- <u>2/</u>	
				1984	1985
Net sales-----1,000 dollars--:	***	***	***	***	***
Cost of goods sold-----do-----:	***	***	***	***	***
Gross profit-----do-----:	***	***	***	***	***
General, selling, and administrative expenses-----do-----:	***	***	***	***	***
Operating income-----do-----:	***	***	***	***	***
Interest expense-----do-----:	***	***	***	***	***
Other income or (expense)-----do-----:	(***)	(***)	***	***	(***)
Net income before income taxes-----do-----:	***	***	***	***	***
Depreciation and amortization <u>3/</u> -----do-----:	***	***	***	***	***
Cash-flow from operations <u>3/</u> -----do-----:	***	***	***	***	***
Ratio to net sales of:					
Cost of goods sold percent--:	62.9	63.6	67.0	67.4	66.5
Gross profit-----do-----:	37.1	36.4	33.0	32.6	33.5
General, selling, and administrative expenses-----do-----:	25.4	24.8	27.3	26.7	26.1
Operating income-----do-----:	11.7	11.6	5.7	5.9	7.4
Net income before income taxes-----do-----:	9.4	9.4	4.6	4.9	4.9
Number of firms reporting:					
Operating losses-----:	0	0	1	2	2
Net losses-----:	0	0	2	2	2

1/ Data were reported by ***, ***, ***, ***, and ***. *** did not provide data on its establishment operations.

2/ ***'s ***.

3/ *** did not provide depreciation and amortization expenses. Hence, depreciation and amortization expenses and cash-flow from operations are somewhat understated.

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

development expenditures in connection with their candle operations. Such data are presented in the following tabulation:

<u>Period</u>	<u>Value</u> <u>(1,000 dollars)</u>
1982-----	307
1983-----	465
1984-----	489
January-June--	
1984-----	286
1985-----	249

Research and development expenditures increased from \$307,000 in 1982 to \$489,000 in 1984, and then declined to \$249,000 in January-June 1985 compared with \$286,000 in the corresponding period of 1984.

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

* * * * *

Consideration of Alleged Threat of Material Injury

Among the relevant economic factors that may contribute to the threat of material injury to the domestic industry are (1) any increase in production capacity or existing unused or underutilized capacity in China likely to result in a significant increase in exports of candles to the United States, (2) any substantial increase in inventories of Chinese candles in the United States, (3) any rapid increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level, and (4) the probability that imports of candles will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of candles.

The available data concerning the production and export of candles in China are presented in the section of this report entitled "The Industry in China." The available data on U.S. importers' inventories of candles from China, as reported by four importers in response to the Commission's questionnaire, are presented in the following tabulation:

<u>Date</u>	<u>Inventories</u> <u>(1,000 pounds)</u>
Dec. 31--	
1982-----	146
1983-----	659
1984-----	1,209
June 30--	
1984-----	714
1985-----	1,322

U.S. importers' reported inventories of Chinese candles increased from 146,000 pounds on December 31, 1982, to 659,000 pounds on December 31, 1983, or by 351 percent, and increased to 1.2 million pounds on December 31, 1984, or by 83.5 percent. Inventories on June 30, 1985, amounted to 1.3 million pounds, an increase of 85.2 percent compared with the level of inventories on June 30, 1984.

The probability that imports of candles will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of candles is discussed in the section of this report entitled "Prices." The issue of any rapid increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level is discussed below.

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

U.S. imports

Data on U.S. imports of candles from China are presented in table 6. The data presented in the table are compiled from official statistics of the U.S. Department of Commerce. For reference purposes, the table also shows U.S. imports of candles from Hong Kong, since an undetermined portion of such candles may in actuality have been produced in China, 1/ as well as imports of candles from other major sources of candles.

U.S. imports of candles from China increased from 8.8 million pounds of wax valued at \$4.6 million in 1982, to 16.5 million pounds valued at \$7.2 million in 1983, or by 88.5 percent in quantity and 58.2 percent in value. Imports from China increased to 26.7 million pounds valued at \$12.9 million in 1984, or by 61.5 percent in quantity and 78.8 percent in value. Imports of candles from China in January-June 1985 amounted to 8.7 million pounds valued at \$4.4 million, an increase of 66.8 percent in pounds and 98.5 percent in value compared with the amount and value of imports in the corresponding period of 1984.

