

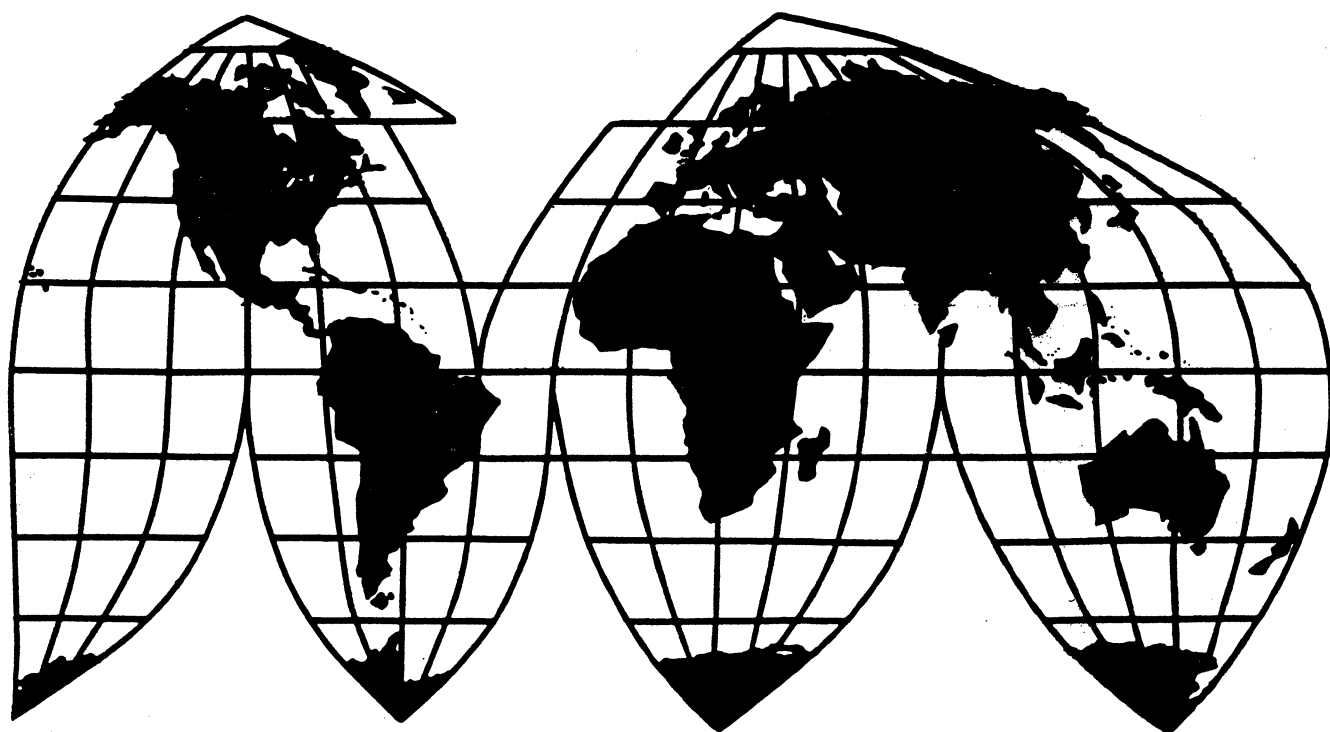
Sebacic Acid From The People's Republic of China

Investigation No. 731-TA-653 (Preliminary)

Publication 2676

September 1993

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Address all communications to
Secretary to the Commission
United States International Trade Commission
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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

DETERMINATION AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-653 (Preliminary)

SEBACIC ACID FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record¹ developed in the subject investigation, the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from the People's Republic of China of sebacic acid,² provided for in subheading 2917.13.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On July 19, 1993, a petition was filed with the Commission and the Department of Commerce by Union Camp Corp., Wayne, NJ, alleging that an industry in the United States is materially injured by reason of LTFV imports of sebacic acid from the People's Republic of China. Accordingly, effective July 19, 1993, the Commission instituted antidumping investigation No. 731-TA-653 (Preliminary).

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

² For purposes of this investigation, sebacic acid is defined as all grades of the dicarboxylic acid with the formula $(CH_2)_8(COOH)_2$. Sebacic acid contains a minimum of 85 percent dibasic acids of which the predominant species is the C_{10} dibasic acid. Sebacic acid is sold generally as a free-flowing powder/flake.

Sebacic acid has numerous industrial uses, including the production of nylon 6/10 (a polymer used for paintbrush and toothbrush bristles and paper machine felts), plasticizers, esters, automotive coolants, polyamides, polyester castings and films, inks and adhesives, lubricants, and polyurethane castings and coatings.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of July 26, 1993 (58 F.R. 39835). The conference was held in Washington, DC, on August 9, 1993, 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 imports of sebacic acid from the People's Republic of China (China) that allegedly are sold in the United States at less than fair value (LTFV).¹

I. THE LEGAL STANDARD FOR PRELIMINARY INVESTIGATIONS

The legal standard in preliminary antidumping duty investigations requires the Commission to determine, based upon the best information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of the allegedly LTFV imports.² In applying this standard, the Commission weighs the evidence before it to determine whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that any contrary evidence will arise in a final investigation."³ The U.S. Court of Appeals for the Federal Circuit has held that this interpretation of the standard "accords with clearly discernible legislative intent and is sufficiently reasonable."⁴

II. LIKE PRODUCT

To determine whether an industry in the United States is materially injured or is threatened with material injury by reason of the subject

¹ 19 U.S.C. § 1673b(a).

² 19 U.S.C. § 1673b(a). See also American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986); Calabrian Corp. v. United States, 794 F. Supp. 377, 386 (Ct. Int'l Trade 1992).

³ American Lamb, 785 F.2d at 1001. See also Torrington Co. v. United States, 790 F. Supp. 1161, 1165 (Ct. Int'l Trade 1992).

⁴ American Lamb, 785 F.2d at 1004.

imports, the Commission must first define the "like product" and the "industry." Section 771(4)(A) of the Tariff Act of 1930 (the "Act") defines the relevant industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product. . . ." ⁵ In turn, the Act defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation. . . ." ⁶

The Commission's like product determinations are factual, and the Commission applies the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis. ⁷ No single factor is dispositive, and the Commission may consider other factors it deems relevant based upon the facts of a particular investigation. ⁸ Generally the Commission requires "clear dividing lines among possible like products" and disregards minor variations among them. ⁹

The Department of Commerce ("Commerce") has identified the imported product subject to this investigation as:

all grades of sebacic acid, a dicarboxylic acid with the formulas $(CH_2)_8(COOH)_2$, which include, but are not limited to, CP Grade (500 ppm maximum ash, 25 maximum

⁵ 19 U.S.C. § 1677(4)(A).

⁶ 19 U.S.C. § 1677(10).

⁷ See Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991). In analyzing like product issues, the Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities and production employees, and, where appropriate; (6) price. Calabrian, 794 F. Supp. at 382 n.4; Torrington, 747 F. Supp. at 749; Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1168 n.4, 1180 n.7 (Ct. Int'l Trade 1988).

⁸ See S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); Torrington, 747 F. Supp. at 748-49.

⁹ Torrington, 747 F. Supp. at 748-49.

APHA color), Purified Grade (1000 ppm maximum ash, 50 maximum APHA color), and Nylon Grade (500 ppm maximum ash, 70 maximum APHA color). The principal difference between the grades is the undesirable quantities of ash and color. Sebacic acid contains a minimum of 85 percent dibasic acids of which the predominant species is the C₁₀ dibasic acid. Sebacic acid is sold primarily as a free-flowing powder/flake.¹⁰

Sebacic acid is a dicarboxylic acid with a carbon chain link of 10 (C₁₀) which is derived from castor oil. It is used to make nylon 6/10 (a polymer used for paintbrush and toothbrush bristles and for paper machine felts), plasticizers, esters, automobile coolants, polyester castings and films, inks and adhesives, lubricants, and polyurethane casting and coatings. Petitioner, Union Camp Corp. (Union Camp), is the only domestic producer of sebacic acid.

Both petitioner and respondents¹¹ agree that the like product should be limited to sebacic acid and should include all sebacic acid.¹² While other domestic firms produce dicarboxylic acid with carbon chain links of 9 and 11, the evidence indicates that the production processes, end uses, and prices for these products do not warrant their inclusion in the like product.¹³ Likewise, the evidence suggests that other products produced from castor oil, such as Union Camp's Cenwax line of products, are produced on different equipment, using different processes and employees, are sold for different purposes, and do not sell at similar prices.¹⁴

¹⁰ 58 Fed. Reg. 43339 (Aug. 16, 1993).

¹¹ The respondents are a Chinese exporter (Sinochem International Chemicals Co.), a U.S. distributor (Ivanhoe Industries), and five U.S. importers (Sinochem U.S.A.; Dastech International, Inc.; ICC Industries, Inc.; Harrison's Trading Co.; and Wego Chemical and Mineral Corp.) of the subject merchandise.

¹² Petitioner's Post-Conference Brief at 3; Respondents' Post-Conference Brief at 5.

¹³ Transcript of Conference (August 9, 1993) (Tr.) at 31.

¹⁴ Tr. at 30-31.

The domestic producer sells three "grades" of sebacic acid, all of which are manufactured by the same process at the same facility, using the same machinery and employees.¹⁵ At the end of the production process, the final output is tested and graded according to the C₁₀ content, color, and amount of ash.¹⁶ There are some differences in the possible end uses, although the highest grade may be used in any end use. All three grades sell within one cent per pound of one another.¹⁷ Based on all these factors, we find no clear dividing lines between the various grades of sebacic acid.¹⁸

Accordingly we find a single like product, consisting of all domestically-produced sebacic acid. Having defined a single like product consisting of all sebacic acid, we define the domestic industry to be all U.S. producers of sebacic acid, which consists only of petitioner, Union Camp.

III. RELATED PARTIES

The related parties provision of the Act, 19 U.S.C. § 1677(4)(B), allows, in appropriate circumstances, for the exclusion from the domestic industry of producers who are "related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise." Exclusion of related parties is within the Commission's discretion based on the facts presented in each investigation.¹⁹ The rationale for the related

¹⁵ Report of the Commission ("Report") at I-11, Tr. at 21-22.

¹⁶ Report at I-4; Tr. at 21.

¹⁷ Report at I-26.

¹⁸ The Commission generally has not found differing grades of a product to be separate like products. See, e.g., Silicon Carbide from the People's Republic of China, Inv. No. 731-TA-651 (Preliminary), USITC Pub. 2668 at 9 (August 1993); Ferrosilicon from the People's Republic of China, USITC Pub. 2606 (February 1993); Potassium Hydroxide from Canada, Italy, and the United Kingdom, Invs. Nos. 731-TA-542-544 (Preliminary), USITC Pub. 2482 (February 1992); Silicon Metal from the People's Republic of China, Inv. No. 731-TA-472 (Final), USITC Pub. 2385 (June 1991).

¹⁹ See, e.g., Torrington Co. v. United States, 790 F. Supp. at 1168; Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade

(continued...)

parties provision is the concern that domestic producers who either are related to foreign producers or exporters, or are themselves importers of the subject merchandise, may be in a position that shields them from any injury that the LTFV imports might cause.²⁰

In this investigation, the sole domestic producer, Union Camp, imports sebacic acid from China,²¹ and is thus a related party. We therefore must decide whether appropriate circumstances exist to exclude it from the domestic industry, although no party has urged us to do so. In analyzing whether appropriate circumstances exist to exclude a related party, the Commission principally examines three factors:

- (1) the percentage of domestic production attributable to related producers;
- (2) the reasons why the related producers chose to import the product under investigation -- to benefit from the unfair trade practice or to enable them to continue production and compete domestically; and
- (3) the competitive position of the related producers vis-a-vis other domestic producers i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry.²²

The Commission also has considered the ratio of import shipments to U.S. production for related producers.²³

¹⁹ (...continued)

1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

²⁰ See S. Rep. No. 249, 96th Cong., 1st Sess. at 83 (1979).

²¹ Report at I-12; Tr. at 28.

