Coumarin From
The People's Republic of China

Investigation No. 731-TA-677 (Preliminary)
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Coumarin From
The People's Republic of China
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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.
PART I

DETERMINATION AND VIEWS OF THE COMMISSION
Determination

On the basis of the record 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 coumarin, provided for in subheading 2932.21.00 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 December 30, 1993, a petition was filed with the Commission and the Department of Commerce by Rhône-Poulenc Specialty Chemicals Co., Cranbury, NJ, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of coumarin from the People's Republic of China. Accordingly, effective December 30, 1993, the Commission instituted antidumping investigation No. 731-TA-677 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of January 7, 1994 (59 F.R. 1026). The conference was held in Washington, DC, on January 20, 1994, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

2 For purposes of this investigation, coumarin is an aroma chemical with the chemical formula \( \text{C}_9\text{H}_6\text{O}_2 \). All forms and variations of coumarin are included within the scope of the investigation, such as coumarin in crystal, flake, or powder form, and "crude" or unrefined coumarin (i.e. prior to purification or crystallization). Excluded from the scope are ethylcoumarins (\( \text{C}_{11}\text{H}_{10}\text{O}_2 \)) and methylcoumarins (\( \text{C}_{10}\text{H}_8\text{O}_2 \)).

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VIEWS OF THE COMMISSION

Based on the record in this preliminary investigation, we unanimously determine that there is a reasonable indication that the industry in the United States producing coumarin is materially injured by reason of imports of coumarin from the People's Republic of China ("China") that allegedly are sold in the United States at less than fair value ("LTFV").

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

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. 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. 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."

II. LIKE PRODUCT AND DOMESTIC INDUSTRY

To determine whether an industry in the United States is materially injured or is threatened with material injury by reason of the subject imports, we 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." In turn, "like product" is defined 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."

Our like product determinations are factual, and we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis. We look for factors including: (1) physical characteristics and uses; (2) interchangeability of the products; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) the use of common manufacturing facilities and production employees; and where appropriate, (6) price. See, e.g., Calabrian Corp. v. United States, 794 F. Supp. 377, 386 (Ct. Int'l Trade 1992); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.8 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991). The Commission generally considers a number of factors in analyzing like product issues, including: physical characteristics and uses; interchangeability of the products; channels of distribution; customer and producer perceptions of the products; the use of common manufacturing facilities and production employees; and where appropriate, price. See, e.g., Calabrian Corp. v. United States, 794 F. Supp. 377, (Ct. Int'l Trade 1992); Torrington Co. v. United States, 747 F. Supp. 744 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (1991); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1170 n.8 (Ct. Int'l Trade 1988) (hereinafter Asocoflores). No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a given investigation.
clear dividing lines between possible like products, and have found minor distinctions to be an insufficient basis for finding separate like products.

The Department of Commerce ("Commerce") has defined the imported products subject to this investigation as follows:

Coumarin is an aroma chemical with the chemical formula \(\text{C}_9\text{H}_6\text{O}_2\) that is also known by other names, including 2H-1-benzopyran-2-one, 1,2-benzopyrone, cis-o-coumaric acid lactone, coumarinic anhydride, 2-Oxo-1,2-benzopyran, 5,6-benzo-alpha-phyrone, ortho-hydroxycinnamic acid lactone, cis-orthocoumaric acid anhydride, and tonka bean camphor.

All forms and variations of coumarin are included within the scope of the petition, such as coumarin in crystal, flake, or powder form, and "crude" or unrefined coumarin (i.e. prior to purification or crystallization). Excluded from the scope are ethylcoumarins (\(\text{C}_{10}\text{H}_{10}\text{O}\)) and methylcoumarins (\(\text{C}_{10}\text{H}_{14}\text{O}\)).

While the Commission must accept Commerce's determination as to which imported merchandise is within the class or kind of merchandise allegedly sold at less than fair value, the Commission determines what domestic product is like the imported articles identified by Commerce.

Coumarin is a white crystalline substance that is used widely in manufacturing fragrances and other products. It has a sweet, fresh hay-like odor. Its primary use is as a major fragrance component in products such as detergents and personal care products. Coumarin is also used in the metal plating industry to give metal a bright, smooth finish, and it is used as an intermediate chemical to produce derivative products.

There is only a single producer of coumarin, which makes only a single grade of coumarin. Both the petitioner (Rhône-Poulenc) and respondents agree that the Commission should define the like product as all coumarin. We agree: no other product is more "like" Chinese coumarin than U.S. coumarin. All domestically produced coumarin shares common physical characteristics and uses, is largely interchangeable, and is made using common manufacturing processes and employees. The majority of coumarin is also sold through the same channel of distribution, directly to end users. Furthermore, petitioner sells all of its coumarin within a relatively narrow price range. In addition, the parties agree that there is

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10 Asocoflores, 693 F. Supp. at 1169, S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979) ("It is up to [the Commission] to determine objectively what is a minor difference.").
13 Confidential Report (hereinafter "CR") at I-4; Public Report (hereinafter, "PR") at II-3. In 1992, over 90 percent of all U.S. shipments of coumarin were used for fragrance compounding. CR at I-5; PR at II-3.
14 Cr. at 16.
15 CR at I-5; PR at II-3.
16 The single apparent exception is that petitioner on occasion provides coumarin meeting particular specifications for two customers who use it in metal plating applications. Tr. at 49.
17 Tr. at 16.
18 CR at I-5 & I-6; PR at II-4.
19 See CR at I-42, Tables 15 and 16; PR at II-20.
no other domestically produced product that is a close substitute for coumarin. In light of our like product determination, it follows that Rhône-Poulenc, the sole domestic producer of coumarin, is the domestic industry.

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of the allegedly LTFV imports, the Commission considers all relevant economic factors which 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."

One of the key factors in the coumarin market is that there are very few buyers and sellers. Both imported and domestic coumarin are sold principally to a few firms which use it as one of several ingredients in soaps, perfumes, and detergents. The demand for coumarin is derived from the demand for these other products. Another condition of competition is that because relatively large amounts of Chinese coumarin are held in inventory (including coumarin held in bonded warehouses) the subject imports as well as the domestically produced product are both available to U.S. consumers without substantial time delays.


The domestic industry’s U.S. shipments of coumarin by quantity decreased from 1990 to 1992, with most of the decrease occurring from 1991 to 1992. Such shipments were also lower in interim 1993 than in interim 1992. The domestic industry’s year-end inventories of coumarin increased from 1990 to 1991, then declined slightly in 1992. Such inventories were higher in interim 1993 than in interim 1992. Employment in the domestic coumarin industry decreased during the period examined. Wages and total compensation rose between 1990 and 1992 (both absolutely and on an hourly basis). Hourly wages and hourly total compensation also rose between interim 1992 and interim 1993, but declined on an absolute basis. Hours worked increased from 1990 to 1991, then decreased in 1992. Hours worked also were lower in interim 1993 than in interim 1992.

20 Tr. at 16, 52; CR at I-7; PR at II-5.
23 Tr. at 20; CR at I-10; PR at II-6.
24 Tr. at 31-32; CR at I-32 to I-33; PR at II-15 to II-16.
25 CR at C-4, Table C-2; PR at C-3.
26 CR at I-13, Table 2; PR at II-8.
27 CR at I-14, Table 3; PR at II-8.
28 CR at I-16, Table 4; PR at II-9.
29 CR at I-18, Table 5; PR at II-9.
The financial performance indicators for the domestic coumarin industry declined over the period for which data were collected. Although the industry was profitable throughout this period, there were declines in most financial indicators. Net sales by quantity and value decreased between 1990 and 1992 and were lower in interim 1993 than in interim 1992. Gross profits reported for the coumarin industry were positive, but decreased between 1990 and 1992 and were lower in interim 1993 than in interim 1992. Operating income declined between 1990 and 1992 and was lower in interim 1993 than in interim 1992. The operating income margin (ratio of operating income to net sales), declined between 1990 and 1992 and was lower in interim 1993 than in interim 1992.\(^{30}\)

The cost of goods sold ("COGS") for the domestic coumarin industry increased from 1990 to 1991 then decreased in 1992, resulting in an overall decrease. COGS were lower in interim 1993 than in interim 1992. Selling, general and administrative ("SG&A") expenses for the domestic coumarin industry decreased between 1990 and 1992, but were higher in interim 1993 than in interim 1992.\(^{31}\) Finally, the domestic industry's capital expenditures increased between 1990 and 1992 and were higher in interim 1993 than in interim 1992.\(^{32}\)\(^{33}\)

III. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF LTFV IMPORTS

In making a determination in a preliminary 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.\(^{34}\) 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, but only in the context of production operations in the United States.\(^{35}\) Although the Commission may consider causes of injury other than LTFV imports, it is not to weigh causes.\(^{36}\)\(^{37}\)\(^{38}\) For the reasons

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\(^{30}\) CR at I-22, Table 8; PR at II-11.