The unit value (per pound) of U.S. imports of candles from China was \$0.52 in 1982, \$0.44 in 1983, and \$0.48 in 1984. The unit value was \$0.50 during January-June 1985, an increase of 19.0 percent from the unit value of \$0.42 during the corresponding period of 1984.

Imports of candles from China by U.S. producers are shown in table 7.
* * *. Imports by U.S. producers increased from * * * pounds in 1982 to

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

Table 6.--Candles: U.S. imports, by principal sources,
1982-84, January-June 1984, and January-June 1985

Source	1982	1983	1984	January-June--	
				1984	1985
Quantity (1,000 pounds)					
China-----	8,772	16,539	26,705	5,191	8,660
Hong Kong-----	9,468	18,125	20,766	5,961	6,874
Israel-----	2,376	1,627	2,892	617	933
South Korea-----	2,310	2,100	2,075	955	1,288
Taiwan-----	765	1,227	1,526	472	653
Malaysia-----	982	1,518	1,243	315	87
All other-----	5,124	4,524	5,954	2,148	3,568
Total-----	29,797	45,660	61,161	15,659	22,063
Value (1,000 dollars)					
China-----	4,556	7,207	12,885	2,199	4,365
Hong Kong-----	10,334	12,444	14,946	4,392	7,031
Israel-----	1,391	1,000	1,540	328	612
South Korea-----	2,790	2,179	2,393	1,110	1,562
Taiwan-----	878	1,257	1,435	490	834
Malaysia-----	825	1,279	960	219	91
All other-----	5,491	5,127	6,552	2,383	3,603
Total-----	26,265	30,493	40,711	11,121	18,098
Unit value					
China-----	\$0.52	\$0.44	\$0.48	\$0.42	\$0.50
Hong Kong-----	1.09	.69	.72	.74	1.02
Israel-----	.59	.61	.53	.53	.66
South Korea-----	1.21	1.04	1.15	1.16	1.21
Taiwan-----	1.15	1.02	.94	1.04	1.28
Malaysia-----	.84	.84	.77	.70	1.05
All other-----	1.07	1.13	1.10	1.11	1.01
Average-----	.88	.67	.67	.71	.82
Percent of total quantity					
China-----	29.4	36.2	43.7	33.2	39.3
Hong Kong-----	31.8	39.7	34.0	38.1	31.2
Israel-----	8.0	3.6	4.7	3.9	4.2
South Korea-----	7.8	4.6	3.4	6.1	5.8
Taiwan-----	2.6	2.7	2.5	3.0	3.0
Malaysia-----	3.3	3.3	2.0	2.0	.4
All other-----	17.2	9.9	9.7	13.7	16.2
Total-----	100.0	100.0	100.0	100.0	100.0

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

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

Table 7.--Candles: U.S. imports from China by U.S. producers,
1982-84, January-June 1984, and January-June 1985

* * * * *

* * * pounds in 1983, or by *** percent. Imports from China in 1984 increased to * * * pounds, or by *** percent. Imports during January-June 1985 amounted to * * * pounds, a decrease of *** percent from the level of imports in the corresponding period of 1984. As a share of total imports of candles from China, known imports by U.S. producers accounted for *** percent in 1982, *** percent in 1983, *** percent in 1984, *** percent in January-June 1984, and *** percent in January-June 1985.