²² See Torrington Co. v. United States, 790 F. Supp. at 1168-70 (upholding the Commission's practice of examining these factors in deciding that appropriate circumstances did not exist to exclude a related party); Sandvik AB, 721 F. Supp. at 1331-32; see also Empire Plow Co., 675 F. Supp. at 1352 (declaring the Commission's approach reasonable in light of the legislative history).

²³ Steel Wire Rope from the Republic of Korea and Mexico, Inv. Nos. 731-TA-546 & 547 (Final), USITC Pub. 2613 at 14 (Mar. 1993); Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, Inv. No. 731-TA-520 (Final), USITC Pub. 2528 at 14 (June 1992).

We determine that appropriate circumstances do not exist to exclude petitioner as a related party in this investigation. Union Camp accounted for all domestic production of sebacic acid during the period of investigation. Since Union Camp is the only domestic producer, there are no other producers against which to compare its data. Exclusion of Union Camp's data thus would result in the absence of any industry data.²⁴

Further, the data suggest that Union Camp's primary interest in the sebacic acid market lies in domestic production of sebacic acid rather than in importation. Union Camp's internal production levels were consistently and substantially higher than its levels of imports from China.²⁵

Because Union Camp is responsible for all domestic production, functions principally as a producer rather than an importer of sebacic acid, and does not market imported sebacic acid,²⁶ we find that appropriate circumstances do not exist to exclude Union Camp from the industry as a related party. Although we do not exclude Union Camp, as discussed below, we consider its importation of the subject merchandise to be a condition of competition affecting this industry.²⁷

²⁴ See Nitromethane From the People's Republic of China, Inv. No. 731-TA-650 (Preliminary), USITC Pub. 2661 at 13-16 (July 1993), where the Commission found that it was not appropriate to exclude the predominant domestic producer from the industry as a related party because that company was responsible for a substantial percentage of domestic production, was currently the sole domestic producer, and imported only to continue supplying existing customers while it was shut down due to an explosion. USITC Pub. 2661 at 15-16.

²⁵ See Report at I-12. Moreover, Union Camp purchases imports from China to produce ***, a derivative product. Id. Union Camp stated that ***. Petitioner's Post-Conference Brief at 10. In any final investigation, we intend to explore more fully the effects, if any, of Union Camp's importation of sebacic acid *** on its sebacic acid operations.

²⁶ Tr. at 28.

²⁷ 19 U.S.C. § 1677(7)(C)(iii).

IV. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication of material injury to a domestic industry by reason of allegedly dumped imports, the Commission considers all relevant economic factors that have a bearing on the state of the industry in the United States. These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital and research and development. No single factor is determinative, and we consider all relevant factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."²⁸

As noted above, one condition of competition affecting this industry is that Union Camp is the only domestic producer. In addition, Union Camp itself imports sebacic acid for use in its production of a downstream product. Also, Union Camp's primary competition for sales in the domestic market has historically been the subject imports from China, which are the only significant imports of sebacic acid into the United States.²⁹

Apparent U.S. consumption of sebacic acid on the basis of quantity, including Union Camp's captive consumption, rose from 1990 to 1991, but returned to slightly below 1990 levels in 1992.³⁰ Apparent U.S. consumption

²⁸ 19 U.S.C. § 1677(7)(C)(iii). No argument addressing the business cycle was raised by any of the parties to this investigation, nor did the Commission receive any information relevant to such considerations.

²⁹ Tr. at 38; Report at I-24 (Table 13).

³⁰ Report at I- 8 (Table 1). While approximately 15 percent of the sebacic acid produced by Union Camp is used internally by Union Camp for production of esters (Tr. at 29), it has been the Commission's practice to include all domestic production of the like product, whether captively consumed or sold in the domestic open market. E.g., Polyethylene Terephthalate Film, Sheet, and Strip from Japan and the Republic of Korea, (PET Film), Invs. Nos. 731-TA-458 & 459 (Final), USITC Pub. 2383 (May 1991) at 19; Thermostatically Controlled Appliance Plugs and Internal Probe Thermostats Therefore from Canada, Japan, Malaysia and Taiwan, Invs. Nos. 701-TA-292 and 731-TA-400 & 402-404 (Final), USITC Pub. 2152 (January 1989). As the

(continued...)

was lower in interim (January-June) 1993 as compared with interim (January-June) 1992.

By value, apparent U.S. consumption increased somewhat from 1990 to 1991, followed by a substantial decline from 1991 to 1992.³¹ The value of sebacic acid consumption continued to decline in the first half of 1993 as compared to the first half of 1992.

Domestic production of sebacic acid increased slightly from 1990 to 1991, and then declined significantly from 1991 to 1992.³² At the same time, capacity to produce sebacic acid remained constant, resulting in a significant overall decline in average-of-period capacity utilization.

Union Camp's domestic open market shipments of sebacic acid declined throughout the period for which data were collected, in terms of both quantity and value.³³ However, the unit value of these shipments remained stable throughout the period for which data were collected.

Union Camp's company transfers declined from 1990 to 1992, but rose somewhat between January-June 1992 and January-June 1993.³⁴ The unit values

³⁰ (...continued)

Commission has previously recognized, the statutory definition of domestic industry provides no basis for excluding captive production. 19 U.S.C. § 1677(4)(A). However, we have focused our attention on the open-market segment of the industry in evaluating whether the imports are materially injuring the domestic industry. See e.g., Certain Flat-Rolled Carbon Steel Products from Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, The Republic of Korea, Mexico, The Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom, Inv. Nos 701-TA-319-332, 334, 336-342, 344, 347-353, Inv. Nos. 731-TA-573-579, 581-592, 594-597, 599-609, 612-619 (Final) (Steel), USITC Pub. 2664 (August 1993) at 22-23; Industrial Phosphoric Acid from Belgium and Israel, USITC Pub. 2000; Titanium Sponge from Japan and the United Kingdom, Invs. Nos. 731-TA-161 and 162 (Final), USITC Pub. 1600 (November 1984); Electrolytic Manganese Dioxide from Greece and Japan, Invs. Nos. 731-TA-406 and 408 (Final), USITC Pub. 2177 (April 1989).

³¹ Report at I-8 (Table 1).

³² Report at I-10 (Table 2).

³³ Report at I-11 (Table 3).

³⁴ Report at I-11 (Table 3).

of Union Camp's company transfers fluctuated, with an overall decline from 1990 to 1992, and between interim 1992 and interim 1993. The volume and value of export shipments fluctuated, but were at close to 1990 levels in 1992. The unit value of export shipments rose from 1990 to 1991, and then stabilized.

Union Camp's end-of-period inventories fluctuated erratically, rising substantially from December 31, 1990 to December 31, 1991, and then falling by December 31, 1992 to a level below that of December 31, 1990.³⁵

The average number of production and related workers fell from 1990 to 1991, and then stabilized in 1992.³⁶ In interim 1993, there was a small increase in the average number of production and related workers as compared to interim 1992. Hours worked by such workers declined throughout 1990-1992, but increased from interim 1992 to interim 1993, while wages and total compensation followed the same pattern. Hourly wages and hourly total compensation decreased from 1990 to 1991, but then increased in 1992 to levels slightly above those of 1990, and continued to increase in the interim 1993. Productivity increased from 1990 to 1991, but declined markedly from 1991 to 1992, followed by a smaller decline in interim 1993. Unit labor costs decreased from 1990 to 1991, rose sharply from 1991 to 1992, and continued to rise in interim 1993.

Union Camp's net sales of sebacic acid declined throughout the period for which data were collected.³⁷ Its operating income margin increased considerably from 1990 to 1991, but then dropped in 1992 to a level slightly

³⁵ Report at I-12 (Table 4). The large drop in inventories from December 1991 to December 1992 may be accounted for by an unusual occurrence, *i.e.*, an interruption in the supply of castor oil to the United States in 1992 caused by a tanker ship breakdown. Report at I-11; Tr. at 23. The resulting shortage of castor oil inhibited production and caused Union Camp to reduce its inventories to fill orders. The situation was resolved by the end of 1992, and inventories began to rise again in 1993.

³⁶ Report at I-13 (Table 5).

³⁷ Report at I-15 (Table 7).

below that of 1990. The operating income margin also declined in interim 1993 as compared to interim 1992.

Union Camp's capital expenditures for its sebacic acid operations were low throughout the period for which data were collected.³⁸ Research and development expenses for Union Camp's sebacic acid operations fluctuated.^{39 40}

V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGED LTFV IMPORTS

In making a preliminary determination in an antidumping investigation, the Commission is to determine whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.⁴¹ The Commission must consider the volume of imports, their effect on prices for the like product, and their impact on domestic producers of the like product.⁴² Although the Commission may consider causes of injury other than the LTFV imports, it is not to weigh causes.^{43 44} For the reasons discussed below, we find that there is a

³⁸ Report at I-17 (Table 10).

³⁹ Report at I-18.

⁴⁰ Based upon examination of the relevant statutory factors, especially the declines in production, sales, employment, and profitability, and the unique conditions of competition for this industry, Chairman Newquist and Commissioner Rohr conclude that the industry is currently experiencing material injury.

⁴¹ 19 U.S.C. § 1673b(a).

⁴² 19 U.S.C. § 1677(7)(B)(i).

⁴³ See e.g., Citrosuco Paulista, S.A. v. United States, 704 F.Supp. at 1101. Chairman Newquist, Commissioner Rohr and Commissioner Nuzum further note that the Commission need not determine that imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249, at 57, 74. Rather, a finding that imports are a cause of material injury is sufficient. See, e.g., Metallwerken Nederland B.V. v. United States, 728 F. Supp. 730, 741 (Ct. Int'l Trade 1989); Citrusoco Paulista, SA. v. United States, 704 F. Supp. at 1101.

⁴⁴ Views on the proper standard of causation of Vice-Chairman Watson and of Commissioner Brunsdale and Commissioner Crawford (jointly) were recently set out in Aramid Fiber Formed of Poly Para-Phenylene Terephthalamide From the Netherlands, Inv. No. 731-TA-652 (Preliminary), USITC Pub. 2672 (August 1993) at 18, notes 57 and 58, respectively.

reasonable indication that the domestic sebacic acid industry is materially injured by reason of alleged LTFV imports of sebacic acid from China.

The volume of imports of sebacic acid from China increased steadily from 1990 to 1992, nearly doubling from 2.6 million pounds in 1990 to 5.2 million pounds in 1992.⁴⁵ The subject imports from China exclusive of those imported by Union Camp more than doubled during this same period.⁴⁶ By value, shipments of sebacic acid from China rose from \$3.8 million in 1990 to \$4.8 million in 1992.⁴⁷

In terms of both quantity and value, the market share held by the subject imports increased from an already-substantial percentage (*** and *** percent, respectively) in 1990 to a significantly higher percentage (*** and *** percent, respectively) in 1992.⁴⁸ Although the absolute volume and value of shipments of the subject imports remained stable during interim 1993, the market share held by those imports increased, from *** and *** percent, respectively in interim 1992 to *** and *** percent, respectively, in 1993.

We find the volume of the subject imports to be significant, particularly in view of the fact that the subject imports' share of apparent U.S. consumption increased substantially during the period for which data were collected, while the market share of the U.S. industry declined markedly.⁴⁹

⁴⁵ Report at I-24 (Table 13).

⁴⁶ Report at I-24.

⁴⁷ Report at I-24 (Table 13).

⁴⁸ Report at I-25 (Table 14).

⁴⁹ Respondents allege that the increased volume of imports largely reflects increased consumption of sebacic acid, because of new markets for sebacic acid derivatives and the use of imported sebacic acid as a replacement for lower-cost products previously used in the plasticizer and other end markets. Respondents' Post-Conference Brief at 14-17; Report at I-8-9. This argument, however, is not borne out by the data collected in this investigation; although apparent consumption increased in 1991, it declined to slightly below the 1990 level in 1992. See Report at I-8 (Table 1).