\(^{31}\) CR at I-22, Table 8; PR at II-11.

\(^{32}\) CR at I-28, Table 11; PR at II-13.

\(^{33}\) Based upon examination of the relevant statutory factors, Chairman Newquist and Commissioner Rohr conclude that there is a reasonable indication that the domestic industry producing coumarin is currently experiencing material injury.

\(^{34}\) 19 U.S.C. § 1673(b)(a).


\(^{37}\) Vice Chairman Watson notes that the courts have interpreted the statutory requirement that the Commission consider whether there is material injury "by reason of" the subject imports in a number of different ways. Compare United States Engineering & Forging v. United States, 779 F. Supp. 1375, 1391 (Ct. Int'l Trade 1991) ("[I]t must determine whether unfairly-traded imports are contributing to such injury to the domestic industry . . . Such imports, therefore, need not be the only cause of harm to the domestic industry") with Metallverken Nederland B.V. v. United States, 728 F. Supp. 741 (affirming a determination by two Commissioners that "the imports were a cause of material injury") and USX Corp. v. United States, 682 F. Supp. 67, 69 (Ct. Int'l Trade 1988) ("any causation analysis must have at its core the issue of whether the imports at issue cause, in a non de minimis manner, the material injury to the industry").
discussed below, we find that there is a reasonable indication that the domestic coumarin industry is materially injured by reason of alleged LTFV imports of coumarin from China.

Volume of Subject Imports

In calculating the volume of subject imports, we have addressed the issue of whether shipments of Chinese coumarin into a foreign trade zone ("FTZ") should be considered imports into the United States for material injury purposes. Petitioner argues that such shipments should be considered subject imports, while respondents contend that they should not. For purposes of this preliminary investigation, we have considered such shipments to be subject imports. The statute provides that the Commission shall determine whether an industry in the United States is injured "by reason of imports . . . of the merchandise with respect to which the administering authority has made an affirmative determination . . . ." Commerce considers shipments into FTZs to be imports when it calculates dumping margins. Therefore, under the statute, imports into FTZs are subject imports.

37 (...continued)

Accordingly, Vice Chairman Watson has determined to adhere to the standard articulated by Congress, in the legislative history of the pertinent provisions, which states that "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury." S. Rep. No. 249, at 75.

38 Commissioners Crawford and Brunsdale note that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly LTFV imports. They find that the clear meaning of the statute is to require a determination on whether the domestic industry is materially injured by reason of LTFV imports, not by reason of LTFV imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently is causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports." Id. However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. Id. at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the allegedly LTFV imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249 at 74. Rather, it is to determine whether any injury "by reason of" the alleged LTFV imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987)(emphasis added).

39 Petitioner's Postconference Brief at 19-21.

40 Respondents' Postconference Brief at 32.

41 19 U.S.C. § 1673d(b).

42 See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, Certain Corrosion-resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate from Germany, 58 Fed. Reg. 37136 at 37140 (July 9, 1993).

43 Chairman Newquist notes that in Defrost Timers from Japan, Inv. No. 731-TA-643 (Preliminary), USITC Pub. 2609 (March 1993), the Commission deferred resolution of this issue until any final investigation there in order to obtain additional briefing from the parties. See USITC Pub. 2609 at 17. Although Defrost Timers has in fact gone to a final investigation, respondents have not participated in that final investigation. Accordingly, the Commission has not yet received the benefit of a full briefing on this issue. Chairman Newquist respectfully requests the parties in this investigation to fully address this issue in any final investigation.

44 In this investigation, Vice Chairman Watson finds that, to the extent it is possible to determine from available data, imports which subsequently enter the stream of U.S. commerce from a foreign trade zone (FTZ) should be considered "subject imports" for purposes of determining material injury.
The volume of imports of coumarin from China increased by more than 100 percent between 1990 and 1992, but was lower in interim 1993 than in interim 1992. By value, imports of coumarin from China also more than doubled between 1990 and 1992, but were lower in interim 1993 than in interim 1992.\footnote{45}

The market share held by subject imports by quantity and by value was substantial throughout the period for which data were collected. Between 1990 and 1992 the market share held by subject Chinese imports more than doubled, rising to approximately half of the market. The market share of Chinese coumarin was substantial but slightly lower by both quantity and value in interim 1993 than in interim 1992. The gains in market share held by Chinese imports in the 1990 to 1992 period occurred at the same time as the domestic producer’s market share declined by a similar amount. We therefore find the volume of the subject imports to be significant.

**Price Effects of Subject Imports**

The record indicates that the subject imports and the domestic like product are relatively good substitutes.\footnote{46} Competition in the market for coumarin also appears to be based to a significant degree on price.\footnote{47} There is information on the record that at least some purchasers bought imported coumarin principally because of its lower price. In other instances, purchasers also stated that they wished to foster competition or to secure a second source of supply.\footnote{48}

We received relatively complete data regarding prices of both the imported and domestically produced coumarin in this preliminary investigation. The available information indicates that the subject imports sold on a contract basis undersold the domestic product in 14 out of 15 possible price comparisons.\footnote{49} Imported Chinese coumarin sold on a spot basis was priced below domestically produced coumarin in each of 15 possible price comparisons.\footnote{50} We find the observed underselling to be significant in view of its frequency and magnitude, notwithstanding the alleged quality differences.\footnote{51}

\footnote{44} (...continued)

The volume of Chinese imports into the FTZ is small in comparison to that which enters U.S. customs territory directly and regardless of whether certain FTZ imports are included or excluded, Vice Chairman Watson’s material injury determination at this stage of the proceedings remains the same. He invites the parties to address the issue of measuring the amount of coumarin in products shipped from U.S. FTZs into U.S. customs territory in any final investigation.

\footnote{45} CR at I-36, n.52; PR at II-17.

\footnote{46} Chairman Newquist notes that in most investigations the like product analysis and determination based on characteristics and uses establishes a reasonable degree of substitutability between the subject imports and the domestic product. Thus, in his view, further inquiry into substitutability issues is not usually warranted.

\footnote{47} Tr. at 18-19, 31; CR at I-50 to I-54; PR at II-23.

\footnote{48} CR at I-50, I-53; PR at II-23.

\footnote{49} CR at I-45, Table 17; PR at II-21.

\footnote{50} CR at I-45, Table 17; PR at II-21.

\footnote{51} Commissioners Brunsdale and Crawford rarely give much weight to evidence of underselling since it usually reflects some combination of differences in quality, other nonprice factors, or fluctuations in the market during the period in which price comparisons were sought. They do not join the following discussion of price effects. They find that the price effects of allegedly dumped coumarin are significant. If Chinese coumarin was priced fairly, it is unlikely that any would be sold in the U.S. market. Because petitioner is the only domestic producer and fairly traded imports are insignificant, there would be no competition to prevent petitioner from raising its prices. As a result, petitioner could have increased its prices significantly if it so chose.

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The statute also directs the Commission, in considering the price effects of the subject imports, to consider whether "the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree." While both the domestic producer's prices and the prices of the subject imports have increased overall throughout the period for which data were collected, we note that the only period during which the domestic producer was able to maintain its market share was when that producer lowered its prices in 1993. This evidence indicates that at least some price depression occurred. We also note that the domestic producer reported further price declines in the fourth quarter of 1993. We will examine this development in more detail in any final investigation. Finally, we note that information collected with regard to bid awards provides some support for petitioner's claim of lost sales and revenues to lower-priced imports.