Market penetration of imports

The share of apparent U.S. consumption accounted for by U.S. imports of candles from China increased from 8.2 percent in 1982 ^{1/} to 13.3 percent in 1983 and 18.3 percent in 1984 (table 8). Imports from China accounted for 15.6 percent of the total apparent U.S. consumption in January-June 1985, an increase from the 10.0-percent share in the corresponding period of 1984. ^{2/}

With regard to the reasons why importers purchase candles from China, 19 importers responded to the question in the Commission's questionnaire concerning the reasons for each firm's decision to import candles from China in lieu of purchasing candles produced in the United States. Twelve of the 19 indicated that "price" was a "very important" reason, 10 indicated "quality of product," 4 indicated "delivery time," 3 indicated "traditional source," 2 indicated "credit terms," 1 indicated "availability," and 2 indicated other reasons as being "very important." With regard to the issue of quality, eight of the importers indicated that domestically produced candles were of superior quality to Chinese candles, one indicated that certain Chinese candles were superior, two indicated that there was no difference in quality, and eight importers had no opinion or provided no response.

Prices

Prices for petroleum wax candles are determined in a market in which there are a few major domestic manufacturers and importers, and many smaller manufacturers and importers. Domestic manufacturers that sell to retail outlets generally compete for business in these outlets by making

^{1/} In all periods, apparent consumption is understated due to the fact that data collected on domestic producers' shipments are understated. Therefore, the Chinese shares of apparent consumption are overstated.

^{2/} If * * * excluded from the domestic industry on the basis of * * *, the share of apparent consumption accounted for by U.S. imports of candles from China would be *** percent in 1982, *** percent in 1983, *** percent in 1984, *** percent in January-June 1984, and *** percent in January-June 1985.

Table 8.--Candles: U.S. imports from China and apparent U.S. consumption, 1982-84, January-June 1984, and January-June 1985

Item	1982	1983	1984	January-June--	
				1984	1985
Imports from China					
1,000 pounds--	8,772	16,539	26,705	5,191	8,660
Total U.S. imports					
1,000 pounds--	29,797	45,660	61,161	15,659	22,063
U.S. producers' domestic shipments					
1,000 pounds--	76,667	78,872	84,518	35,996	33,610
Total apparent U.S. consumption-----do-----	106,464	124,532	145,679	51,655	55,673
Ratio of imports from China to apparent U.S. consumption----percent--	8.2	13.3	18.3	10.0	15.6
Ratio of total imports to apparent U.S. consumption----percent--	28.0	36.7	42.0	30.3	39.6

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

presentations of their candle lines for the upcoming season to merchandisers. In many cases, merchandisers never have to approach the domestic manufacturers to arrange candle purchases. Candles from China are purchased by merchandisers in a variety of ways. Some merchandisers send representatives to China to negotiate with export trading companies, importing their candles directly; others purchase imports through the domestic manufacturers that import, or through import companies.

Based on reports from merchandisers contacted, it seems that many department and gift stores carry a wide range of candle colors and sizes year round; some discount stores only carry candles during the Christmas season. In addition, the quantities of the different varieties of domestically produced candles sold to merchandisers vary with the type of outlet. For instance, based on the limited response to the price section of the Commission's questionnaire, many more * * * candles are sold to * * * than to * * *, whereas the opposite is true for sales of * * * candles. * * * are sold in similar quantities to both types of outlets. * * * apparently purchased many more * * * and * * * candles produced in China than did * * *. No information was available on purchases of imported * * * by * * *. This evidence may indicate

that markets are separated into a seasonal (Christmas) market and a nonseasonal market, as well as into a department and gift store market and discount store market, depending on the type of candle desired.

The questionnaire survey of importers and producers showed that candle prices are quoted in a wide variety of ways, but most importers seemed to quote prices f.o.b. warehouse, and most producers quoted prices f.o.b. factory. Results were mixed with regard to the question of producers' and importers' absorption of freight charges from the shipping point to customers' locations; the estimates provided ranged from zero percent to 100 percent of costs absorbed. With regard to the transportation costs, all producers and importers responding to the questionnaire agreed that the differences in transport costs within the United States are not a significant factor in a firm's ability to make sales. Estimates on average domestic transportation costs ranged from 5 to 15 percent of the delivered price of candles. All importers indicated that freight equalization was not a common practice, whereas only 50 percent of the producers indicated this.

Trends in prices.--The prices reported in table 9 reflect a weighted-average of all sales per quarter for three varieties of candles: 12-inch dinner tapers, 3-inch by 6-inch columns, and 15-hour votives. Prices were requested for all transactions over the period January-March 1983 through April-June 1985. Because of poor response to the questionnaire by domestic producers and importers, no prices in the table reflect more than three responses in any period.