At the same time that the volume and market share of subject imports rose, the unit value of the imported sebacic acid declined steadily, from \$1.45 per pound in 1990 to \$1.25 in 1991 and then to \$0.93 in 1992. Unit values also decreased during the interim periods, from \$0.92 in the first half of 1992 to \$0.85 during interim 1993.⁵⁰ Correspondingly, the unit value of U.S. shipments of the imported sebacic acid also declined steadily from \$1.56 in 1990 to \$1.04 in the first half of 1993.⁵¹ Throughout the period for which data were collected, the unit values for shipments of the subject imports were lower than Union Camp's unit costs of producing its sebacic acid.⁵² Moreover, the pricing data show significant underselling by the subject imports in all instances in which usable comparisons were possible.^{53 54}

Substitutability between the domestic like product and subject imports is also a factor we considered. The more substitutable the alleged LTFV imports are with the domestic like product, the more likely consumers will base their purchasing decisions on price differences between the products. Respondents argue that the imported and domestically-produced product are not substitutable. They contend that the increased volumes of imports from China have resulted mainly from quality differences, not from price factors. They allege that customers prefer the higher-"purity" Chinese product,⁵⁵ and that

⁵⁰ Report at I-24 (Table 13).

⁵¹ Report at I-8 (Table 1).

⁵² Compare Report at I-8 (Table 1) with Report at I-15 (Table 8).

⁵³ Report at I-29-30. We note that the prices of domestically-produced sebacic acid remained stable from 1990 through 1992 ***. Report at I-30.

⁵⁴ Commissioner Brunsdale and Commissioner Crawford do not rely on the underselling data in this case. Since the products are not identical, and sales terms may vary, it may be misleading to compare the largest sale of each manufacturer for each period.

⁵⁵ The parties dispute the appropriate measure of the quality of sebacic acid. Respondents submit that "purity" is measured based upon the total C₁₀ content, whereas petitioner submits that the quality is based upon the total dibasic acid content and the amount of ash. See, e.g., Respondents' Post-Conference Brief at 27-28, Tr. at 73, 100.

some customers' product specifications prohibit them from using the domestic product.⁵⁶ Union Camp counters that its product is of equal quality and, for the most part, suitable for the same uses as the Chinese product.⁵⁷

For the purposes of this preliminary investigation, we note that there appears to be a reasonable degree of substitutability between the products. The products have been sold largely to the same purchasers and used to a considerable degree for the same end uses.⁵⁸ At least some of the questionnaire respondents indicated that the products are substitutable.⁵⁹ Additionally, the Commission's investigation into Union Camp's lost sales and lost revenues allegations confirmed that price is an important factor in purchasing decisions, although some purchasers give it less weight than others.⁶⁰ In any final investigation, we intend to gather additional information on this issue.

The record in this preliminary investigation also indicates that there are no other products that are direct chemical substitutes for sebacic acid, although there are substitutes for the products in which sebacic acid is

⁵⁶ Respondents' Post-Conference Brief at 27-31.

⁵⁷ Tr. at 100-101; Petitioner's Post-Conference Brief at 4, n.7.

⁵⁸ Tr. at 33, 37.

⁵⁹ Report at I-27.

⁶⁰ See Report at I-31-32. ***.

used.⁶¹ Therefore, a purchaser's choice is mainly between subject imports and the like product.⁶²

In light of the reasonable degree of substitutability, coupled with the prevalence of underselling, we find that the significantly lower prices of the allegedly LTFV imports have enabled those imports to increase volume and market share at the expense of the domestic product. The lower-priced subject imports displaced domestic sales, resulting in decreased production, capacity utilization, and profitability for the domestic industry.⁶³

CONCLUSION

The information of record in this preliminary investigation -- particularly the significant volume of subject imports, the significant and increasing import market share, the relatively low and declining prices of subject imports, in light of the decline in the domestic industry's performance during the period examined as reflected in declining sales, production, employment, and profitability -- establishes a reasonable indication that the domestic industry producing sebacic acid is materially injured by reason of the allegedly LTFV imports from China.

⁶¹ Report at I-6, I-26.

⁶² Although the information gathered in the preliminary investigation suggests that imports from Japan are making inroads into the U.S. market, the preliminary record indicates that those imports sell at similar prices to the U.S. product. Tr. at 14, 90.

⁶³ Commissioner Brunsdale and Commissioner Crawford note that the alleged dumping margin in this case is 243.4 percent. Thus, if imports were fairly traded, they would be priced significantly higher. It is unlikely that they could be sold in the United States at that higher price. Since subject imports and the domestic like product appear to be reasonably good substitutes, and fairly traded imports account for a small share of the domestic market, it is likely that sales of the domestic like product would increase substantially. In addition, since there is only one domestic producer of sebacic acid, it is possible that it could raise the price of the like product, absent competition from the Chinese imports. In the final investigation, they would like more information on substitutes for downstream products, and on fairly traded imports to see if they could have a price disciplining effect on the sebacic acid market.

INFORMATION OBTAINED IN THE INVESTIGATION

INTRODUCTION

On July 19, 1993, counsel on behalf of Union Camp Corp. (Union Camp), Wayne, NJ, filed a petition with the U.S. International Trade Commission (the Commission) and the U.S. Department of Commerce (Commerce), alleging that an industry in the United States is being materially injured by reason of imports of sebacic acid¹ from the People's Republic of China (China) that are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, effective July 19, 1993, the Commission instituted antidumping investigation No. 731-TA-653 (Preliminary) under section 733(a) of the Tariff Act of 1930 (the Act)² to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

The statute directs the Commission to make its preliminary determination within 45 days after the receipt of the petition, or, in this investigation, by September 2, 1993. Notice of the institution of the Commission's investigation was posted in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and published in the Federal Register on July 26, 1993. Commerce published its notice of initiation in the Federal Register on August 16, 1993. Copies of the cited Federal Register notices are presented in appendix A. The Commission held a public conference in Washington, DC, on August 9, 1993, at which time all interested parties were allowed to present information and data for consideration by the Commission. A list of conference participants is presented in appendix B. The Commission's vote in this investigation was held on August 30, 1993. A summary of the data collected in this investigation is presented in appendix C.

The Commission has not conducted previous investigations specifically concerning sebacic acid. The Commission did investigate certain castor oil products³ from Brazil in 1984 and hydrogenated castor oil from Brazil in 1986.⁴

¹ For purposes of this investigation, sebacic acid is defined as all grades of the dicarboxylic acid with the formula $(CH_2)_8(COOH)_2$. Sebacic acid contains a minimum of 85 percent dibasic acids of which the predominant species is the C_{10} dibasic acid. Sebacic acid is sold generally as a free-flowing powder/flake.

Sebacic acid has numerous industrial uses, including the production of nylon 6/10 (a polymer used for paintbrush and toothbrush bristles and paper machine felts), plasticizers, esters, automotive coolants, polyamides, polyester castings and films, inks and adhesives, lubricants, and polyurethane castings and coatings.

Sebacic acid is provided for in subheading 2917.13.00 of the Harmonized Tariff Schedule of the United States.

² 19 U.S.C. 1673b(a).

³ Sebacic acid is a derivative of castor oil but was not included in this investigation.

⁴ Certain Castor Oil Products from Brazil, inv. No. 104-TAA-20, USITC Pub. 1483, January 1984, and Hydrogenated Castor Oil from Brazil, inv. No. 731-TA-236, USITC Pub. 1804, January 1986.

THE PRODUCT

Description and Uses

Sebacic acid, also called decanedioic acid, is a white, waxy compound with a melting point of about 134 degrees Celsius. Chemically, sebacic acid is a medium-length (10-carbon) fatty dicarboxylic acid, with physical characteristics similar to those of other dicarboxylic acids in the chemical series, such as azelaic acid (9 carbons) and suberic acid (8 carbons). The name sebacic derives from the Latin *sebaceus*, or tallow candle, in reference to the fact that sebacic acid has a somewhat greasy or tallowy feel and was sometimes used in the manufacture of candles.

Sebacic acid is used principally to produce esters and salts used in plasticizers, alkyd resins, and other plastics resins such as polyurethane resins for coatings. Esters and derivatives of sebacic acid are also used to produce low temperature lubricants and hydraulic fluids. Additionally, sebacic acid is condensed directly with hexa-methylenediamine to produce nylon 6/10, a type of plastic used in brush bristles and monofilament line. Sebacic acid is also used to produce automotive coolants, polyamides, polyester casting and films, and inks and adhesives.

Union Camp produces three grades of sebacic acid for sale on the open market: nylon, CP, and purified.⁵ The principal differences between the grades are the amount of ash (sulfur salts and semi-soluble solids) and the color. Union Camp's nylon grade typically contains 200 parts per million (ppm) ash (500 ppm maximum) and is an exceptionally light color; its CP grade also typically contains 200 ppm ash (500 ppm maximum) and is light in color, although less so than the nylon grade; its purified grade typically contains 200 ppm ash (1,000 ppm maximum) and is less light than either the nylon or CP grades. Although all three grades typically have a total dibasic acid content of 99.5 percent, the nylon and CP grades typically have a C₁₀ dibasic acid content of 95 percent; the purified grade typically has a C₁₀ dibasic acid content of only 93.6 percent.

Sebacic acid from China is usually classified as regular or low ash. Although the product varies according to ash content, generally ranging between 300 ppm and 600 ppm maximum ash, virtually all sebacic acid produced in China and exported to the United States contains 99.5 percent C₁₀ dibasic acid.⁶

⁵ There is no industry-wide standard regarding the grades of sebacic acid; Union Camp has assigned company-specific grades for its own marketing purposes. Union Camp does not assign a grade to the sebacic acid that it consumes internally.

⁶ Postconference brief of the respondents, exhibit 9.

Manufacturing Process

Sebacic acid is most commonly produced from castor oil, a vegetable oil consisting principally of the triglyceride of ricinoleic acid. Ricinoleic acid, also called 12-hydroxyoleic acid, is the chemical component of castor oil from which sebacic acid is eventually derived.

The most economical chemical process to produce sebacic acid and other dicarboxylic fatty acids is called caustic fusion. Castor oil (or ricinoleic acid) is typically heated with concentrated aqueous sodium or potassium hydroxide to about 300 degrees Celsius. At this point, chemical bond migration occurs with splitting of the fatty ricinoleic molecule to produce an alkali salt, or "soap," of sebacic acid, and 2-octyl alcohol (also called capryl alcohol.)

The crude sebacic acid is first purified by decolorizing, then crystallized by acidifying the reaction media. After the sebacic acid product has been filtered, it may be washed or further purified before drying, packing and shipping.

There are some differences between processes used by Union Camp and by the sebacic acid producers in China. Union Camp's process begins with the use of castor oil from India and Brazil.⁷ The caustic fusion reaction using castor oil results in relatively lower overall yields of sebacic acid and higher yields of a byproduct chemical mixture called "roleic soap" or "roleic acid" that has little commercial value. Petitioner's plant and process design utilize large reaction vessels in a batch process.

The Chinese manufacturing process uses an additional initial step to isolate ricinoleic acid from the castor oil. Castor oil is saponified, or hydrolyzed, into the ricinoleic acid component and the byproduct glycerine. The additional saponification step results in relatively higher overall yields of sebacic acid, lower yields of the roleic byproduct, and an additional, commercially-useful product, glycerine.⁸ The Chinese process design provides for a semicontinuous process using a relatively small reaction vessel.

⁷ India, Brazil, and China are the primary sources of castor oil in the world. Transcript of proceedings before the United States International Trade Commission ("conference transcript"), Aug. 9, 1993, p. 18.

⁸ According to Mr. Zheng Hong, sales manager for sebacic acid at Sinochem USA Inc., "The higher yield results from the fact that (the Chinese producers) are able to remove glycerine from castor oil as a first step in the production process and from the fact that they have developed a special solvent process." Conference transcript, p. 66. The "special solvent" is cresol, a coal tar derivative. Conference transcript, p. 71.