Impact of Subject Imports

There is a reasonable indication that the subject imports are materially injuring the domestic industry, particularly as revealed through the industry's declining performance. The domestic industry's substantial loss of sales volume in 1992 to lower priced Chinese imports led to a decline in the domestic industry's capacity utilization, employment, and revenues. In addition, forced price declines in 1993 adversely affected unit revenues and profits. Given that the domestic and imported product are close substitutes, the loss by the domestic industry of market share and the concomitant gain of market share by the subject imports are significant.

\[53\] CR at I-42, Table 15; PR at II-20. The domestic producer's prices for contract sales generally increased from 1990 to the first quarter of 1992, then generally declined for the last three quarters of 1992 and the first three quarters of 1993. CR at I-42, Table 15; PR at II-20. Prices for contract sales of imported Chinese coumarin increased overall over the period examined. Prices of subject imports generally increased from the beginning of the period until the third quarter of 1991, then generally declined during the rest of the period. Spot prices for U.S.-produced coumarin also increased over the period examined, as did spot prices for Chinese coumarin. CR at I-42, Table 16; PR at II-20.
\[54\] Petitioner's Postconference Brief at 43.
\[55\] CR at I-48, Table 18; PR at II-21. See also Exhibits 6 and 7 to Petitioner's Postconference Brief.
\[56\] Respondents argued that the apparent decline in petitioner's financial performance was caused by changes in the way in which petitioner allocated its fixed costs. Tr. at 70-71; CR at I-24; PR at II-11. The record in this preliminary investigation, however, suggests that higher unit overhead costs in 1992 are due to petitioner's lower sales volume, rather than to higher overhead costs. CR at I-23; 26, Table 9; PR at II-11 and II-12. We note that the Commission will have the opportunity to verify this data in any final investigation.
\[57\] Commissioners Brunsdale and Commissioner Crawford note that the dumping margins which, though little more than petitioner's allegations, are the best information now available, range to more than 400 percent. If the imports were priced at "fair" levels, it is most unlikely that any Chinese coumarin (which is a reasonably good, if not perfect, substitute for U.S. coumarin) would be sold in the U.S. market. This would mean that the petitioner, as the only domestic coumarin producer, would have a reasonably secure monopoly. Either it would be able to extract a very high price for its coumarin, or almost double its sales, or some combination of the two. As a result, absent its only competition, Rhône-Poulenc, the sole domestic producer, would be materially better off if Chinese coumarin were not present in the U.S. market. Therefore, they find a reasonable indication of material injury by reason of allegedly dumped imports of coumarin from China.
CONCLUSION

The information of record in this preliminary investigation -- particularly the significant volume of imports, the significant and increasing share of apparent domestic consumption held by the subject imports, the high degree of underselling, and the price depressing effect of those imports, in conjunction with the decline in the domestic industry’s performance during the period examined -- establishes a reasonable indication that the domestic industry producing coumarin is materially injured by reason of the subject imports from China. 58

58 Commissioners Brunsdale and Crawford concur in the conclusion that there is a reasonable indication of material injury by reason of allegedly dumped imports of coumarin from China. The reasons for their determinations are presented in the text of this opinion.
PART II

INFORMATION OBTAINED IN THE INVESTIGATION
INTRODUCTION

On December 30, 1993, counsel on behalf of Rhône-Poulenc Specialty Chemicals Co. (Rhône-Poulenc), Cranbury, NJ, filed a petition with the U.S. International Trade Commission (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 coumarin 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 December 30, 1993, the Commission instituted antidumping investigation No. 731-TA-677 (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 February 14, 1994. 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 January 7, 1994. Commerce published its notice of initiation in the Federal Register on January 27, 1994. Copies of the cited Federal Register notices are presented in appendix A. The Commission held a public conference in Washington, DC, on January 20, 1994, 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 February 9, 1994. A summary of the data collected in this investigation is presented in appendix C. The Commission has not conducted any previous investigation concerning coumarin.

THE PRODUCT

Description and Uses

Coumarin (Chemical Abstracts Service (CAS) Registry Number 91-64-5) is a white, almost colorless crystalline solid, manufactured from petroleum-based organic chemicals. It has a sweet, fresh, hay-like, slightly spicy odor, similar to that of vanilla, and a bitter aromatic burning taste. 3 Coumarin is classified structurally as a lactone with the molecular formula C11H6O2. It can be marketed as characteristic colorless crystals, or as a free-flowing powder or flake, although coumarin sold in the United States generally is sold in crystalline form.

Coumarin was initially isolated in 1820 from tonka beans, which contain up to 1.5 percent coumarin. 4 Synthetic production has since displaced natural sources for coumarin.

The primary application for coumarin is as a major fragrance component in a wide variety of consumer and industrial products, such as baby powder, household soaps and detergents, and cosmetics and other personal care products. 5 In 1992, over 90 percent of all U.S. shipments of coumarin were for use in fragrance compounding. The remaining coumarin was consumed as an intermediate chemical to produce derivatives such as dihydrocoumarin (used primarily as a flavor and secondarily in the fragrance industry), or in non-food grade applications (e.g., as a metal brightener) in the electroplating industry.

1 For purposes of this investigation, coumarin is an aroma chemical with the chemical formula C11H6O2. All forms and variations of coumarin are included within the scope of the investigation, such as coumarin in crystal, flake, or powder form, and "crude" or unrefined coumarin (i.e. prior to purification or crystallization). Excluded from the scope are ethylcoumarins (C13H10O2) and methylcoumarins (C12H10O2). Coumarin is provided for in subheading 2932.21.00 of the Harmonized Tariff Schedule of the United States (HTS).
2 19 U.S.C. 1673b(a).
3 The amount of color in a batch of coumarin can vary.
4 Coumarin is prohibited from use in edible products.
6 Ibid., pp. 196-206.
Currently coumarin is produced commercially using the Perkin reaction, which involves the heating of salicylaldehyde in the presence of acetic acid and sodium acetate (figure 1). After the crude coumarin mixture is removed from the reaction vessel, several purification steps are performed in order to arrive at the desired product. Several other possible synthetic chemical reactions could produce coumarin; however, there is no indication in published literature that any of these processes are being used on a commercial basis.

Figure 1
Coumarin: Synthetic production process

Salicylaldehyde + 2 [Acetic acid] + Sodium acetate

\[ \text{Acetocinnamic acid} \]

\[ \text{Heat} \]

\[ \text{Coumarin + 3 [Acetic acid]} \]


According to the petitioner, there are no differences in odor, appearance, or chemistry between the batches of coumarin which it produces. Further, the petitioner maintains that domestically produced coumarin and the imported product are equivalent in content and quality. The respondents dispute this characterization, however, and assert that there are differences in the overall quality of some Chinese coumarin as compared to that produced by Rhône-Poulenc, as well as inconsistency between and within import shipments of coumarin from China.

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7 Rhône-Poulenc purifies the crude coumarin twice by distillation and once by crystallization in methanol and water. The methanol and water are subsequently separated from the coumarin in a centrifuge, leaving purified coumarin. Petition, p. 8.
8 Walter C. Meuly, pp. 196-206.
9 Conference transcript, p. 48.
10 Dr. Kenneth R. Button, economic consultant for the petitioner, described coumarin as "a classic homogeneous commodity product. It is a chemical product with a specific chemistry. There are normally no commercially significant differences in coumarin sold in the U.S. market." Conference transcript, p. 31.
11 According to Mr. David Herbst, Vice President and Managing Director of Polarome Manufacturing Co., the quality of coumarin produced in different Chinese factories "varies dramatically." Quality also varies (in color, appearance, and odor) "from shipment to shipment, even from the same factory." Conference transcript, p. 63.
attribute these features of certain Chinese coumarin to differences in raw materials and production techniques.\textsuperscript{12}

\subsection*{Substitute Products}

Petitioner and respondents agree that there is no known single-product direct substitute for coumarin that can accomplish all of the fragrance and other functions of the subject material, although both parties indicate that groups of chemicals can collectively replace coumarin in individual products with specific end-use applications.\textsuperscript{13} However, replacing coumarin would require changing the ratio of chemical components or altering substantially the end product\textsuperscript{14} and would entail additional material costs and research and development costs for end users. There are no reports of end users replacing coumarin with other products in their applications.\textsuperscript{15}

\subsection*{U.S. Tariff Treatment}

Coumarin, methylcoumarins, and ethylcoumarins are provided for in HTS subheading 2932.21.00, with a column-1 general duty rate of 20.0 percent ad valorem. This rate applies to coumarin imports from countries entitled to the column-1 general (most-favored-nation) duty rate, including China. The column 2 rate of duty, applicable to coumarin imports from countries enumerated in general note 3(b) of the HTS, is 15.4 cents per kilogram plus 48 percent ad valorem.

\section*{THE NATURE AND EXTENT OF ALLEGED SALES AT LTFV}

In calculating the estimated dumping margin for coumarin 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. price based on Commerce import statistics and on price lists from U.S. importers of coumarin. Because China is presumed to be a nonmarket economy country under section 771(18)(C) of the Act, the petitioner constructed the foreign market value based on the cost of production (raw materials, direct labor, energy, indirect costs, and packing) in India (a country with ostensibly comparable economic development) and in the United States. The petitioner adjusted the cost of producing coumarin 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 alleged LTFV margins of 33.59 to 444.37 percent.