For all three types of candles discussed below, the price of a candle sold to department and gift stores was * * * than its price when sold to discount stores. For dinner tapers, the price to department and gift stores ranged from * * * the price to discount stores. For 3-inch by 6-inch columns and 15-hour votives, the price to department and gift stores was typically * * * the price to discount stores.

Domestic price trends.--Overall, domestic prices for all three varieties of candles showed conflicting trends between sales to department and gift stores and sales to discount stores. For instance, between January-March 1983 and January-March 1984, the price of tapers sold to gift and department stores * * * from * * * per candle to * * * per candle, and then varied * * * each period between January-March 1984 and April-June 1985. However, the price of tapers to discount stores showed a * * * trend: the price varied only * * * in each quarter during 1983, and then * * *, * * * from October-December 1983 to October-December 1984.

Prices of domestically produced column candles sold to the two types of outlets also show different trends and variability. For instance, prices of 3-inch by 6-inch columns sold to department and gift stores were generally * * *, varying * * * per period over the 27 months of the survey. In addition, while the price trend showed a * * *, that movement was slight, on the order of * * * percent from January-March 1983 to April-June 1985. However, in sales of domestic columns to discount stores, the price per column varied * * * in each period of the survey. In general, the price tended to be * * *. For instance, in January-March 1983, domestic columns were sold to discount stores for \$*** per candle. However, by October-December of the same

Table 9.--Selected petroleum wax candles: Weighted-average prices received by U.S. producers and by importers of Chinese candles, by quarters and by type of sales outlet, January 1983-June 1985

Period	Sales to department and gift stores								
	12-inch tapers			3-inch by 6-inch columns			15-hour votives		
	Domestic price	Chinese price	Margin of under-selling	Domestic price	Chinese price	Margin of under-selling	Domestic price	Chinese price	Margin of under-selling
	----Per candle----		Percent	----Per candle----		Percent	----Per candle----		Percent
1983:									
Jan.-Mar----	***	***	73.6	***	***	78.5	***	***	67.0
Apr.-June----	***	***	69.3	***	***	78.4	***	***	67.3
July-Sept----	***	***	73.3	***	***	78.5	***	***	67.7
Oct.-Dec----	***	***	76.0	***	***	78.4	***	***	61.4
1984:									
Jan.-Mar----	***	***	78.6	***	***	72.8	***	***	58.7
Apr.-June----	***	***	77.5	***	***	72.7	***	***	59.8
July-Sept----	***	***	78.8	***	***	72.8	***	***	59.6
Oct.-Dec----	***	***	78.0	***	***	72.7	***	***	55.0
1985:									
Jan.-Mar----	***	***	78.7	***	***	71.1	***	***	61.5
Apr.-June----	***	***	78.4	***	***	70.8	***	***	60.7
Period	Sales to discount stores								
	12-inch tapers			3-inch by 6-inch columns			15-hour votives		
	Domestic price	Chinese price	Margin of under-selling	Domestic price	Chinese price	Margin of under-selling	Domestic price	Chinese price	Margin of under-selling
	----Per candle----		Percent	----Per candle----		Percent	----Per candle----		Percent
1983:									
Jan.-Mar----	***	1/	1/	***	1/	1/	***	1/	1/
Apr.-June----	***	1/	1/	***	1/	1/	***	1/	1/
July-Sept----	***	***	28.3	***	***	54.0	***	1/	1/
Oct.-Dec----	***	***	30.7	***	***	52.9	***	1/	1/
1984:									
Jan.-Mar----	***	1/	1/	***	1/	1/	***	1/	1/
Apr.-June----	***	1/	1/	***	1/	1/	***	1/	1/
July-Sept----	***	***	7.1	***	***	54.8	***	1/	1/
Oct.-Dec----	***	***	-	***	***	49.0	***	1/	1/
1985:									
Jan.-Mar----	***	***	19.8	***	1/	1/	***	1/	1/
Apr.-June----	***	***	57.0	***	***	53.3	***	1/	1/

1/ Not available.