Substitute Products

The petitioner and the respondents agree that the "like product" should be sebacic acid only.⁹ Chemically, there is no direct substitute for sebacic acid. Sebacic acid has a distinct chemical composition.¹⁰ However, in terms of end-use applications, sebacate esters (organic compounds formed by reacting sebacic acid with alcohols) may compete with azelates, adipates, or phthalates (chemical derivatives of azelaic acid, adipic acid, and phthalic acid, respectively) in the plasticizer market. Similarly, sebacic acid could compete with azelaic acid in the production of corrosion inhibitors. Also, some polymeric and other low-cost plasticizers have been produced using sebacic acid instead of adipic acid. Finally, nylon 6/10 (made using sebacic acid) may in some instances compete with other nylon-type resins, such as nylon 6 (made with caprolactam), or with other plastics, depending upon suitability, specification, and price.¹¹

U.S. Tariff Treatment

Sebacic acid is classified in the Harmonized Tariff Schedule of the United States (HTS) in subheading 2917.13.00, with a column-1 general duty rate of 4.8 percent ad valorem. This rate applies to countries entitled to the column-1 general (most-favored-nation) duty rate, including China. Sebacic acid enters the United States free of duty when imported from designated-beneficiary countries under the Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA), the U.S.-Israel Free-Trade Area Implementation Act of 1985 (IFTA), the U.S.-Canada Free-Trade Agreement (CFTA), and the Andean Trade Preference Act (ATPA). The column 2 rate of duty, applicable to those countries enumerated in general note 3(b) of the HTS, is 25 percent ad valorem.

THE NATURE AND EXTENT OF ALLEGED SALES AT LTFV

In order to calculate the estimated dumping margin for sebacic acid from China, the petitioner compared the U.S price of the subject merchandise with estimates of the foreign market value. The petitioner estimated the U.S.

⁹ Conference transcript, pp. 82 and 116.

¹⁰ Mr. Peter Deutch, business manager for oleochemicals at Union Camp Corp., stated at the Commission's conference: "Sebacic acid has no obvious substitutes for the applications in which it is used...(It) is chemically different from its salts, esters, and the by-products of the sebacic process. Sebacic acid is the raw material used to produce sebacate esters and salts. Each is used in specific applications and are not considered to be interchangeable. The by-products of the sebacic process are also chemically different, with completely different uses." Conference transcript, p. 15.

¹¹ Respondents state that "Sebacic acid has numerous substitutes, including azelaic acid, caprolactam, Cor-Free, and adipic acid." Postconference brief of the respondents, p. 35. Azelaic acid is a pale crystalline powder, derived from oleic acid by oxidation with ozone. Caprolactam is a cyclic amide-type ring compound with a 6-carbon ring. Adipic acid is a 9-carbon dibasic acid. Cor-Free is a proprietary product of E.I. Du Pont de Nemours & Co.

price based on the average of prices in a recent (March 1993) quotation, less documented ocean freight costs. Because China is a state-controlled-economy country under section 773(c) of the act, the petitioner constructed the foreign market value based on the cost of production (raw materials, reagents, direct labor, energy, indirect costs, and packing) in India, a country with ostensibly comparable economic development, although not one in which sebacic acid is produced; in Pakistan, where Indian data were not available; and in the United States. The petitioner adjusted the cost of producing sebacic acid upward by 10 percent to reflect "general expenses," then adjusted the combined cost of production and "general expenses" upward by 8 percent to reflect "profit." These calculations yielded an alleged LTFV margin of 243.4 percent.

THE DOMESTIC MARKET

Apparent U.S. Consumption

Data concerning apparent U.S. consumption of sebacic acid were compiled from responses to Commission questionnaires. The Commission received usable data from the only known company producing sebacic acid in the United States and from 15 firms importing sebacic acid, which it used to calculate apparent U.S. consumption and U.S. market penetration by imports¹² of sebacic acid.¹³ The data are presented in table 1.

In terms of quantity, apparent U.S. consumption of sebacic acid rose by *** between 1990 and 1991, then declined by *** between 1991 and 1992, for a net decline of *** between 1990 and 1992. Between January-June 1992 and January-June 1993, the quantity of sebacic acid consumed in the United States fell ***. In terms of value, U.S. apparent consumption increased by *** between 1990 and 1991, then declined by *** percent between 1991 and 1992, for a net decline of *** percent between 1990 and 1992. Between January-June 1992 and January-June 1993, the value of sebacic acid consumed in the United States fell ***.

¹² Throughout this report, imports, U.S. shipments of imports, and U.S. inventories of imports are presented in two categories: imports from China (including Hong Kong) and imports from all other countries. Both parties agree that imports of sebacic acid reported in the 1991 and 1992 official statistics as being from Hong Kong are likely to be Chinese. Conference transcript, p. 111; Petition, p. 3. Additionally, the Hong Kong Census and Statistics Department's Hong Kong Trade Statistics records no domestic exports of products classified under Standard International Trade Classification 51389, polycarboxylic acids, nes, to the United States in 1991 and 1992. It does, however, record substantial quantities of such products as re-exports of previously imported products to the United States during those years.

¹³ The data presented in this report are believed to incorporate 100 percent of U.S.-produced sebacic acid and over 95 percent of imported sebacic acid, both subject and nonsubject.

Table 1

Sebacic acid: U.S. shipments of domestic product, U.S. shipments of imports, and apparent U.S. consumption, 1990-92, January-June 1992, and January-June 1993

Item	1990	1991	1992	Jan. - June - -	
				1992	1993
Quantity (1,000 pounds)					
Producer's U.S. shipments....	***	***	***	***	***
Importers' U.S. shipments:					
China (including Hong Kong).....	2,935	4,632	3,940	2,234	2,257
Other sources.....	0	***	***	***	***
Total.....	2,935	***	***	***	***
Apparent consumption...	***	***	***	***	***
Value (1,000 dollars)					
Producer's U.S. shipments....	***	***	***	***	***
Importers' U.S. shipments:					
China (including Hong Kong).....	4,575	6,317	4,447	2,494	2,339
Other sources.....	0	***	***	***	***
Total.....	4,575	***	***	***	***
Apparent consumption...	***	***	***	***	***
Unit value (per pound)					
Producer's U.S. shipments....	\$***	\$***	\$***	\$***	\$***
Importers' U.S. shipments:					
China (including Hong Kong).....	1.56	1.36	1.13	1.12	1.04
Other sources.....	-	***	***	***	***
Average.....	1.56	1.37	1.18	1.14	1.11
Apparent consumption...	***	***	***	***	***

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

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

Both parties characterized the demand for sebacic acid as a derived demand.¹⁴ Thus, sebacic acid consumption is driven by the consumption of products that incorporate sebacic acid. However, the parties disagreed about trends in the demand for sebacic acid. The petitioner characterized sebacic acid as a "mature product" and stated that "demand (for sebacic acid) has been stable."¹⁵ Several companies that import and/or distribute imported sebacic

¹⁴ Conference transcript, pp. 48-52; interview with ***.

¹⁵ Conference transcript, p. 10.

acid disagree with this assessment and contend that imports have opened up new markets for sebacic acid, presumably increasing its consumption. At the Commission's conference an official for one distributor noted that "(i)n an effort to further expand the market for sebacic acid, Ivanhoe has worked with several companies to create a market for diallyl sebacate. This is a new product that's not commercially available from any source."¹⁶ Similarly, an importer testified that "competitively priced sebacic acid has enabled compounders to replace azelaic acid in various formulations that require low-temperature properties."¹⁷

U.S. Producer

The petitioner in this investigation, Union Camp, is the only producer of sebacic acid in the United States. Union Camp is a \$3.1 billion (1992 net sales) corporation with operations in four primary areas, ranked in descending order of 1992 net sales: paper and paperboard; packaging; chemicals; and wood products. The conglomerate has a strong overseas presence, both in terms of productive facilities and exports.

Union Camp's Chemical Group consists of two divisions: Bush Boake Allen, which produces aroma chemicals, flavors and fragrances, essential oils, and spices and seasonings; and the Chemical Products Division, which produces pine pulping and castor oil derivatives. Union Camp entered the castor oil products field in 1970 with the purchase of the Dover, OH, facility from Pennwalt, Inc., Philadelphia, PA. Union Camp currently produces a variety of castor oil products at the Dover facility, including sebacic acid, hydrogenated castor oil, and 12-hydroxy stearic acid.¹⁸

U.S. Importers

Imports of sebacic acid enter the United States under HTS subheading 2917.13.00. However, this tariff provision also covers azelaic acid as well as the salts and esters of both azelaic and sebacic acids. The Commission sent importers' questionnaires to 25 companies believed to be importing product classified under HTS subheading 2917.13.00, including all U.S. companies listed in the petition and the petitioning company itself. The Commission received responses from 22 firms, 15 of which provided usable data on imports of sebacic acid. Seven companies reported no imports of merchandise corresponding to the product definitions in the Commission's questionnaire.¹⁹ The majority of responding firms reported imports exclusively from China; other major import sources included *** and Japan.

¹⁶ Conference transcript, testimony of John Hoegl, president, Ivanhoe Industries, Inc., p. 51.

¹⁷ Conference transcript, testimony of Mario Gaerlan, product manager, ICC Trading, Inc., p. 64.

¹⁸ Conference transcript, p. 30.

¹⁹ The remaining three companies have either moved or are no longer in operation. Staff estimates that coverage of imports is approximately 95 percent for China and for other sources.

Channels of Distribution

The channel structure of the sebacic acid industry is short and narrow. *** of domestic production of sebacic acid is consumed internally by Union Camp in the production of commercial esters. Similarly, *** of the sebacic acid from China is imported directly by ***. ²⁰ Most of the sebacic acid imported from China by importers other than Union Camp is sold directly to end users, and the remaining portion is sold to distributors.

The following tabulation presents a summary of the channels of distribution used by Union Camp for its domestically produced sebacic acid and by importers of sebacic acid from China, according to questionnaire responses:

	<u>Distributors</u>	<u>End users</u>
Share of Union Camp's shipments made to.....	***	***
Share of U.S. importers' shipments made to..	***	***

Union Camp's 1992 U.S. shipments were for use in the production of defense products (***), nylon (***), plastic additives (***), plasticizers (***), resins, coatings, and adhesives (***), and all other products (***). *** importers' 1992 U.S. shipments of imports from China were for use in the production of plasticizers (***), resins, coatings, and adhesives (***), and all other applications (***); U.S. shipments of imports from other countries were for use in the production of nylon (***) and plasticizers (***).

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

U.S. Production, Capacity, and Capacity Utilization

The domestic production of sebacic acid by Union Camp is reported in table 2.

Table 2

Sebacic acid: U.S. capacity, production, and capacity utilization, 1990-92, January-June 1992, and January-June 1993

* * * * *

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

Domestic capacity to produce sebacic acid remained stable during the period for which data were collected. Domestic production fluctuated, increasing by *** percent between 1990 and 1991, then declining by *** percent

²⁰ Telephone interview with ***.

between 1991 and 1992. Production increased between January-June 1992 and January-June 1993 by *** percent. The trend in production noted above caused capacity utilization to rise from *** percent in 1990 to *** percent in 1991. This indicator reversed direction in 1992, falling to *** percent. Capacity utilization increased *** between January-June 1992 and January-June 1993.

Union Camp generally operates its Dover plant ***. Most of the equipment used to manufacture sebacic acid is completely dedicated to that product; nothing else can be produced on that equipment. However, because of ***, Union Camp has begun ***.²¹

Two occurrences in 1992 had an effect on Union Camp's production and capacity utilization. In the first half of 1992, Union Camp's imports of sebacic acid ***. In the second half of 1992, Union Camp experienced a shortage of castor oil due to a tanker ship breakdown. During this period, the company ***.²²

U.S. Producer's Shipments

The shipments of sebacic acid produced in the United States by Union Camp are presented in table 3.

Table 3

Sebacic acid: Shipments by the U.S. producer, by types, 1990-92, January-June 1992, and January-June 1993

* * * * *

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

In terms of both quantity and value, internal consumption of sebacic acid by Union Camp²³ declined *** between 1990 and 1992, with the bulk of the decline occurring ***. Internal consumption rose somewhat between January-June 1992 and January-June 1993. Domestic shipments of sebacic acid declined throughout 1990-92 and between January-June 1992 and January-June 1993, both in terms of quantity and of value. The volume and value of export shipments ***. Between January-June 1992 and January-June 1993, export shipments *** both in terms of volume and of value.