\section*{THE DOMESTIC MARKET}

\subsection*{Apparent U.S Consumption}

Data concerning apparent U.S. consumption of coumarin were compiled from responses to Commission questionnaires. The Commission received usable data from the only company known to be producing coumarin in the United States and from 19 firms importing coumarin,\textsuperscript{16} which it used to calculate apparent U.S. consumption and U.S. market penetration by imports for consumption of coumarin.\textsuperscript{17} The data are presented in table 1.

\begin{footnotesize}
\textsuperscript{12} Conference transcript, p. 64. According to Mr. Herbst, however, at least some factories in China do produce coumarin of very high quality. Conference transcript, p. 65.
\textsuperscript{13} Conference transcript, pp. 16, 32, 52, and 98.
\textsuperscript{14} Conference transcript, p. 98.
\textsuperscript{15} Telephone interviews with ***; ***; ***; and ***.
\textsuperscript{16} *** reported importing coumarin into a foreign trade zone for the purpose of manufacturing ***. Because such imports are not considered imports for consumption, the data for *** are not included in the presentation of import data, except where specifically noted.
\textsuperscript{17} The data presented in this report are believed to include all U.S.-produced coumarin and virtually all imported coumarin, both subject and nonsubject, during the period for which data were collected.
\end{footnotesize}
Table 1  

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<td>Quantity (1,000 pounds)</td>
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<td>Producer’s U.S. shipments</td>
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<td>Importers’ U.S. shipments:</td>
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<tr>
<td>China</td>
<td>280</td>
<td>283</td>
<td>591</td>
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<td>1,950</td>
<td>4,207</td>
<td>3,005</td>
<td>2,754</td>
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<tr>
<td>Other sources</td>
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<tr>
<td>Total</td>
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<td>Apparent consumption</td>
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The petitioner characterizes the demand for coumarin as a derived demand.18 Thus, coumarin consumption is driven by the consumption of products that incorporate coumarin. However, the parties disagree about trends in the demand for coumarin. The petitioner characterizes demand for coumarin and for products that incorporate coumarin as stable, and estimates that demand for coumarin "has neither increased nor decreased by more than 5 percent during any one year or over the 1990-93 period."19 The respondents disagree with this assessment and contend that "there was a significant increase in consumption over this period (January 1990-September 1993). It was not steady."20 21

U.S. Producer

The petitioner in this investigation, Rhône-Poulenc, is the only producer of coumarin in the United States. Rhône-Poulenc Specialty Chemicals Co. is a division of Rhône-Poulenc Inc., the U.S.

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18 Conference transcript, p. 32.
19 Conference transcript, pp. 19 and 20.
20 Conference transcript, p. 84.
21 In its questionnaire, the Commission asked importers "Has the demand for coumarin changed, or shown cyclical fluctuation since 1990?" Eight importers responded "No" and one responded "Yes."
subsidiary of the French company Rhône-Poulenc S.A. 22 Rhône-Poulenc Inc. has 56 facilities in the United States, that employ 7,500 workers and account for $2.3 billion in sales. Rhône-Poulenc Specialty Chemicals Co. consists of 30 facilities, with 2,600 employees, accounting for $1 billion in sales. The Rhône-Poulenc plant in New Brunswick, NJ, is a part of the Aroma branch of the Fine Organics subdivision of Rhône-Poulenc Specialty Chemicals Co. During World War I, Rhodia Chemical Co. ("Rhodia") built the New Brunswick plant, which it continued to operate until 1931, when the plant was sold to E.I. DuPont de Nemours ("DuPont"). In 1954, Rhodia (in association with Société des Usines Chimiques RP) purchased the plant back from DuPont with the intent to manufacture chemical products; in 1956 Rhodia began manufacturing industrial chemicals and in 1962 began coumarin production. In 1979, Rhodia changed its corporate identity to Rhône-Poulenc.

U.S. Importers

Imports of coumarin enter the United States under HTS subheading 2932.21.00, a tariff subheading that also provides for methylcoumarins and ethylcoumarins. The Commission sent importers’ questionnaires to 38 companies believed to be importing product provided for by HTS subheading 2932.21.00, including all U.S. companies listed in the petition and the petitioning company itself. The Commission received responses from 33 firms, 18 of which provided usable data on imports for consumption of coumarin. One company, ***, provided data on its general imports of coumarin into a foreign trade zone. Fourteen companies reported no imports of merchandise corresponding to the product definitions in the Commission’s questionnaire. 23 Nearly all responding firms reported imports exclusively from China; ***.

The number of companies importing coumarin from China increased steadily over the period for which data were collected, from 10 in 1990 to 12 in 1991, 15 in 1992, and 16 during January-September 1993. Seven of the companies consume portions of their coumarin imports internally and six export portions. 25 Virtually all companies reporting imports of coumarin are located in New York or New Jersey. 26

Channels of Distribution

There are very few sellers and buyers in the coumarin market. A large volume of the transactions take place between the coumarin producer or importer and the coumarin end user. The following tabulation presents a summary of the channels of distribution used by Rhône-Poulenc for its domestically produced coumarin and by importers of coumarin from China in 1992, according to questionnaire responses:

<table>
<thead>
<tr>
<th>Distributors</th>
<th>End users</th>
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<tbody>
<tr>
<td>Share of Rhône-Poulenc’s shipments made to.. ***</td>
<td>***</td>
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<tr>
<td>Share of U.S. importers’ shipments made to... ***</td>
<td>***</td>
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The largest share of Rhône-Poulenc’s 1992 U.S. shipments (*** percent) was for use in the production of fragrances, followed by metal plating (*** percent). The largest share of importers’ 1992 U.S. shipments of imports from China (*** percent) was also for use in the production of fragrances, with the remainder (*** percent) going to other uses, primarily for the production of dihydrocoumarin.

22 The petitioner is owned by **.
23 The remaining five companies are believed to have imported no coumarin or to have imported only a very small quantity between January 1990 and September 1993. Staff estimates that coverage of imports of coumarin from all sources is virtually complete.
24 In 1992, company transfers accounted for *** of U.S. shipments of coumarin from China.
26 **.
CONSIDERATION OF ALLEGED MATERIAL INJURY
TO AN INDUSTRY IN THE UNITED STATES

U.S. Production, Capacity, and Capacity Utilization

The domestic production of coumarin by Rhône-Poulenc is reported in table 2.

Table 2


Rhône-Poulenc generally operates its New Brunswick plant *** hours per week, *** weeks per year. The equipment used to manufacture coumarin is completely dedicated to that product; nothing else is produced on that equipment.

U.S. Producer’s Shipments

The shipments of coumarin produced in the United States by Rhône-Poulenc are presented in table 3.

Table 3


The volume and value of Rhône-Poulenc’s export shipments decreased *** between 1990 and 1991, but rose above 1990 levels in 1992. Between January-September 1992 and January-September 1993, export shipments continued to increase both in terms of volume and of value. The unit value of Rhône-Poulenc’s export shipments increased throughout the period for which data were collected, but until *** were *** the unit value of its domestic shipments.

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27 Counsel for the petitioner suggests that one explanation for the increase in production during January-September 1993 was ***. Petitioner’s postconference brief, p. 11.
28 Conference transcript, p. 46.
29 ***. Submission by counsel for the petitioner, Jan. 26, 1994. The submission notes that ***.
U.S. Producer's Inventories

End-of-period inventories reported by Rhône-Poulenc of the coumarin produced in its New Brunswick, NJ, facility are presented in table 4.

Table 4

* * * * * * *

Inventories of domestically produced coumarin fluctuated during the period for which data were collected, rising by *** percent between December 31, 1990, and December 31, 1991, then falling by *** percent between December 31, 1991, and December 31, 1992. Rhône-Poulenc's inventories of domestically produced coumarin increased by *** percent between September 30, 1992, and September 30, 1993. End-of-period inventories as a ratio to production, U.S. shipments, and total shipments all rose throughout the period for which data were collected.

Rhône-Poulenc maintains a small portion of its inventory in *** and the bulk of its inventory in ***. Rhône-Poulenc noted in its questionnaire response that it can respond to customers' orders for coumarin, on average, in ***. For orders requiring tighter schedules, it can ship coumarin *** in a shorter period of time.

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

In its questionnaire response, Rhône-Poulenc provided information on the number of production and related workers, total hours worked by those employees, and the wages and total compensation paid to such employees during 1990-92. The data are presented in table 5.