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

year that price had fallen *** percent to \$*** per candle. This * * * is observed in 1984, in which the price was * * * per candle in January-March, and * * * per candle by October-December.

Prices of domestic votives sold to department and gift stores were generally * * * per candle in 1983 and 1984, except for a * * * during October-December 1983, and one during October-December 1984, when the * * *. The price of votives sold to discount stores * * * apiece throughout the survey period, and registered a * * * from January-March 1983 to January-March 1985.

Import price trends.--Prices for candles imported from China generally * * * during each year for all sales, regardless of the type of outlet into which they were sold. The prices reported below lend credence to the suggestion that prices for Chinese candles * * *. In addition, for most of the varieties of candles, * * * the period of the survey. Also, prices for Chinese candles sold to department and discount stores * * * for such candles sold to discount stores. In fact, for tapers, * * *, and for columns, * * *.

The price of 12-inch dinner tapers from China sold to department and gift stores was * * * each in 1983. This price * * * in 1984 and January-June 1985 to * * * each. At the same time, the price of Chinese tapers to discount stores was * * * apiece * * *. In April-June this price * * * apiece.

For sales of Chinese 3-inch by 6-inch column candles to department and gift stores, the price * * * each; * * *, and then * * *. However, for sales of column candles to discount stores, the price * * * candle. This price * * *.

Votive candles from China that were sold to department and gift stores garnered * * *. No prices were reported for sales of Chinese votives to discount stores.

Margins of underselling.--In virtually all cases, the Chinese candles undersold the comparable domestic product, and the margins of underselling were, in most cases, substantial. In general, margins of underselling were greater in sales to department and gift stores.

For instance, Chinese 12-inch tapers sold to department and gift stores consistently undersold U.S. candles by no less than 69 percent. This margin grew 6.8 percent from 73.6 percent in January-March 1983 to 78.6 percent in January-March 1984 * * *, and hovered around the 78 percent mark throughout the rest of the survey period. However, for tapers sold to discount stores, the margin of underselling was less and was highly variable, primarily * * *. This margin fell from 30.7 percent in October-December 1983 to zero in October-December 1984 * * *, but subsequently rose to a high of 57.0 percent in April-June 1985 due to * * * in that period.

The margin of underselling for column candles sold to department and gift stores declined 9.8 percent over the period of the survey, from 78.5 percent in January-March 1983 to 70.8 percent in April-June 1985. This decline was primarily * * *. However, the margin of underselling for column candles sold to discount stores showed little change over this period, with the exception of a low reached at 49.0 percent in October-December 1984 when * * *.

In the market for 15-hour votives, the margin of underselling for sales to department and gift stores declined irregularly over the 2-year period January-March 1983 through October-December 1984, falling 17.9 percent overall. However, this margin rebounded slightly during the first 6 months of 1985.

Lost sales

The questionnaire responses received from * * *, * * *, and * * * cited approximately \$*** of lost sales to a total of 33 domestic firms. Nineteen of these firms were contacted by the staff. Ten of the 19 denied all or part of the alleged lost sales, and 9 acknowledged purchasing Chinese candles because of price. Of those instances, however, three firms indicated that * * *. For various reasons, six firms contacted could neither confirm nor deny all or part of the alleged lost sales. From the reports of the firms contacted, it seems clear that the majority of the alleged lost sales were sales for the seasonal Christmas business from 1982 through 1985.