The unit values of Union Camp's company transfers fluctuated, ***. The unit value of domestic shipments remained stable at ***. The unit value of exports ***, then stabilized at that general level.

²¹ Questionnaire response of Union Camp, p. 9; interview with ***.

²² Confidential submission by the petitioner, Aug. 12, 1993.

²³ ***.

U.S. Producer's Imports of Sebacic Acid from China

During the period for which data were collected, Union Camp accounted for *** of the total imports and consumption of imported sebacic acid from China. Union Camp consumes internally sebacic acid imported from China ***. According to a company official, the high C₁₀ dibasic acid content of the Chinese sebacic acid ***.²⁴ The following tabulation compares Union Camp's imports of sebacic acid²⁵ from China with its production and consumption of its own sebacic acid (in 1,000 pounds).

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>Jan.-June--</u> <u>1992</u>	<u>1993</u>
Imports (China).....	***	***	***	***	***
Production	***	***	***	***	***
Total.....	***	***	***	***	***
Company transfers (China)....	***	***	***	***	***
Company transfers (U.S.)....	***	***	***	***	***
Total.....	***	***	***	***	***

U.S. Producer's Inventories

End-of-period inventories reported by Union Camp of the sebacic acid produced in its Dover, OH, facility are presented in table 4.

Table 4

Sebacic acid: End-of-period inventories of the U.S. producer, 1990-92, January-June 1992, and January-June 1993

* * * * *

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

Inventories of domestically produced sebacic acid fluctuated erratically, rising by *** between December 31, 1990, and December 31, 1991, then falling by *** between December 31, 1991, and December 31, 1992. Union Camp's inventories of domestically produced sebacic acid increased by *** percent between June 30, 1992, and June 30, 1993. Union Camp reported one unusual occurrence during the period for which data were gathered that would affect inventory levels. In the second half of 1992, Union Camp experienced a shortage of castor oil. As the data indicate, the company's inventories of sebacic acid dropped *** between December 31, 1991, and December 31, 1992.

²⁴ Telephone interview with ***. During a previous interview, ***.

²⁵ Union Camp officials stated that ***. Confidential submission by the petitioner, Aug. 12, 1993. Union Camp ***.

The situation was resolved by the end of 1992, and inventories began to rise again in 1993.²⁶

Union Camp asserted that it can respond to customers' orders for sebacic acid held in stock within 72 hours. For orders requiring tighter specifications or orders specifying a grade of sebacic acid not in stock at the time of the order, delivery time could extend to one to two weeks.²⁷

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

In its questionnaire response, Union Camp provided information on the number of production and related workers, total hours worked by those employees, and the wages and total compensation paid to those employees during 1990-92. The data are presented in table 5.²⁸

Table 5

Average number of U.S. production and related workers producing sebacic acid, hours worked, wages and total compensation paid to such employees, and hourly wages, productivity, and unit labor costs, 1990-92, January-June 1992, and January-June 1993

* * * * *

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

The average number of production and related workers producing sebacic acid fell from *** to *** between 1990 and 1991, and remained at that level in 1992. Between January-June 1992 and January-June 1993, the average number of production and related workers producing sebacic acid increased by ***, to ***. Hours worked by those workers declined throughout 1990-92, but increased between January-June 1992 and January-June 1993. Similarly, wages and total compensation also declined throughout 1990-92 but increased between January-June 1992 and January-June 1993. Hourly wages and hourly total compensation decreased between 1990 and 1991, then increased between 1991 and 1992 (to levels above those of 1990) and between January-June 1992 and January-June 1993. Productivity increased between 1990 and 1991, but showed a *** decline between 1991 and 1992 and a lesser decline between January-June 1992 and January-June 1993. Unit labor costs decreased between 1990 and 1991, rose *** between 1991 and 1992, and continued to rise between January-June 1992 and January-June 1993.

²⁶ As Mr. Deutch noted, "In the second half of 1992 we had some difficulty getting our typical supply of castor oil. It was an industry-wide phenomenon, and it did inhibit our production ability for a short period of time in the second half of last year." Conference transcript, p. 23.

²⁷ Conference transcript, p. 26.

²⁸ Union Camp's work force producing sebacic acid is represented by the International Chemical Workers Union (local No. 20).

Union Camp's workforce producing sebacic acid is small, since the production of sebacic acid is not labor-intensive. Production employees are limited to ***.²⁹

In its questionnaire, the Commission requested Union Camp to provide detailed information concerning actual reductions in the number of production and related workers producing sebacic acid during January 1990-June 1993, if such reductions involved at least 5 percent of the workforce or more than 50 workers. Union Camp reported a permanent reduction of its workforce producing sebacic acid by *** workers in ***.

Financial Experience of the U.S. Producer

The sole producer, Union Camp, furnished financial data on its overall establishment operations and on its operations producing sebacic acid, the subject product.

Overall Establishment Operations

Union Camp is primarily a producer of paper, paperboard, and packaging products. In 1992, its total net sales were \$3.1 billion. Chemical products sales were \$500 million, or approximately 16 percent of sales.³⁰

Union Camp's Dover, OH, plant produces the subject product and other chemicals (fatty acids, esters, dimers, and polyamides). In 1992, overall establishment sales were ***. Sebacic acid sales were ***, or *** percent of total establishment sales. The overall establishment income-and-loss data are presented in table 6.

Table 6

Income-and-loss experience of Union Camp on the overall operations of its establishment wherein sebacic acid is produced, fiscal years 1990-92, January-June 1992, and January-June 1993

* * * * * * *

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

Operations on Sebacic Acid

The income-and-loss data for sebacic acid exclude intraplant transfers, the valuation of which *** compared with Union Camp's stable open market sales price of sebacic acid. The sebacic acid that is transferred is ***. Instead, it is used to make downstream products which ***. ***. The income-and-loss experience of Union Camp's sebacic acid sales is presented in table 7.

²⁹ Interview with ***.

³⁰ Union Camp's 1992 annual report, p. 42.

Table 7

Income-and-loss experience of Union Camp on its operations producing sebacic acid (excluding intraplant transfers), fiscal years 1990-92, January-June 1992, and January-June 1993

* * * * *

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

Net sales declined *** percent from *** in 1990 to *** in 1991. In 1992, sales were ***, a decline of *** percent from 1991. Operating income was ***. Operating income ratios, as a share of net sales, were ***.³¹

Net sales in interim 1993 were ***, a decrease of *** percent from interim 1992 sales of ***. Operating income fell from *** in interim 1992 to *** in interim 1993. Operating income ratios fell from *** percent in interim 1992 to *** percent in interim 1993.

A summary of income-and-loss data presented in table 7 and Union Camp's original questionnaire submission (which included intraplant transfers) is presented in the following tabulation (in 1,000 dollars, except as noted):³²

* * * * *

Per-Unit Analysis

A summary of Union Camp's income-and-loss data on sebacic acid on a dollars-per-pound basis is shown in table 8.

Table 8

Summary of Union Camp's sebacic acid (excluding intraplant transfers) income-and-loss data, on a dollars-per-pound basis, fiscal years 1990-92, January-June 1992, and January-June 1993

* * * * *

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

³¹ Income-and-loss data for the latter half of 1992 may have been affected by *** a delay in receiving a shipment of castor oil, the primary raw material for the production of sebacic acid.

³² ***.

The raw material cost is primarily the cost of castor oil less byproduct credits of *** per pound for roic acid and *** per pound for capryl alcohol. Castor oil is a worldwide commodity; its price during the period for which data were collected has declined, which is reflected in the raw material costs in table 8. Castor oil is the ***. Other raw material costs also include the cost of reagents such as caustic soda, caustic potash, sulfuric acid, and carbon.

Direct labor costs are relatively low, although ***. The *** are the result of ***.³³ As indicated in Union Camp's 1992 annual report (quoted below), the weakness in some of Union Camp's other chemical products, including some of the downstream products made from sebacic acid, may be affecting the cost structure of the plant, including sebacic acid.

Tall oil-based chemicals are used most widely in inks, adhesives and coatings. With the recession in full swing during 1992, advertising and printing were directly affected with prices eroding in these markets. At the same time, prices for fatty acids were under pressure due to world oversupplies of competing oils, such as soya. In addition, lower sales of a major refined tall oil grade had an adverse effect on costs due to lower volume at the Dover, Ohio plant.³⁴

Factors Affecting Profitability

Some of the factors that may have affected profitability have been discussed, such as a ***.³⁵ Although the average selling price of sebacic acid has been very stable during the period for which data were collected, the declining volume of sales of this product ***.

Capital Investment in the Sebacic Acid Business³⁶

As previously indicated, Union Camp's plant is over 40 years old. For the production of sebacic acid, Union Camp ***.³⁷ Much of the sebacic acid equipment ***.

Union Camp stated that "The current state of the sebacic acid business will not support major further investment, but petitioner will continue to implement low cost programs to improve production efficiency and product quality if the business can be stabilized."³⁸

³³ Telephone interview with ***.

³⁴ Union Camp's 1992 annual report, industry discussion, p. 17.

³⁵ Union Camp provided the quantities and revenues of its downstream products *** made from sebacic acid. The volume of sales and unit values ***.

³⁶ Capital expenditures and assets during the period of investigation are discussed later in this section of the report.

³⁷ Telephone interview with ***.

³⁸ Petition, p. 23.

***.³⁹ At the conference, Mr. Deutch estimated that it would cost between \$20 to \$25 million for a brand-new sebacic acid plant.⁴⁰

Union Camp had capital expenditures (excluding acquisitions) of \$1.6 billion between 1990 and 1992. Its chemical division spent \$86.6 million in those years.⁴¹

Investment in Productive Facilities

Union Camp's investment in property, plant, and equipment are shown in table 9.

Table 9

Value of assets of Union Camp's establishment wherein sebacic acid is produced, fiscal years 1990-92, January-June 1992, and January-June 1993

* * * * *

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

According to ***, the plant was purchased in the early 1970s. The previous owner did not maintain separate product records. ***.⁴² As noted in table 7, there was *** depreciation expense for sebacic acid during the period for which data were collected; ***.

Capital Expenditures

Union Camp's capital expenditures are shown in table 10. In its questionnaire response, Union Camp reported ***. ***.⁴³

Table 10

Capital expenditures by Union Camp on its overall establishment and sebacic acid operations, fiscal years 1990-92, January-June 1992, and January-June 1993

* * * * *

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

³⁹ Items that are expensed are charged directly to the cost of goods sold; thus there is no depreciation.

⁴⁰ Conference transcript, p. 18.

⁴¹ Summation of annual data in 1992 annual report, p. 40.

⁴² Telephone interview with ***.

⁴³ Telephone interview with ***.

Research and Development

Research and development expenses for the overall establishment and sebacic acid are shown in the following tabulation (in 1,000 dollars):

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>January-June--</u> <u>1992</u>	<u>1993</u>
All products.....	***	***	***	***	***
Sebacic acid.....	***	***	***	***	***

Capital and Investment

The Commission requested Union Camp to describe and explain the actual and potential negative effects of imports of sebacic acid from China on its growth, investment, ability to raise capital, or existing development and production efforts (including efforts to develop a derivative or improved version of sebacic acid). Its response is presented in appendix D. The petitioner was asked a similar question about the byproducts of sebacic acid. This response is also presented in appendix D.

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

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the merchandise, the Commission shall consider, among other relevant economic factors⁴⁴--

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

⁴⁴ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 706 or 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.⁴⁵

⁴⁵ Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

Information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of Alleged Material Injury to an Industry in the United States." Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows. Items (I) and (IX) above have not been alleged or are otherwise not applicable.

U.S. Importers' Inventories

Of the 15 firms reporting imports of sebacic acid, 11 also reported end-of-period inventories of those imports (table 11).