Table 5
Average number of total employees and production and related workers in U.S. establishments wherein coumarin is produced, hours worked, wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs, by products, 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

* * * * * * *

The average number of production and related workers producing coumarin fell from *** in 1990 and 1991 to *** in 1992 and from *** in January-September 1992 to *** in January-September 1993. Hours worked by those workers rose by *** percent between 1990 and 1991, then declined by *** percent between 1991 and 1992 and by *** percent between January-September 1992 and January-September 1993. Wages and total compensation rose by *** percent, respectively, between 1990 and 1991, then declined by *** percent, respectively, between 1991 and 1992 and by *** percent, respectively, between January-September 1992 and January-September 1993. Hourly wages and hourly total compensation increased throughout the period for which data were collected, with

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30 In its postconference brief, counsel for the petitioner suggested that one explanation for the growth in inventories during January-September 1993 was ***. Petitioner's postconference brief, p. 11.
32 Rhône-Poulenc's work force producing coumarin is represented by the Oil, Chemical, and Atomic Workers Union.
33 In its questionnaire, the Commission requested Rhône-Poulenc to provide detailed information concerning reductions in the actual (as opposed to average) number of production and related workers producing coumarin during January 1990-September 1993, if such reductions involved at least 5 percent of the work force or more than 50 workers. Rhône-Poulenc reported permanent reductions in its work force producing coumarin by *** workers in 1992 and by *** in 1993.

Financial Experience of the U.S. Producer

Rhône-Poulenc, the sole producer of coumarin, furnished financial data on its overall establishment operations and its operations producing coumarin.

Overall Establishment Operations

In addition to coumarin, Rhône-Poulenc's New Brunswick plant also produces salicylaldehyde, the primary raw material and major cost component in coumarin. Currently, the combined commercial sales of salicylaldehyde and coumarin account for *** of the establishment sales. Acetic acid, a by-product of coumarin production, is also sold commercially. Ethyl vanillin, another establishment product, was phased out in *** as production was shifted to a plant in Baton Rouge, LA.34

Rhône-Poulenc's total establishment sales by type of product are presented in table 6. The sharp decline in establishment sales between 1990 and 1991 was primarily attributable to the phase-out of ethyl vanillin.

Table 6

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Domestic sales of salicylaldehyde were ***, but export sales *** between January-September 1992 and January-September 1993. Rhône-Poulenc S.A. has a plant in France that produces salicylaldehyde and coumarin. ***.35 Coumarin sales as a share of total establishment sales were higher in 1993 than in 1990.

Rhône-Poulenc's income-and-loss experience on its overall establishment operations are presented in table 7.

Table 7

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Operations on Coumarin

The income-and-loss experience of Rhône-Poulenc on its coumarin operations is presented in table 8.

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34 ***.
35 Telephone interview with Rhône-Poulenc ***.
Table 8

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Operating Margin</th>
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<tr>
<td>1990-92</td>
<td></td>
<td>***</td>
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<tr>
<td>1991-92</td>
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<tr>
<td>1992-93</td>
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January-September 1993 sales were ***, a decline of *** percent from January-September 1992 sales of ***. Operating income was *** in January-September 1992 and *** in January-September 1993. Operating income margins were *** percent in January-September 1992 and *** percent in January-September 1993.

Cost of Goods Sold

Salicylaldehyde is the primary raw material used in the production of coumarin. It is produced in the same establishment as coumarin, but on different equipment. Salicylaldehyde accounted for *** percent of the total cost of goods sold in 1992, while other raw materials accounted for *** percent. Direct labor and overhead accounted for *** percent and *** percent, respectively. A breakdown of the raw material, labor, and overhead costs for each period is presented in the following tabulation (in 1,000 dollars):

Fixed Costs

As shown in table 6, there has been a shift in the product mix of the establishment. Ethyl vanillin production ceased and coumarin is now a more significant product in the establishment.

Counsel for the respondent asserts that production costs associated with ethyl vanillin and other products have been shifted to coumarin. According to its postconference brief:

***. The Coumarin Importers Coalition believes that this plant at one time made a number of aroma chemicals, including satinaldehyde, ethylene brassylate, rhonealdehyde, cyclamen aldehyde, and isobornyl acetate. This point can easily be confirmed by contacting RP. By 1991, as RP admits, it was down to only two products, coumarin and salicylaldehyde, which is the primary chemical intermediate used in coumarin production. Salicylaldehyde is made from a chemical called phenol. We believe that RP produces phenol in one of its other U.S. facilities and ships it to the New Brunswick plant where it is converted into salicylaldehyde.

The problem created by the *** in output at New Brunswick between 1990 and 1991 was that RP now had to recover its fixed costs and other factory costs on a much smaller volume of coumarin and salicylaldehyde output. Note that it ***.

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36 Direct labor excludes related workers that are included in factory overhead.
37 This is a reference to ***.
In its postconference brief, counsel for the petitioner indicated:

The injury to Rhône-Poulenc’s coumarin operations has not been materially affected by the elimination of another product line at the New Brunswick plant. Rhône-Poulenc ceased production of ethyl vanillin at the New Brunswick plant during 1990. However, the financial performance of the coumarin operations is not being significantly affected by this development. First, since ceasing ethyl vanillin production, Rhône-Poulenc has essentially eliminated the direct fixed expenses related to ethyl vanillin operations.

Second, under Rhône-Poulenc’s general efficiency improvement program, Rhône-Poulenc has reduced the pool of plant fixed costs which are allocated to plant products. Cost-cutting and improved efficiency have worked to offset the absence of ethyl vanillin production. The net effect of these two steps has been that the total of all fixed expenses for the plant is *** lower in 1993 than it was in 1990.

Petitioner indicated that ethyl vanillin was produced ***. Overhead costs such as *** were eliminated, and ***.

In 1990, Rhône-Poulenc completed a *** waste water treatment project for salicylaldehyde production. The depreciation from this capital expenditure has increased the amount of fixed cost in the plant.

Per-Unit Analysis

Unit income-and-loss data for coumarin are presented in table 9. Unit raw material cost inputs declined between 1990 and January-September 1993. Direct labor costs increased, but are not significant. Sharply higher unit overhead costs are due to lower sales volume and not higher overhead. As indicated in the tabulation on page II-11, overhead costs declined from 1991 to 1992 and during the interim period.

Table 9
Income-and-loss experience of Rhône-Poulenc on its operations producing coumarin on a dollars-per-pound basis, fiscal years 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

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

Investment in Productive Facilities

Rhône-Poulenc’s investment in property, plant, and equipment is shown in table 10. The assets allocated to coumarin do not include upstream assets such as those used in the production of salicylaldehyde; therefore it would not be feasible to compute a return on book value for coumarin.

Table 10
Value of assets and return on assets of Rhône-Poulenc’s operations producing coumarin, fiscal years 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

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

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39 Petitioner’s postconference brief, p. 38. There is also a reference to Exhibit J, which presents a breakdown of the total plant fixed costs and the proportion charged to ethyl vanillin.

40 Telephone interview with ***.
Capital Expenditures

Capital expenditures by Rhône-Poulenc are shown in table 11.

Table 11

* * * * * * *

Research and Development

Rhône-Poulenc reported *** research and development expenses for coumarin.

Capital and Investment

The Commission requested Rhône-Poulenc to describe and explain the actual and potential negative effects of imports of coumarin 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 coumarin). Rhône-Poulenc's response is 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 Act (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 factors

(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,

(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,

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."

II-13
(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. 42

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 18 firms reporting imports for consumption of coumarin, 13 also reported end-of-period inventories of such imports (table 12). End-of-period inventories of coumarin imported from China grew at a rapid pace between 1990 and 1992, increasing by 83.6 percent between 1990 and 1991 and by 278.6 percent between 1991 and 1992. Such inventories declined by 6.6 percent between September 30, 1992 and September 30, 1993, but remained above the inventory level

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42 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."
reported at the close of 1992.\footnote{In its postconference brief, counsel for the respondents suggested two explanations for why importers' inventories grew during the period for which data were collected: an increasing insistence by consumers for "just-in-time" delivery (p. 5, n. 10) and a need for insurance against the failure of Chinese deliveries to meet preshipment specifications (p. 28, n. 23).} End-of-period inventories as a ratio to imports, U.S. shipments of imports, and total shipments of imports all rose sharply between 1990 and 1992. Between January-September 1992 and 1993, end-of-period inventories as a ratio to imports continued to rise rapidly; inventories as a ratio to U.S. shipments declined slightly; and inventories as a ratio to total shipments increased slightly.

Table 12

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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.