Three firms acknowledged purchasing the entire amount of the alleged lost sale, 1/ one firm acknowledged the lost sales alleged by * * * only for * * * and * * *, 2/ and one firm acknowledged the lost sales alleged for * * * only. 3/ These acknowledgments account for something more than \$*** in lost sales allegations. 4/ In addition, three firms contacted agreed that at least some of the lost sales alleged had, indeed, taken place, but disagreed with the quantity of candles involved in the lost sales allegations. Specifically, one firm admitted that it had purchased Chinese-made imports instead of the domestic product in * * *, but estimated that the lost sale amounted to no more than about \$***, rather than the \$*** alleged by * * *. 5/ Another firm agreed that * * * had lost sales of * * * only in * * * and * * *, and estimated that these lost sales totaled approximately \$***, compared with the allegation of \$***. 6/ One other firm contacted confirmed that * * * had lost sales to the firm only for * * *, but stated that * * *. 7/

Of the 19 firms contacted by the staff, 7 denied the lost sales alleged by the domestic producers. These denials account for \$***. Four of the seven firms suggested that * * * had hoped to make a sale, but no sale took place. These firms did not believe that they had actually substituted the imported product for the domestic product, but merely indicated that they did not buy from * * *. 8/ One of the seven firms indicated that it * * *, and was * * *. 9/ One of the firms indicated that all * * *. 10/ Another firm indicated that the alleged lost sale was actually lost to another domestic

-
- 1/ Based on telephone conversations with * * *, * * *, and * * *.
 - 2/ Based on a telephone conversation with * * *.
 - 3/ Based on a telephone conversation with * * *.
 - 4/ This figure understates the acknowledged lost sales because * * *.
 - 5/ Based on a telephone conversation with * * *.
 - 6/ Based on a telephone conversation with * * *.
 - 7/ Based on a telephone conversation with * * *.
 - 8/ Based on telephone conversations with * * *, * * *, * * *, and * * *.
 - 9/ Based on a telephone conversation with * * *.
 - 10/ Based on a telephone conversation with * * *.

producer, not to imports from China. 1/ In addition to these denials, three other firms denied part of the alleged lost sales. These partial denials accounted for another \$***. All three firms denied the alleged lost sales because they purchased no imports in the periods alleged by * * *. 2/ The alleged lost sales which could not be confirmed or denied by other firms exceeded \$***. 3/

Lost revenue

In addition to the allegations of lost sales, * * *, * * *, and * * * alleged lost revenues amounting to \$*** to more than 27 firms. 4/ The staff contacted 10 of these firms in this regard. Of these 10 firms, only 1 acknowledged that * * * lost revenues due to competition from China. This firm acknowledged * * * lost revenue on only * * *, and estimated such lost revenues at \$*** or less. 5/ Three firms denied all or part of the lost revenues alleged; two of these firms indicated that they do not purchase * * * from China, and that, consequently, domestic producers were not competing with a Chinese bid when attempting to make a sale. 6/ A third firm denied the allegation of lost revenues because it was not purchasing candles in the period alleged by * * *. 7/ These denials account for more than \$*** of the total alleged amount. 8/

The alleged lost revenues which could not be acknowledged or denied account for the major portion of the total allegations. Seven firms contacted could neither acknowledge nor deny all or part of the lost revenues attributed to them. * * *. In sum, these unacknowledged lost revenues amount to more than \$***. 9/

Exchange rates

Since the value of the currency of China is determined by the Chinese Government, rather than by the free market, meaningful measures of China's exchange rate cannot be presented.

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- 1/ Based on a telephone conversation with * * *.
- 2/ Based on telephone conversations with representatives of * * *, * * *, and * * *.
- 3/ The following firms could neither deny nor acknowledge all or part of the alleged lost sales: * * *, * * *, * * *, * * *, * * *, and * * *. In addition, this figure understates the full amount of the unacknowledged lost sales because * * *.
- 4/ * * * did not specify individual firms that accounted for lost revenues. Rather, * * * calculated total lost revenues to all firms, and then identified three * * * as potential sources of lost revenue. However, in this identification, * * * did not indicate the values of the alleged lost revenue attributable to * * *.
- 5/ Based on a telephone conversation with a representative of * * *.
- 6/ Based on telephone conversations with a representative of * * * and * * * of * * *.
- 7/ Based on a telephone conversation with * * *.
- 8/ This figure understates the full amount of denied lost revenues, * * *.
- 9/ This figure understates the full amount of unacknowledged lost revenues, * * *.

APPENDIX A

NOTICE OF THE COMMISSION'S INSTITUTION OF A
PRELIMINARY ANTIDUMPING INVESTIGATION

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

Candles From the People's Republic of China

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-282 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the People's Republic of China of candles of petroleum wax, provided for in item 755.25 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by October 21, 1985.