Table 11

Sebacic acid: End-of-period inventories of U.S. importers, by sources, 1990-92, January-June 1992, and January-June 1993

Item	1990	1991	1992	Jan.-June-- 1992	1993
<u>Quantity (1,000 pounds)</u>					
China (including Hong Kong)...	386	142	***	1,572	909
Other sources.....	0	***	***	***	***
Total.....	386	***	***	***	***
<u>Ratio to imports (percent)</u>					
China (including Hong Kong)...	14.8	3.3	***	21.6	24.4
Other sources.....	-	***	***	***	***
Average.....	14.8	***	***	***	***
<u>Ratio to U.S. shipments of imports (percent)</u>					
China (including Hong Kong)...	13.1	2.2	***	35.2	20.1
Other sources.....	-	***	***	***	***
Average.....	13.1	***	***	***	***
<u>Ratio to total shipments of imports (percent)</u>					
China (including Hong Kong)...	13.1	2.2	***	35.2	20.1
Other sources.....	-	***	***	***	***
Average.....	13.1	***	***	***	***

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

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

End-of-period inventories of sebacic acid imported from China exhibited large fluctuations during the period for which data were collected. Between 1990 and 1991, such inventories declined by 63.3 percent. Inventories grew by *** percent between December 31, 1991, and December 31, 1992, but then declined by 42.2 percent between June 30, 1992 and June 30, 1993.⁴⁶ End-of-period inventories as a ratio to imports, U.S. shipments of imports, and total shipments of imports showed a similar trend: a sharp decline between 1990 and 1991, a steep rise between 1991 and 1992, and (except for the ratio to imports) a sharp decline between January-June 1992 and January-June 1993.

End-of-period inventories of sebacic acid imports from nonsubject countries were small but rose *** between 1990 and 1992, then declined between January-June 1992 and January-June 1993. Such inventories as a ratio to imports, U.S. shipments of imports, and total shipments of imports followed the same general trend.

U.S. Importers' Current Orders

In its questionnaire, the Commission requested importers to indicate if they had imported, or arranged for the importation of, sebacic acid from China for delivery after June 30, 1993. Eleven of the 15 importers stated that they had made such arrangements; in total, over 2 million pounds of sebacic acid are scheduled to be delivered before the end of the year.⁴⁷

Ability of Foreign Producers to Generate Exports and Availability of Export Markets Other than the United States

The petition identified 11 companies producing sebacic acid in China. None of these producers are represented by counsel; however, one Chinese export company, Sinochem International Chemicals Co. (Sinochem International), is represented by counsel. Counsel for Sinochem International provided the general data for the sebacic acid industry in China presented in table 12 for the period 1990-92 on behalf of its client. Counsel noted that exports of sebacic acid from China are not restricted by nontariff barriers, such as antidumping findings, in countries other than in the United States.⁴⁸

In addition to data for 1990-92, the Commission requested data for January-June 1992, January-June 1993, and projections for 1993 and 1994, which counsel provided for one company, Shandong Weifang Organic Chemical Factory, which accounts for approximately *** percent of sebacic acid production in China and *** percent of the exports of sebacic acid from China to the

⁴⁶ Union Camp ***. Excluding Union Camp, end-of-period inventories of sebacic acid imported from China ***.

⁴⁷ Importers expected ***. Although Union Camp ***.

⁴⁸ Conference transcript, p. 82.

Table 12

Sebacic acid: China's capacity, production, inventories, capacity utilization, and shipments, 1990-92

Item	1990	1991	1992
<u>Quantity (1,000 pounds)</u>			
Capacity.....	25,353	25,353	25,353
Production.....	22,046	22,046	22,046
End-of-period inventories....	(¹)	(¹)	(¹)
Shipments:			
Home market.....	6,614	6,614	6,614
Exports to--			
The United States.....	2,674	3,411	4,455
All other markets.....	11,351	12,227	10,562
Total exports.....	14,026	15,637	15,018
Total shipments.....	20,639	22,251	21,632
<u>Ratios and shares (percent)</u>			
Capacity utilization.....	87.0	87.0	87.0
Share of total quantity of shipments:			
Home market.....	32.0	29.7	30.6
Exports to--			
The United States.....	13.0	15.3	20.6
All other markets.....	55.0	54.9	48.8

¹ Not available.

Note.--Because of rounding, figures may not add to the totals shown. Capacity utilization is calculated from the unrounded data.

Source: Compiled from data submitted in the postconference brief of the respondents.

United States.⁴⁹ The Commission also requested information from the U.S. Embassy in Beijing.⁵⁰

⁴⁹ Shandong's reported capacity, about *** percent of Union Camp's reported capacity, ***. Shandong's production ***. Its home market shipments ***. Its exports to the United States ***. Shandong's shipments to all other markets ***.

⁵⁰ The U.S. Embassy in Beijing was unable to provide data regarding the industry producing sebacic acid in China. As the Embassy noted, "Obtaining information in China for antidumping investigations is complicated by the fact that producers often do not directly export their products but rather use import-export companies." Message reference No. 028965, Aug. 13, 1993.

The industry producing sebacic acid in China currently consists of an estimated 13 to 15 companies spread across 12 provinces.⁵¹ The productive facilities are primarily in Northern China and linked by truck and by rail to China's major seaports.⁵² The method employed in manufacturing sebacic acid in China (a semicontinuous process that uses a relatively small reaction vessel) differs somewhat from that of Union Camp in procedure (as described in the section of this report entitled "Manufacturing Process"), and it generally takes place on a smaller scale.

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

U.S. Imports

Data on U.S. imports of sebacic acid, collected by the Commission through its questionnaires, are presented in table 13.⁵³ Imports of sebacic acid from China increased throughout 1990-92 (in terms of quantity), rising by 66.8 percent between 1990 and 1991 and by 18.5 percent between 1991 and 1992. Such imports declined sharply between January-June 1992 and January-June 1993, however, falling by 48.8 percent. In terms of value, imports of sebacic acid from China rose by 43.6 percent between 1990 and 1991, then fell by 11.8 percent between 1991 and 1992. The value of such imports declined by 52.8 percent between January-June 1992 and January-June 1993. The unit values of imports of sebacic acid from China declined throughout the entire period for which data were gathered, falling from \$1.45 per pound in 1990 to \$0.85 per pound in January-June 1993.⁵⁴

⁵¹ The respondents' postconference brief indicates that there has been a recent consolidation of the industry producing sebacic acid in China, resulting in the closing of several small productive facilities and the scrapping of their productive equipment. Respondents' postconference brief, p. 37.

⁵² Respondents' postconference brief, pp. 37 and 40.

⁵³ Import data based on Commerce's official statistics for HTS subheading 2917.13.00 are presented in app. E. The subheading includes not only sebacic acid but also azelaic acid and salts and esters of azelaic and sebacic acid.

⁵⁴ Counsel for the respondents stated at the conference that "as a result of the Gulf War, a number of contracts were canceled. People brought in a lot of stuff (sebacic acid) hoping to get around the Gulf War and contracts were canceled and that caused some of the price decline. Frankly, another cause of the price decline was not only the drop in castor oil but Union Camp. Union Camp was one of the most substantial importers of sebacic acid into the United States." Conference transcript, p. 114. The unit value of Union Camp's imports of sebacic acid from China ***.

Table 13

Sebacic acid: U.S. imports, by sources, 1990-92, January-June 1992, and January-June 1993

	Jan. - June - -				
Item	1990	1991	1992	1992	1993
<hr/>					
	Quantity (1,000 pounds)				
	<hr/>				
China (including Hong Kong) ..	2,608	4,351	5,158	3,638	1,863
Other sources	0	***	***	***	***
Total	2,608	***	***	***	***
	<hr/>				
	Value (1,000 dollars)				
	<hr/>				
China (including Hong Kong) ..	3,783	5,431	4,791	3,360	1,585
Other sources	0	***	***	***	***
Total	3,783	***	***	***	***
	<hr/>				
	Unit value (per pound)				
	<hr/>				
China (including Hong Kong) ..	\$1.45	\$1.25	\$0.93	\$0.92	\$0.85
Other sources	(¹)	***	***	***	***
Average	1.45	***	***	***	***

¹ Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Unit values are calculated from the unrounded figures, using data of firms supplying both quantity and value information.

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

Imports of sebacic acid from nonsubject countries, primarily *** and Japan, accounted for a small but increasing share of total imports (by quantity and by value) during the period for which data were collected. Such imports rose rapidly in terms of quantity and value between 1990 and 1992, but declined between January-June 1992 and January-June 1993. Unit values for such imports increased through the period for which data were collected.

As noted earlier, Union Camp accounts for *** of the imports of sebacic acid into the United States. The following tabulation presents Union Camp's imports (in 1,000 pounds) separately from those of all other sebacic acid importers:

* * * * *

Market Shares

Market shares (based on U.S. shipments) of the U.S. producer, importers of sebacic acid from China, and importers of sebacic acid from countries other than China are presented in table 14.

Table 14

Sebacic acid: Shares of apparent U.S. consumption, 1990-92, January-June 1992, and January-June 1993

* * * * * * *

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

In terms of quantity, the share of the total U.S. market held by sebacic acid produced by Union Camp fell by *** percentage points between 1990 and 1991, by *** percentage points between 1991 and 1992, and by *** percentage points between January-June 1992 and January-June 1993. The shares held by importers of sebacic acid from China increased by *** percentage points between 1990 and 1991, fell by *** percentage points between 1991 and 1992, and increased by *** percentage points between January-June 1992 and January-June 1993. The market share held by imports of sebacic acid from all other countries increased throughout the period for which data were collected, from zero in 1990 to *** percent in January-June 1993.

In terms of value, the share of the total U.S. market held by sebacic acid produced by Union Camp fell by *** percentage points between 1990 and 1991, increased by *** percentage points between 1991 and 1992, and decreased by *** percentage points between January-June 1992 and January-June 1993. The shares held by importers of sebacic acid from China increased by *** percentage points between 1990 and 1991, fell by *** percentage points between 1991 and 1992, and increased by *** percentage points between January-June 1992 and January-June 1993. The market share held by imports of sebacic acid from all other countries increased throughout the period for which data were collected, from zero in 1990 to *** percent in January-June 1993.

Because Union Camp is both a producer of sebacic acid and an importer of sebacic acid for internal consumption, its actual share of U.S. apparent consumption of sebacic acid is understated in table 14. Union Camp's market share, based on the quantity of sebacic acid that it actually consumed internally plus what it sold in the United States in the open market is presented in the following tabulation (in percent):

* * * * * * *

Prices

Marketing Characteristics

Demand for sebacic acid is derived from the demand for the products using sebacic acid. Sebacic acid is used primarily for the following end uses: the production of plasticizers, nylon 6/10, resins, coatings, and adhesives. Sebacic acid is also used captively by the U.S. producer in the production of ***.⁵⁵ Nearly *** percent of U.S. shipments of the U.S.-produced and imported Chinese sebacic acid are sold directly to end users, with the remaining *** percent sold to distributors. The U.S. producer and importers agreed that there are no direct substitutes for sebacic acid for nearly all of its applications. However, there are substitutes for the products in which sebacic acid is used.

Sebacic acid is priced on a per-pound basis and generally sold on an f.o.b. basis by the U.S. producer and U.S. importers.⁵⁶ Union Camp produces three grades of sebacic acid that differ primarily by ash content and color: nylon grade (500 ppm maximum ash content, a platinum-cobalt color scale designation of 5-10), CP grade (500 ppm maximum ash content, a color scale designation of 25), and purified grade (1,000 ppm maximum ash content, a color scale designation of 50).⁵⁷ Nylon grade is considered the highest quality sebacic acid and has traditionally been priced by Union Camp slightly higher (1 cent per pound) than the other two grades. Nylon-grade product is required by the nylon 6/10 end-use market, whereas the other markets generally purchase the lower-priced sebacic acid grades. However, ***.

Similarly, there are two types of sebacic acid from China that differ primarily by ash content: low ash (300 ppm maximum ash content) and regular ash (600 ppm maximum ash content). The low-ash product has typically been priced *** cents per pound higher than the regular-ash product; however, U.S. importers reported that this price differential has been shrinking. Moreover, some customers that ***. Typically, the Chinese product has been sold to the plasticizer, resins, coatings, and adhesives markets and not the nylon 6/10 market because of the lower ash requirement by nylon 6/10 manufacturers. However, one nylon 6/10 manufacturer, ***, reported using Chinese material to develop ***.⁵⁸

Union Camp reported selling its three grades of sebacic acid *** during January 1990-June 1993. The list price for Union Camp's three grades of sebacic acid has been \$2.05 per pound for its nylon grade and \$2.04 per pound for its purified and CP grades. ***, ***.