End-of-period inventories of coumarin imports from *** were either small or nonexistent during the period for which data were collected. *** companies reported holding inventories of coumarin imported from China but not entered into the customs area of the United States during the period for which data were collected, *** in bonded warehouses and *** in a foreign trade zone. Such inventories rose rapidly from a small base...
during 1990-92, then declined noticeably between January-September 1992 and January-September 1993, as shown in the following tabulation (in pounds):

* * * * * * *

U.S. Importers' Current Orders

In its questionnaire, the Commission requested importers to indicate if they had imported, or arranged for the importation of, coumarin from China for delivery after September 30, 1993. Fourteen importers stated that they had made such arrangements; in total, 656,303 pounds of coumarin are scheduled to be delivered to these importers during the year following that date.44

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

The petition identified by name six companies (three large and three small) producing coumarin in China. None of these producers are represented by counsel, nor are any Chinese export companies represented by counsel. The Commission attempted to obtain general information and specific data regarding the industry producing coumarin in China from the U.S. Embassy in Beijing; from the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), also in Beijing; and from counsel representing the Coumarin Importers Coalition (who, as noted, does not represent any Chinese producers of coumarin). None of these sources was able to provide the Commission with any data regarding the industry producing coumarin in China; the U.S. Embassy in Beijing and MOFTEC did not even respond to the Commission's requests for information. Therefore, lacking primary data, all information presented below is from secondary sources (the petition and trade publications) and direct testimony.

The industry producing coumarin in China is believed to consist of 3 large producers and 10 smaller producers. According to the petition, the three large producers, Tianjin Number 1 Perfumery, Changzhou Number 2 Plant, and Shanghai Perfumery Works,45 have a current combined capacity of approximately 3.1 million pounds and current production of approximately 1.9 million pounds. The 10 smaller producers of coumarin in China are estimated to have a collective capacity of approximately 700,000 pounds and production of approximately 500,000 pounds. The Chinese coumarin-producing industry, therefore, is estimated to have a total capacity of approximately 3.7 million pounds, current production of 2.4 million pounds, capacity utilization of 64.7 percent, and unused capacity amounting to approximately 1.3 million pounds.

According to the trade publication Chemical Marketing Reporter, the capacity to produce coumarin in China reportedly has increased by 30 to 50 percent during the last three years. According to the same publication, the Chinese industry is described by sources as having "fierce competition between Chinese producers."47 This description is consistent with testimony presented at the Commission's conference.

The petition asserts that coumarin production in China is believed to involve the same procedures and raw materials as the process used in the United States. However, the petition notes

44 Scheduled deliveries of imports of coumarin by quarter are as follows: 118,120 pounds in the fourth quarter of 1993; 300,905 pounds in the first quarter of 1994; *** pounds in the second; and *** pounds in the third.
45 Tianjin Number 1 Perfumery, allegedly the largest Chinese coumarin producer, produces the highest quality Chinese coumarin, while Shanghai Perfumery Works, allegedly the smallest of the three large producers, produces the next highest quality. Chemical Marketing Reporter, Sept. 21, 1992, p. 13.
46 Petition, p. 9. Capacity utilization is derived from unrounded data.
47 Chemical Marketing Reporter, Nov. 15, 1993, p. 35.
48 According to the testimony of Mr. David Herbst, Vice President and Managing Director of Polarome Manufacturing Company, "As far as competition in China, as we've testified to, there are independent and different factories who would like to sell coumarin to whoever they can find...whoever will deal with that group or that factory." Conference transcript, p. 96.
that some Chinese producers "reportedly use salicylaldehyde made in a different process than the salicylaldehyde used by Rhône-Poulenc, but salicylaldehyde made from either process is substantially the same and is interchangeably used as an input for coumarin manufacture at about the same usage level per pound of coumarin." The respondents note that, in addition to using salicylaldehyde derived from phenol to produce coumarin, some Chinese producers may use salicylaldehyde derived from ortho-cresol. 50

The markets in which the largest coumarin purchasers are located are the United States and Europe. Coumarin from China is not believed to be restricted by antidumping findings in countries other than the United States.

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 coumarin, collected by the Commission through its questionnaires, are presented in table 13. 31

In terms of quantity, imports of coumarin from China increased throughout 1990-92, rising by 12.5 percent between 1990 and 1991 and by 127.1 percent between 1991 and 1992. Such imports declined between January-September 1992 and January-September 1993, however, falling by 39.5 percent. In terms of value, coumarin imports from China rose by 19.1 percent between 1990 and 1991 and by 142.5 percent between 1991 and 1992. The value of such imports declined by 48.0 percent between January-September 1992 and January-September 1993. 52 The unit values of imports of coumarin from China rose throughout 1990-92 (by $0.35 between 1990 and 1991 and by $0.42 between 1991 and 1992), but declined during January-September 1993 to a level $0.95 below that in January-September 1992 ($0.18 below the 1990 level). 53

Imports of coumarin from *** accounted for a small and declining share of total imports (by quantity and by value) during the period for which data were collected. Unit values for such imports increased during the portion of the period for which data were collected in which such imports occurred.

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31 Petition, Exhibit C, Affidavit of Jacques A. Dunbar. Mr. Dunbar is an industrial expert at Rhône-Poulenc.
30 According to Mr. Herbst, "To the best of our knowledge, the Chinese purchased their starting materials, either phenol or ortho-cresol, from third countries, mainly Germany." Conference transcript, p. 74.
31 Data on imports for consumption based on Commerce’s official statistics for HTS subheading 2932.21.00, under which coumarin is properly entered into the United States, not only correctly include ethylcoumarins and methylcoumarins, but also incorrectly include imports of ***, a fluorescent brightener, from ***. Letter from ***. Further, in several instances, coumarin originating in China was reported in the official statistics as imports from other, nonsubject countries or trading areas. Questionnaire responses indicate that nearly all imports of coumarin are of Chinese origin. Conference transcript, p. 89; questionnaire responses of ***.
32 Including imports into a foreign trade zone (which are not considered imports for consumption), imports of coumarin from China fell from *** in January-September 1992 to *** in January-September 1993.
53 According to the official statistics on imports for consumption of product provided for in HTS subheading 2932.21.00, the reported quantities of imports from China were 395,952 pounds in 1990; 372,332 pounds in 1991; 892,233 pounds in 1992; 695,139 pounds in January-September 1992; and 343,260 pounds in January-September 1993. The reported values of imports from China were $2.3 million in 1990 and 1991; $5.9 million in 1992; $4.6 million in January-September 1992; and $1.9 million in January-September 1993. The reported quantities of imports from all countries were 412,655 pounds in 1990; 401,506 pounds in 1991; 921,856 pounds in 1992; 723,881 pounds in January-September 1992; and 380,835 pounds in January-September 1993. The reported values of imports from all countries were $2.6 million in 1990 and 1991; $6.2 million in 1992; $4.9 million in January-September 1992; and $2.2 million in January-September 1993.
Table 13

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


Market Shares

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

Table 14

* * * * * * * *

In terms of quantity, the share of the total U.S. market held by coumarin produced by Rhône-Poulenc fell by *** percentage points between 1990 and 1991 and by *** percentage points between 1991 and 1992. Between January-September 1992 and January-September 1993, the share of the total U.S. market held by coumarin produced by Rhône-Poulenc increased by *** percentage points. The shares held by importers of coumarin from China increased by *** percentage points between 1990 and 1991 and by *** percentage points between 1991 and 1992, then declined by *** percentage points between January-September 1992 and January-September 1993. The tiny market share held by imports of coumarin from *** fell throughout the period for which data were collected.

In terms of value, the share of the total U.S. market held by coumarin produced by Rhône-Poulenc rose by *** percentage points between 1990 and 1991, then fell by *** percentage points between 1991 and 1992 and by *** percentage points between January-September 1992 and January-September 1993. The shares held by importers of coumarin from China fell by *** percentage
points between 1990 and 1991, then rose by *** percentage points between 1991 and 1992 and by *** percentage points between January-September 1992 and January-September 1993. The tiny market share held by imports of coumarin from *** fell throughout the period for which data were collected.

Prices

Marketing Considerations

The sole U.S. producer, Rhône-Poulenc, and 13 importers of Chinese coumarin reported pricing information. Both sell the vast majority of their coumarin directly to fragrance producers, most of which are located in the New York metropolitan area. Rhône-Poulenc and most of the importers maintain that there is no chemical product that, by itself, can be substituted for coumarin.

Rhône-Poulenc sells nearly all of its coumarin on either a negotiated contract or a bid basis. Rhône-Poulenc’s contracts typically last for one year and include “meet-or-release” provisions. Bids are generally initiated by the customers and include the requested material specifications of the coumarin, delivery and payment terms, packaging, and other terms. After evaluating the responding bids, the customer informs the competing suppliers of the outcome of the process.

The importers of Chinese coumarin sell mostly on a spot basis, but they also sell a significant amount on a bid and contract basis. Importers’ contracts generally last for one year and do not include meet-or-release provisions. Importers typically follow the same bid procedures as Rhône-Poulenc.