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

EFFECTIVE DATE: September 4, 1985.

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

SUPPLEMENTARY INFORMATION:

Background

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

Participation in the Investigation

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list

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

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on September 20, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact George L. Deyman (202-523-0481) not later than September 18, 1985, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written submissions

Any person may submit to the Commission on or before September 27, 1985, a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rule (19 CFR 207.15). A signed original and fourteen (14) copies

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

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

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

Issued: September 6, 1985.

By order of the Commission.

Kenneth R. Mason,

Secretary.

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

BILLING CODE 7020-02-M

APPENDIX B

CALENDAR OF WITNESSES AT THE COMMISSION'S
PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-282 (Preliminary)

CANDLES FROM THE PEOPLE'S REPUBLIC OF CHINA

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation at 9:30 a.m. on September 20, 1985, in the Hearing Room of the USITC Building, 701 E Street, NW, Washington, DC.

In support of the imposition of antidumping duties

Taft, Stettinius & Hollister--Counsel
Washington, DC
on behalf of
National Candle Association

Thomas Kreilick, President, Lenox Candles

Stephen F. Lichtenstein, Senior Vice President
and General Counsel, Lenox Incorporated

Ruben G. Deveau, Vice President (Operations),
Giftwear Group, General Housewares Corp.

Mark W. Love, Vice President,
Economic Consulting Services, Inc.

Julie Solomon, Chief Economist,
Economic Consulting Services, Inc.

William E. Wright, Commodity Analyst,
Taft, Stettinius & Hollister

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

In opposition to the imposition of antidumping duties

No witnesses expressed interest in appearing in opposition to the imposition of antidumping duties.

APPENDIX C

THE DEPARTMENT OF COMMERCE'S NOTICE OF INSTITUTION
OF AN ANTIDUMPING INVESTIGATION

International Trade Administration**[A-570-504]****Petroleum Wax Candles From the People's Republic of China; Initiation of Antidumping Duty Investigation****AGENCY:** International Trade Administration, Import Administration, Commerce.**ACTION:** Notice.

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

EFFECTIVE DATE: September 30, 1985.

FOR FURTHER INFORMATION CONTACT: Ray Busen, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-3830.

SUPPLEMENTARY INFORMATION:**The Petition**

On September 4, 1985, we received a petition in proper form filed by the National Candle Association, an organization of domestic manufacturers of petroleum wax candles. In compliance with the filing requirements of § 353.38 of the Commerce Regulations (19 CFR 353.38), the petition alleges that imports of the subject merchandise from the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are causing material injury, or threaten material injury, to a United States industry. United States price was

derived from price quotes to U.S. purchasers from Hong Kong exporters of candles from the PRC. Some prices were f.o.b. Hong Kong while other were c.i.f. Prices were adjusted, where appropriate, for ocean freight costs, insurance, and U.S. inland freight. Petitioners, alleging that the PRC is a state-controlled-economy-country, derived home market prices from information on the home market prices for petroleum wax candles in Malaysia in accordance with the provisions of 19 CFR 353.36(a)(8). In selecting Malaysia as a surrogate country, petitioner considered the following factors: structure of gross domestic production and distribution of labor force, urban population, per capita gross national product, wage rates, oil production, and similarity of the candle industry. The Malaysian home market prices were obtained by an independent research firm in Malaysia for high volume standard products. The prices represent offers at the wholesale level from two Malaysian candle manufacturers. Based on these figures, petitioner alleges dumping margins ranging from 231 percent to 450 percent.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and further, whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on petroleum wax candles from the PRC and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether petroleum wax candles from the PRC are being, or are likely to be, sold in the United States at less than fair value.

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

Scope of Investigation

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

Allegation of Critical Circumstances

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

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by October 21, 1985, whether there is a reasonable indication that imports of petroleum wax candles from the PRC are causing material injury, or threaten material injury, to a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

September 20, 1985.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

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INTERNATIONAL TRADE COMMISSION
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