⁵⁵ In 1992, approximately *** percent of sebacic acid produced by Union Camp was used captively.

⁵⁶ Some U.S. importers also reported selling sebacic acid on a delivered basis.

⁵⁷ However, Union Camp reported that the typical ash content of these three grades is 200 ppm. The typical color scale designations of each grade are 5-10, 10, and 15 for nylon, CP, and purified grades, respectively. The lower the color designation, the lighter the color of the sebacic acid.

⁵⁸ Nylon 6 is based on a caprolactam polymer. Postconference brief of the respondents, p. 15.

U.S. importers reported not using list prices for their sales of Chinese sebacic acid, instead relying on specific customer negotiations and current market demand. Some importers reported that they just add a profit margin to their costs of importing the product from China. U.S. importers reported that castor oil prices have influenced the price of Chinese sebacic acid, whereas Union Camp reported that castor oil prices have not influenced its U.S.-produced sebacic acid prices. Castor oil represents approximately *** percent of the cost of producing sebacic acid.⁵⁹ The world price for castor oil declined by over 40 percent between January 1990 and March 1993, but then increased by 20 percent between March and June 1993 (figure 1).⁶⁰

Union Camp reported that its average lead times *** whereas U.S. importers reported lead times generally ranging between 1 and 3 months.⁶¹ Sales terms are typically *** for the U.S. producer and U.S. importers.⁶² Both the U.S. producer and importers reported that transportation costs are not an important factor in the sale of sebacic acid and are generally less than *** percent of the price of the product.

The Commission requested the U.S. producer and importers to report whether they were ever unable to supply sebacic acid to a customer in a timely manner at prevailing prices and in the quantities desired during January 1990-March 1993. *** reported supply problems for the U.S. market. ***.

*** agreed that the U.S.- and the Chinese-produced sebacic acid are interchangeable. However, *** reported that quality differences between the U.S.- and the Chinese-produced sebacic acid do represent a major factor in their sales of sebacic acid. *** also reported that these two products were not completely interchangeable and that quality differences were a major factor in their sales of sebacic acid. Both Union Camp and these importers reported differences in purity levels and ash content between the U.S.-produced and Chinese product. The typical Chinese sebacic acid purity level is 99.5 percent C₁₀ content as opposed to the typical Union Camp purity level of 95 percent C₁₀ content. Some purchasers require the higher purity level for their end-use products.⁶³ U.S. importers also reported that the Chinese product competed against Union Camp's purified and CP-grade product due to the lesser specifications in these grades compared with Union Camp's nylon grade. Nylon 6/10 manufacturers generally require Union Camp's nylon grade sebacic acid or purchase imported sebacic acid from Japan.

⁵⁹ According to Peter Deutch of Union Camp, telephone conversation, July 20, 1993.

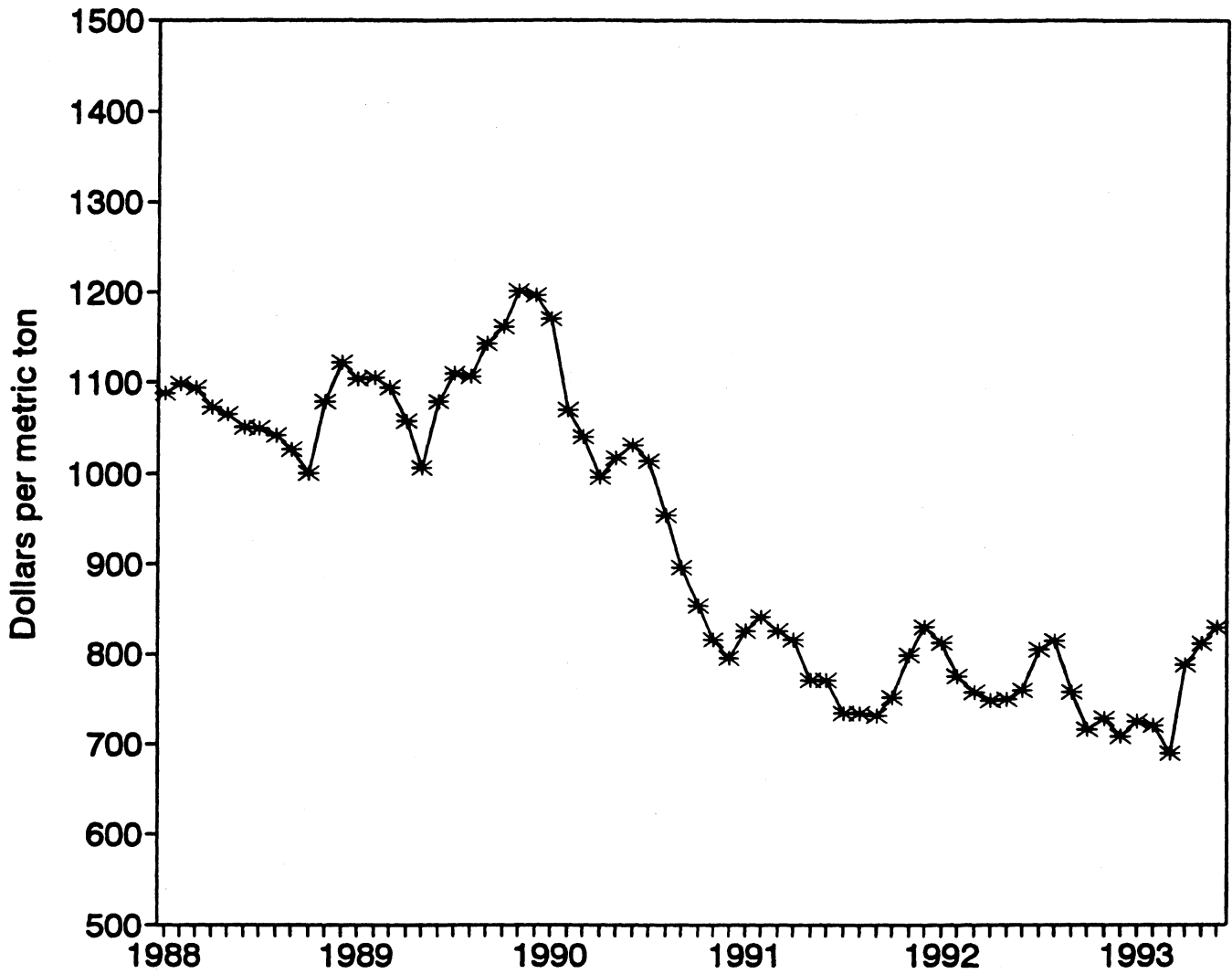
⁶⁰ Respondents reported that castor oil prices in China declined by approximately *** percent between 1990 and 1992, then increased by *** percent during 1993 to a level *** percent below prices during 1990. Postconference brief of the respondents, p. 33.

⁶¹ One importer reported lead times of up to 5 months and another importer reported lead times of 1 to 2 days from warehouse stock.

⁶² Two importers reported sales terms of net *** days.

⁶³ ***.

Figure 1
World castor oil prices, any origin, ex-tank Rotterdam, by months,
January 1988-June 1993



Source: Oil World, May 7, 1993 and July 9, 1993.

Questionnaire Price Data

The Commission requested price and quantity information from the U.S. producer and importers for their quarterly sales of sebacic acid during the period January 1990-June 1993. The U.S. producer and importers were requested to provide price data for sebacic acid sold to the nylon market and the plasticizer market. U.S. importers were also requested to provide price data for sebacic acid sold directly to the U.S. producer of sebacic acid. If more than one type or grade of sebacic acid was sold to these markets, the U.S. producer and importers were requested to provide separate information for these additional products.

The U.S. producer and 11 U.S. importers of sebacic acid provided usable price data. Reported pricing accounted for approximately 76 percent of the U.S. producer's domestic shipments of sebacic acid and over 85 percent of U.S. importers' domestic shipments of sebacic acid in 1992. U.S. importers reported that *** imported product was sold to Union Camp in 1992.⁶⁴

*	*	*	*	*	*	*
*	*	*	*	*	*	*

Prices of Chinese sebacic acid to Union Camp represent the price paid by Union Camp for this material. Union Camp imported this product through ***.

Price trends

Weighted-average f.o.b. prices for U.S.-produced sebacic acid sold to both the nylon 6/10 market and the plasticizer market *** during January 1990-June 1993 (table 15, figures 2-3). During this time period, ***.

Table 15

Weighted-average f.o.b. selling prices and quantities of U.S.-produced and imported Chinese sebacic acid, by markets and by quarters, and margins of under(over)selling, January 1990-June 1993

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

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

⁶⁴ Union Camp submitted average price and quantity data for *** sebacate ester products that it produces using sebacic acid. See app. F.

Figure 2

Weighted-average f.o.b. selling prices and quantities of U.S.-produced sebacic acid sold to the nylon 6/10 market, by quarters, January 1990-June 1993

* * * * *

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

Figure 3

Weighted-average f.o.b. selling prices and quantities of U.S.-produced and imported Chinese sebacic acid sold to the plasticizer market, by quarters, January 1990-June 1993

* * * * *

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

Prices for imported Chinese sebacic acid sold to the plasticizer market generally declined, by a total of *** percent, during January 1990-June 1993. Prices for Chinese product purchased by Union Camp *** during January 1990-December 1992 (figure 4). U.S. importers reported no sales of Chinese sebacic acid to the nylon 6/10 market.⁶⁵

Figure 4

Weighted-average f.o.b. selling prices and quantities of imported Chinese sebacic acid sold to Union Camp as reported by U.S. importers, by quarters, January 1990-June 1993

* * * * *

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

Price comparisons

There were 14 instances in which comparisons between Union Camp's sebacic acid and sebacic acid imported from China were possible (table 15). In all 14 of these instances, the Chinese product was priced *** percent below the domestic product.

⁶⁵ However, one nylon 6/10 manufacturer reported purchasing Chinese sebacic acid from ***, a distributor.

Exchange Rates

The exchange rate for the People's Republic of China is determined by the Government of China rather than the free market. Therefore, meaningful exchange rate data for the Chinese currency cannot be presented.

Lost Sales and Lost Revenues

The Commission received *** allegations of lost sales and *** allegations of lost revenues involving *** purchasers by the only U.S. producer, Union Camp. The lost-sales allegations totaled *** and involved *** pounds of sebacic acid. The lost-revenues allegations totaled *** and involved *** pounds. *** lost-sales allegations and *** lost-revenues allegations occurred during 1993. Staff contacted all *** firms cited in the lost-sales and lost-revenues allegations.

***, a *** producer in ***, was cited in one lost-revenue allegation ***. The U.S. producer allegedly had to lower its price quote *** because of competition from Chinese product priced at *** per pound. *** reported that ***, but ***. ***.

*** reported that the lower price of the Chinese product was the primary factor for purchasing the Chinese material ***. Additionally, *** was ***.

***. The ash content of the Chinese product had improved from 600 ppm to 300 ppm or less.⁶⁶ *** reported that ***.

*** reported that the price of the Chinese product has traditionally been lower than the price offered by Union Camp in the U.S. market. It has ranged from between *** to *** in the past year. *** commented that recently the Chinese price has been increasing because the price of castor oil, the main raw material in sebacic acid, is increasing. *** also reported that ***.

*** was cited in one lost-sale allegation that occurred *** and involved ***. The U.S. price quote was *** per pound and the winning Chinese price quote was allegedly *** per pound. *** did decide to purchase the imported Chinese product, but did so for the following reasons: first, the Chinese product is a superior product and had less impurities than the domestic product; second, *** wanted two sources of supply; and third, the price of the Chinese product was less than the U.S.-produced product. Moreover, ***.