Rhône-Poulenc and the importers of Chinese coumarin generally quote prices on an f.o.b. warehouse basis. Rhône-Poulenc publishes price lists that specify quantity discounts ***. Most importers negotiate prices on a transaction-by-transaction basis and do not publish price lists.

Rhône-Poulenc’s U.S. inland transportation costs are small, accounting for *** of the total delivered price of coumarin. Lead times for sales of coumarin averaged ***. *** shipments are by truck, *** in 200-pound drums with *** for coumarin shipped in 25-pound drums.

For most importers, U.S. inland transportation costs are not an important factor, ranging between 0.4 and 2.0 percent of the total delivered price of coumarin. Average lead times for sales from inventory varied from 1 to 5 days, whereas lead times for direct shipments from China were as long as 3 months. Imported Chinese coumarin is generally packaged in 50-kilogram drums and shipped inland by truck.

Several purchasers reported that the quality of the imported Chinese coumarin was less consistent than that of Rhône-Poulenc’s coumarin. One purchaser, ***, reported that it buys Chinese coumarin from a specific plant in China because it knows how to choose lots that are acceptable to ***. Another purchaser, ***, considers imported Chinese coumarin to be “highly questionable” and must test it more thoroughly than the Rhône-Poulenc coumarin. This additional testing increases the cost of the imported coumarin by an estimated ***. *** maintains that both the quality and the pricing of the imported Chinese coumarin vary much more than that of Rhône-Poulenc.

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54 Rhône-Poulenc sold *** percent of its coumarin shipments to end users. Importers reported that *** percent of their 1992 sales of coumarin went to end users.
55 Rhône-Poulenc’s bid sales, one-year contract sales, multi-year contract sales, and spot sales accounted for ***, ***, ***, and *** percent of its 1992 U.S. shipments, respectively.
56 Rhône-Poulenc reported that almost all of its supply agreements contain a meet-or-release clause.
Conference transcript, p. 26. Rhône-Poulenc’s meet-or-release clause states ***.
57 Importers’ bid sales, one-year contract sales, multi-year contract sales, and spot sales accounted for ***, ***, ***, and *** percent of their 1992 U.S. shipments, respectively.
58 ***, ***, ***, and ***.
Questionnaire Price Data

The Commission requested that U.S. producers and importers provide quarterly U.S. f.o.b. prices (i.e., plant and U.S. point-of-shipment, respectively) and total quantities and values of coumarin sold to end users based on the largest contract sale of coumarin (as defined below) for each quarter during January 1990-September 1993.9

**Coumarin**: Coumarin sold as a solid in the form of crystals, flakes, or a free-flowing powder, packaged in drums generally of 50 kg. (110 lbs.) to 100 kg. (220 lbs).

One U.S. producer and 12 importers of the Chinese subject product provided pricing data, although not necessarily on both a contract and spot basis or for all quarters during January 1990-September 1993. The responding U.S. producer (Rhône-Poulenc) accounted for 100 percent of total reported U.S. shipments of domestically produced coumarin in 1992. Responding importers accounted for 88.9 percent of U.S. shipments of imported Chinese coumarin in 1992. F.o.b. prices for contract and spot sales of U.S.-produced and imported Chinese coumarin to end users are presented in tables 15 and 16 and figure 2.

| Table 15 | Coumarin: Weighted-average net f.o.b. prices and total quantities of contract sales of coumarin sold to end users, by quarters, Jan. 1990-Sept. 1993 |
| Table 16 | Coumarin: Weighted-average net f.o.b. prices and total quantities of spot sales of coumarin sold to end users, by quarters, Jan. 1990-Sept. 1993 |
| Figure 2 | Coumarin: Weighted-average net f.o.b. contract and spot prices of coumarin sold to end users, by quarters, Jan. 1990-Sept. 1993 |

**Price trends for contract sales of U.S.-produced coumarin**

During January 1990-September 1993, f.o.b. prices for contract sales of U.S.-produced coumarin increased by *** percent. Prices increased by *** percent to their highest point in the first quarter of 1992, then fell *** by *** percent during the rest of 1992 and the first three quarters of 1993.

**Price trends for contract sales of imported Chinese coumarin**

Contract prices for imported Chinese coumarin fluctuated upward, increasing by *** percent during January 1990-September 1993. Prices increased by *** percent to their highest point in the third quarter of 1991, then fell by *** percent during the rest of the period.

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9 The Commission also requested pricing data for sales to distributors (see App. E) and spot-sale pricing data from ***.
Price trends for spot sales of U.S.-produced coumarin

Spot prices for U.S.-produced coumarin increased by *** percent to their highest point in the third quarter of 1991, then remained at this price level through the third quarter of 1993.

Price trends for spot sales of imported Chinese coumarin

During January 1990-September 1993, spot prices for imported Chinese coumarin fluctuated upward. Prices were *** percent higher in the third quarter of 1993 than they were in the first quarter of 1990.

Contract price comparisons

The reported price data for Chinese importers’ largest quarterly contract sales of coumarin during January 1990-September 1993 allowed 15 f.o.b. price comparisons. Imported Chinese coumarin sold on a contract basis was priced below domestic coumarin in 14 of the 15 instances and was priced above in the remaining instance (table 17 and figure 3). The average margin of underselling was *** percent. The margin of overselling was *** percent.

Table 17
Coumarin: Contract and spot price margins of under/(over)selling, by quarters, Jan. 1990-Sept. 1993

Figure 3
Coumarin: Margins of under(over)/selling, based on f.o.b. contract and spot sales of U.S.-produced and imported Chinese coumarin, by quarters, Jan. 1990-Sept. 1993

Spot price comparisons

The reported price data for Chinese importers’ largest quarterly spot sales of coumarin during January 1990-September 1993 allowed 15 direct f.o.b. price comparisons. Imported Chinese coumarin sold on a spot basis was priced below domestic coumarin in all 15 instances, and the spot price margins of underselling were significantly greater than the contract price margins of underselling (table 17 and figure 3). The average margin of underselling was *** percent.

Bid prices

The Commission also asked U.S. producers and importers of Chinese coumarin to provide information regarding quotes made to supply coumarin to U.S. end users since 1990. Rhône-Poulenc and four importers reported bid information, including the date bids were quoted, initial and final quotes, the quantity bid on and awarded, and yearly shipments of bids won (table 18).

Table 18
Coumarin: Initial and final bid quotes, bid quantities, quantities awarded, and quantities and prices of awarded bids, reported by Rhône-Poulenc and importers of Chinese coumarin, 1990-93
Rhône-Poulenc reported information concerning nine quotes it made to supply coumarin. Importers of Chinese coumarin reported competing bid information concerning six of these quotes. In all six of these instances the Rhône-Poulenc bid was above the competing bids, by an average margin of *** percent.

Exchange Rates

The nominal value of the Chinese yuan (figure 4) depreciated by 18.1 percent in relation to the U.S. dollar during January 1990-September 1993. Producer price index information for China is unavailable, thus real exchange rates cannot be calculated.

Figure 4
Indexes of the nominal exchange rates between the U.S. dollar and Chinese yuan, by quarters, Jan. 1990-Sept. 1993

Lost Sales and Lost Revenues

Rhône-Poulenc reported lost sales and lost revenues allegations as shown in the tabulation below.

* * * * * * * * *

The Commission interviewed *** purchasers named in *** of the lost revenue allegations worth *** and *** of the lost sales allegations concerning *** pounds of coumarin worth ***. The information obtained from these purchasers is discussed below.

* * * * * * * *
APPENDIX A

FEDERAL REGISTER NOTICES OF THE COMMISSION AND COMMERCE

A-1
From the People's Republic of China


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-677 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the People's Republic of China of coumarin,1 provided for in subheading 2932.21.00 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 February 14, 1994.

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: December 30, 1993.

FOR FURTHER INFORMATION CONTACT:

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on December 30, 1993, by Rhone-Poulenc Specialty Chemicals Company, Cranbury, NJ.

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 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

1 The chemical coumarin is a lactone with the formula C9H6O2.
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 January 20, 1994, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Douglas Corkran (202-205-3177) not later than January 18, 1994, 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 January 25, 1994, 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. The notice is published pursuant to section 207.12 of the Commission's rules.


By order of the Commission

Deonna R. Keeslaxke,
Secretary.
Initiation of Antidumping Duty Investigation: Coumarin From the People’s Republic of China

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


FOR FURTHER INFORMATION CONTACT: David J. Goldberger or Michelle Frederick, 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) 482-4136 or 482-0186, respectively.

PETITION OF INITIATION:

The Petition

On December 30, 1993, we received a petition filed in proper form by Rhone-Poulenc Specialty Chemicals Co. (petitioner). Petitioner submitted amendments to the petition on January 13 and 14, 1994. In accordance with 19 CFR 333.12, petitioner alleges that imports of coumarin from the People’s Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that such imports are materially injuring, or threatening material injury to, a U.S. industry.

Petitioner 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 U.S. industry producing the product subject to this investigation. If any interested party, as defined 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 product covered by this investigation is coumarin. Coumarin is an aroma chemical with the chemical formula C₈H₈O₃ that is also known by other names, including 2H-1-benzopyran-2-one, 1,2-benzopyrone, cis-o-coumaric acid lactone, coumaric anhydride, 2-Oxo-1,2-benzopyran, 5,6-benzo-alpha-pyryne, ortho-hydroxyquininamic acid lactone, cis-ortho-coumaric acid anhydride, and tonka bean camphor.

All forms and variations of coumarin are included within the scope of the petition, such as coumarin in crystal, flake, or powder form, and “crude” or unrefined coumarin (i.e., prior to purification or crystallization). Excluded from the scope are ethylcoumarins (C₆H₄O₂) and methylcoumarins (C₈H₈O₃). Coumarin is classifiable under subheading 2932.21.0000 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 investigation is dispositive.

United States Price and Foreign Market Value

Petitioner based United States price (USP) on average unit prices derived from U.S. Census import statistics, and on price lists from U.S. importers of coumarin. Petitioner contends that the foreign market value (FMV) of PRC-produced imports subject to this investigation must be determined in accordance with section 773(c) of the Act, which concerns non-market economy (NME) countries. The PRC is presumed to be an NME within the meaning of section 771(18)(C) of the Act, and the Department has treated it as such in previous investigations (see, e.g., Final Determination of Sales at Less Than Fair Value: Certain Compact Ductile Iron Waterworks Fittings and Accessories Thereof from the PRC, 58 FR 37908 (July 14, 1993)). In the course of this investigation, parties will have the opportunity to address this NME presumption and provide relevant information on this issue. In addition, parties will have the opportunity in this investigation to submit comments on whether FMV should be based on prices or costs in the NME (see Amendment to Final Determination of Sales at Less Than Fair Value and Amendment to Antidumping Duty Order: Chrome-Plated Lug Nuts from the People’s Republic of China, 57 FR 15052 (April 24, 1992)).

Because of the extent of central control in an NME, the Department further considered that a single antidumping margin, should there be one, is appropriate for all exporters from the NME. Only if individual NME exporters are free of central government ownership and can demonstrate an absence of central governmental control with respect to the pricing of exports, both in law and in fact, will they be considered eligible for separate, owner-specific deposit rates. (See Final Determination of Sales at Less Than Fair Value: Helical Spring Lock Washers from the People’s Republic of China, September 20, 1993, (58 FR 48833) for a discussion of the information the Department considers appropriate to warrant calculation of separate rates.)

In accordance with section 773(c) of the Act, FMV in NME cases is based on NME producers’ factors of production (valued in a market economy country). Absent evidence that the PRC government determines which factories shall produce for export to the United States, we intend, for purposes of this investigation, to base FMV only on those factories in the PRC which are known to produce coumarin for export to the United States.

Petitioner calculated FMV on the basis of the valuation of the factors of production. The factors of production used by petitioner were based on petitioner’s experience at its manufacturing facility, which it states is comparable to the PRC production process.

In valuing the factors of production, petitioner used India as the surrogate country. For purposes of this initiation, we have, pursuant to section 773(c)(4) of the Act, accepted India as an appropriate surrogate country because its economy is comparable to the PRC’s. Petitioner’s FMV consisted of the sum of materials, labor, energy, utilities, overhead, general expenses, profit, and packing. In accordance with the hierarchy preferred for valuing factors (set forth in the notice of Final Determination of Sales at Less Than Fair Value: Certain Carbon Steel Butt-Weld Pipe Fittings From the People’s Republic of China, 57 FR 21058 (May 18, 1992) (Comment 4)), petitioner relied where possible on publicly available information. Where such information was unavailable, petitioner relied on its own cost or experience.

Pursuant to section 773(c)(1) of the Act, petitioner added to the labor and material costs the statutory minima of 10 percent for general expenses and eight percent for profit, as well as an amount for packing based on import statistics from India.

Fair Value Comparisons

Based on the data provided by the petitioner, there is reason to believe that the merchandise is being, or is likely to be, sold at less than fair value. Based on...
our analysis of information submitted in the petition amendment, we found it necessary to conduct further research regarding the pricing of certain factors of production upon which FMV was based. Subsequent to that research, petitioners submitted amendments to the petition including additional price information. The comparison of USP and FMV in the petition, as amended, indicates margins of 33.59% to 444.37%. If it becomes necessary at a later date to consider the petition as a source of best information available (BIA), we may review all of the bases for USP and FMV in determining BIA.

Initiation of Investigation

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

ITC Notification

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

Preliminary Determination by the ITC

The ITC will determine by February 14, 1994, whether there is a reasonable indication that imports of coumarin from the PRC are materially injuring, or threaten material injury to, a U.S. industry. Any ITC determination which is negative will result in this investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

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


Joseph A. Spetniz
Acting Assistant Secretary for Import Administration.

[FR Doc. 94–1780 Filed 1–26–94; 8:45 am]
APPENDIX B

CALENDAR OF THE PUBLIC CONFERENCE
Investigation No. 731-TA-677 (Preliminary)

COUMARIN FROM THE PEOPLE'S REPUBLIC OF CHINA


In support of the imposition of antidumping duties:

Baker & Botts
Washington, D.C.
on behalf of

Rhône-Poulenc Specialty Chemicals Co., Cranbury, NJ

John A. Pannucci, Business Director, Diphenols and Aromas, Rhône-Poulenc Specialty Chemicals Co.
Lawrence J. Esposito, Marketing Manager, Fine Organics, Rhône-Poulenc Specialty Chemicals Co.

Kenneth R. Button, Vice President, Economic Consulting Services, Inc.

William D. Kramer, Esq.  )
Martin T. Lutz, Esq.  )-- OF COUNSEL
Michael X. Marinelli, Esq.  )
Andrea F. Farr, Esq.  )

In opposition to the imposition of antidumping duties:

Akin, Gump, Strauss, Hauer & Feld
Washington, D.C.
on behalf of

Berje, Inc., Bloomfield, NJ
Centflor Mfg. Co., Inc., New York, NY
Citrus & Allied Essences, Ltd., Floral Park, NY
International Flavors & Fragrances, Inc., New York, NY
JPM Imports, Inc., Long Island City, NY
Polarome Mfg. Co., Inc., Jersey City, NJ
Ungerer & Co., Lincoln Park, NJ

David M. Herbst, Vice President & Managing Director, Polarome Mfg. Co., Inc.

Warren E. Connelly, Esq.  )--OF COUNSEL
Margaret L.H. Png, Esq.  )
APPENDIX C

SUMMARY DATA
Table C-1

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

<table>
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<tr>
<th></th>
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<tbody>
<tr>
<td>U.S. consumption quantity:</td>
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<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>U.S. consumption value:</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>U.S. importers' imports from-- China:</td>
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<td></td>
<td></td>
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<tr>
<td>U.S. shipments quantity..</td>
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<td>419</td>
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<tr>
<td>U.S. shipments value.....</td>
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<td>286</td>
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<tr>
<td>Other sources:</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<tr>
<td>All sources:</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>U.S. producer's--</td>
<td>*</td>
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</tbody>
</table>

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


Table C-2

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APPENDIX D

COMMENTS BY THE U.S. PRODUCER ON THE IMPACT OF IMPORTS OF COUMARIN FROM CHINA ON ITS GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL, AND DEVELOPMENT AND PRODUCTION EFFORTS
The Commission requested Rhône-Poulenc to describe and explain the actual and negative effects, if any, of imports of coumarin 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). Rhône-Poulenc was also asked whether the scale of capital investments undertaken has been influenced by the presence of imports of this product from China. Rhône-Poulenc's response is shown below:

Actual negative effects
* * * * * * *

Anticipated negative effects
* * * * * * *

Effect on scale of capital investments
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APPENDIX E

SUPPLEMENTAL PRICE DATA ON SPOT SALES TO DISTRIBUTORS
Table E-1
Coumarin: Weighted-average net f.o.b. prices and total quantities of spot sales of imported Chinese coumarin sold to distributors, by quarters, Jan. 1990-Sept. 1993

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E-3