*** purchases approximately *** pounds of sebacic acid per year. It started purchasing the Chinese product in large quantities ***. *** reported that *** the Chinese price has increased due to the increased price of castor oil and the weakened dollar. ***.

* * * * *

*** currently purchases approximately *** pounds of sebacic acid per year. *** reported that *** tries to purchase as much of the material from

⁶⁶ In these applications, ***.

Chinese sources as possible, primarily due to price. The U.S. price is *** per pound and the Chinese price is *** per pound. *** purchases *** Chinese product and considers the quality to be equal to that of Union Camp. ***.

***.^{67 68} Moreover, ***.

*** purchases approximately *** pounds of sebacic acid per year. ***. *** reported that it stopped purchasing sebacic acid from Union Camp *** primarily because of ***. Additionally, ***.⁶⁹ Therefore, *** started purchasing ***.

***. The U.S. price quote was *** per pound and the winning Chinese price quote was allegedly *** per pound. *** did purchase the imported Chinese product on the basis of price, but ***.

***. The U.S. price quote was *** per pound and the winning Chinese price quote was allegedly *** per pound. *** commented that *** purchases the Chinese material because it works better for ***'s end-use application due to its higher ash content. Furthermore, it is priced less than Union Camp's sebacic acid.

* * * * *

⁶⁷ ***.

⁶⁸ ***.

⁶⁹ ***.

APPENDIX A

**FEDERAL REGISTER NOTICES OF
THE COMMISSION AND COMMERCE**

**INTERNATIONAL TRADE
COMMISSION**

**[Investigation No. 731-TA-863
(Preliminary)]**

Sebacic Acid From China

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

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-653 (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 China of sebacic acid,¹ provided for in subheading 2917.13.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. The Commission must complete preliminary antidumping investigations in 45 days, or in this case by September 2, 1993.

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

EFFECTIVE DATE: July 19, 1993.

FOR FURTHER INFORMATION CONTACT: George Deyman (202-205-3197), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on July 19, 1993, by Union Camp Corporation, Wayne, New Jersey.

Participation in the investigation and public service list.

Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in §§ 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the Federal Register. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation

upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this preliminary investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than seven (7) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on August 9, 1993, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Doug Corkran (202-205-3177) not later than August 4, 1993, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions

As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before August 12, 1993, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a

document for filing without a certificate of service.

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

By order of the Commission.

Issued: July 21, 1993.

Donna R. Koehnke,
Secretary.

[FR Doc. 93-17697 Filed 7-23-93; 8:45 am]

BILLING CODE 7000-02-P

¹ Sebacic acid is an acyclic dicarboxylic acid with a carbon chain link of 10 which is derived from castor oil.

[A-570-825]

**Initiation of Antidumping Duty
Investigation; Sebacic Acid From the
People's Republic of China**

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

EFFECTIVE DATE: August 16, 1993.

FOR FURTHER INFORMATION CONTACT:
Brian C. Smith, Office of Antidumping
Investigations, Import Administration,
International Trade Administration,
U.S. Department of Commerce, 14th
Street and Constitution Avenue, NW.,
Washington, DC, 20230; telephone (202)
482-1766.

Initiation Investigation**The Petition**

On July 19, 1993, we received a petition filed in proper form by Union Camp Corporation (petitioner). Petitioner submitted an amendment to the petition on August 2, 1993. In accordance with 19 CFR 353.12, the petitioner alleges that sebacic acid from the People's Republic of China (PRC) is being, or is 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 materially injure, or threaten material injury to, a United States industry.

The petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and the petition is filed on behalf of the only U.S. industry producing the product subject to this investigation. If any interested party, as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, it should file a written notification with the Assistant Secretary for Import Administration.

Scope of Investigation

The products covered by this investigation are all grades of sebacic acid, a dicarboxylic acid with the formula $(CH_2)_8(COOH)_2$, which include, but are not limited to, CP Grade (500ppm maximum ash, 25 maximum APHA color), Purified Grade (1000ppm maximum ash, 50 maximum APHA color), and Nylon Grade (500ppm maximum ash, 70 maximum APHA color). The principal difference between the grades is the undesirable quantities of ash and color. Sebacic acid contains a minimum of 85 percent dibasic acids of which the predominant species is the C_{18} dibasic acid. Sebacic acid is sold generally as a free-flowing powder/ flake.

Sebacic acid has numerous industrial uses, including the production of nylon 6/10 (a polymer used for paintbrush and toothbrush bristles and paper machine felts), plasticizers, esters, automotive coolants, polyamides, polyester castings and films, inks and adhesives, lubricants, and polyurethane castings and coatings.

Sebacic acid is currently classifiable under subheading 2917.13.00.00, of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

United States Price and Foreign Market Value

Petitioner based United States price (USP) on a March 1993 invoice from a U.S. importer of the subject merchandise from the PRC. In calculating USP, petitioner deducted an amount for ocean freight.

Petitioner, alleging that the PRC is a non-market economy country within the meaning of section 773(c) of the Act, based foreign market value on its factors of production during March 1993 for producing the subject merchandise.

To value the factors of production, petitioner used India and Pakistan as surrogates with comparable economies to the PRC even though there is no evidence on the record that they are significant producers of comparable merchandise, pursuant to section 773(c)(4) of the Act. For purposes of this initiation, we have accepted India and Pakistan as appropriate surrogate selections because there appear to be no other countries with comparable economies to the PRC that produce the subject merchandise. In addition, we have used India and Pakistan as appropriate surrogate selections in other investigations involving merchandise from the PRC. (See Final Determination of Sales at Less Than Fair Value: Sulfanilic Acid from the People's Republic of China (57 FR 29705, July 6, 1992). Petitioner, therefore, first attempted to value the factors of production using Indian information. Where this was not possible, petitioner valued the factors of production using Pakistani information before using its own costs. Petitioner valued the factors of production of the subject merchandise in the PRC as follows:

- For castor oil, activated carbon, and caustic potash, natural gas, electricity, and labor, petitioner used values and rates from Indian publicly available published information.
- For caustic soda and sulfuric acid, petitioner used values from a U.S. unclassified cable from the U.S. consulate in Pakistan.
- For crude capryl and steam, petitioner used its own costs.
- For selling, general and administrative expenses (SG&A), petitioner used the statutory minimum of ten percent of the cost of production.
- For profit, petitioner used the statutory minimum of eight percent of the cost of manufacture plus SG&A expenses.

Based on petitioner's calculations, the dumping margin is 243.40 percent. For purposes of this initiation, no adjustments were made to petitioner's calculations.

Initiation of Investigation

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

International Trade Commission (ITC) Notification

Section 732(d) of the Act requires us to notify the ITC of this action and we have done so.

Preliminary Determination by the ITC

The ITC will determine by September 2, 1993, whether there is a reasonable indication that imports of sebacic acid from the PRC are materially injuring, or threaten material injury to, a U.S. industry. A negative ITC determination will result in a termination of the investigation; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act and 19 CFR 353.13(b).

Dated: August 9, 1993.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 93-19719 Filed 8-13-93; 8:45 am]

BILLING CODE 3510-05-P

APPENDIX B
CALENDAR OF THE PUBLIC CONFERENCE

Calendar of the Public Conference

Those listed below appeared at the United States International Trade Commission conference held in connection with the subject investigation on August 9, 1993.

In support of the imposition of antidumping duties:

Fenwick & West
Washington, D.C.
on behalf of

Union Camp Corp., Wayne, NJ

Peter J. Deutch, Business Manager for Oleochemicals, Chemical
Products Division, Union Camp Corp.

Roger M. Golden--OF COUNSEL

In opposition to the imposition of antidumping duties:

Miller, Canfield, Paddock & Stone
Washington, D.C.
on behalf of

Dastech International, Inc., Great Neck, NY
Harrisons Trading Co., Inc., Tarrytown, NY
ICC International, Inc., New York, NY
Ivanhoe Industries, Inc., Pennington, NJ
Sinochem U.S.A., Inc., New York, NY
Wego Chemical and Mineral Corp., Great Neck, NY
Sinochem International Chemicals Corp., Beijing, China

Mario G. Gaerlan, Product Manager, ICC Trading, Inc.
Richard M. Musgrove, Material Service Manager, Morflex, Inc.
John S. Hoegl, President, Ivanhoe Industries, Inc.
Hong Zheng, Sales Manager, Sinochem U.S.A., Inc.
Barry Johns, Plant Manager, Shakespeare Monofilament Division

William E. Perry)
Terry X. Gao)--OF COUNSEL

APPENDIX C
SUMMARY DATA

Table C-1

Sebacic acid: Summary data concerning the U.S. market, 1990-92, January-June 1992, and January-June 1993

* * * * *

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

Figure C-1

Sebacic acid: Salient data, 1990-92

* * * * *

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

APPENDIX D

**COMMENTS BY THE U.S. PRODUCER ON THE IMPACT OF
IMPORTS OF SEBACIC ACID FROM CHINA ON ITS GROWTH,
INVESTMENT, ABILITY TO RAISE CAPITAL, AND DEVELOPMENT
AND PRODUCTION EFFORTS**

The Commission requested Union Camp to describe and explain the actual and negative effects, if any, of imports of sebacic acid from China on its growth, investment, ability to raise capital, or existing development and production efforts (including efforts to develop a derivative or improved version of its product). Union Camp was also asked whether the scale of capital investments undertaken has been influenced by the presence of imports of this product from China. Union Camp's response is shown below:

Actual Negative Effects

* * * * *

Anticipated Negative Effects

* * * * *

Influence of Imports on Capital Investment

* * * * *

The Commission also requested Union Camp to describe and explain the actual and negative effects, if any, of imports of sebacic acid byproducts from China on its growth, investment, ability to raise capital, or existing development and production efforts (including efforts to develop a derivative or improved version of its product). Union Camp was also asked whether the scale of capital investments undertaken has been influenced by the presence of imports of the products from China. Union Camp's response is shown below:

* * * * *

APPENDIX E
IMPORT DATA FROM OFFICIAL STATISTICS

Table E-1

Sebacic acid: U.S. imports of product classified under HTS subheading 2917.13.00,¹ by sources, 1990-92, January-June 1992, and January-June 1993

Item	1990	1991	1992	Jan.-June--	
				1992	1993
Quantity (1,000 pounds)					
China and Hong Kong.....	2,707	4,426	5,259	3,621	1,897
Other sources.....	1	37	661	308	473
Total.....	2,709	4,463	5,920	3,929	2,370
Landed, duty-paid value (1,000 dollars)					
China and Hong Kong.....	3,860	5,719	5,227	3,774	1,601
Other sources.....	24	169	1,196	606	680
Total.....	3,885	5,888	6,423	4,380	2,281
Unit value (per pound)					
China and Hong Kong.....	\$1.43	\$1.29	\$0.99	\$1.04	\$0.84
Other sources.....	17.01	4.59	1.81	1.97	1.44
Average.....	1.43	1.32	1.08	1.11	0.96

¹ The imports classified under HTS subheading 2917.13.00 are sebacic acid, azelaic acid, and salts and esters of azelaic and sebacic acids.

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

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

The official import statistics for the "basket" category 2917.13.00 are very close to the data collected by the Commission through its questionnaires in terms of absolute quantities and values. In terms of trends, official statistics and questionnaire data are likewise similar, except for unit value trends in the official statistics for countries other than China and Hong Kong,¹ which are believed to include some imports of esters.

¹ Both parties agree that imports of sebacic acid reported in the 1991 and 1992 official statistics as being from Hong Kong are likely to be Chinese. Conference transcript, p. 108; Petition, p. 3. Additionally, the Hong Kong Census and Statistics Department's Hong Kong Trade Statistics records no domestic exports of products classified under Standard International Trade Classification 51389, polycarboxylic acids, nes, to the United States in 1991 and 1992. It does record substantial quantities of such products as re-exports of previously imported products to the United States during those years.

APPENDIX F

UNION CAMP'S SEBACATE ESTERS SALES HISTORY

Table F-1

Union Camp's sebacate esters sales history, 1990-92, and 1993 (annualized)

* * * * *

Source: Compiled from data submitted by Union Camp Corp.

