

# Sparklers From China

Investigation No. 731-TA-464 (Review)

Publication 3317

July 2000

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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





# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-464 (Review)

## SPARKLERS FROM CHINA

### DETERMINATION

On the basis of the record<sup>1</sup> developed in the subject five-year review, the United States International Trade Commission determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)) (the Act), that revocation of the antidumping duty order on sparklers from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

### BACKGROUND

The Commission instituted this review on July 1, 1999 (64 F.R. 35689) and determined on October 1, 1999 that it would conduct a full review (64 F.R. 55960, October 15, 1999). Notice of the scheduling of the Commission's review and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on February 16, 2000 (65 F.R. 7892). The hearing was held in Washington, DC, on May 11, 2000, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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



## VIEWS OF THE COMMISSION

Based on the record in this five-year review, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Act”), that revocation of the antidumping duty order covering sparklers from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

### I. BACKGROUND

On June 10, 1991, the Commission determined that an industry in the United States was being materially injured by reason of imports of sparklers from China that were being sold at less than fair value.<sup>1</sup> On June 18, 1991, the Department of Commerce (“Commerce”) issued an antidumping duty order on imports of sparklers from China.<sup>2</sup>

On July 1, 1999, the Commission instituted this review pursuant to section 751(c) of the Act, to determine whether revocation of the antidumping duty order on sparklers from China would be likely to lead to continuation or recurrence of material injury.<sup>3</sup>

In five-year reviews, the Commission initially determines whether to conduct a full review (which would generally include a public hearing, the issuance of questionnaires, and other procedures) or an expedited review, as follows. First, the Commission determines whether individual responses to the notice of institution are adequate. Second, based on those responses deemed individually adequate, the Commission determines whether the collective responses submitted by two groups of interested parties – domestic interested parties (producers, unions, trade associations, or worker groups) and respondent interested parties (importers, exporters, foreign producers, trade associations, or subject country governments) – demonstrate a sufficient willingness among each group to participate and provide information requested in a full review.<sup>4</sup> If the Commission finds the responses from both groups of interested parties to be adequate, or if other circumstances warrant, it will determine to conduct a full review.

In this review, the Commission received responses to the notice of institution from two domestic producers of sparklers, Elkton Sparkler Company (“Elkton”) of North East, Maryland, and Diamond Sparkler Company (“Diamond”) of Youngstown, Ohio. With respect to respondent interested parties, Elkton’s response also stated that Elkton \*\*\*.<sup>5</sup> No other foreign producer, exporter, or U.S. importer filed a response.<sup>6</sup>

On October 1, 1999, the Commission determined that the domestic interested party group response to its notice of institution was adequate, and that the respondent interested party group response was inadequate.<sup>7</sup> Notwithstanding the inadequate respondent interested party group response, the Commission determined to exercise its discretion to conduct a full review pursuant to section 751(c)(3)

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<sup>1</sup> Sparklers from China, Inv. No. 731-TA-429 (Final), USITC Pub. 2387 (June 1990) (“Original Determination”).

<sup>2</sup> 56 Fed. Reg. 27946 (June 18, 1991).

<sup>3</sup> 64 Fed. Reg. 35689 (July 1, 1999).

<sup>4</sup> See 19 C.F.R. § 207.62(a); 63 Fed. Reg. 30599, 30602-05 (June 11, 1998).

<sup>5</sup> Elkton’s Response to Notice of Institution (“Elkton’s Response”) (August 20, 1999) at 2.

<sup>6</sup> Nor did any other person file a submission under Commission Rule 207.61(d).

<sup>7</sup> The Commission explained that no respondent interested party other than Elkton, which accounted for only \*\*\*, filed a response. Explanation of Commission Determination on Adequacy in Sparklers from China (“Adequacy Explanation”) (October 1, 1999).

of the Act, based upon the information received from the parties regarding structural changes taking place in the U.S. industry.<sup>8</sup>

On May 11, 2000, the Commission held a hearing in this review, at which representatives of Elkton and Diamond appeared. Diamond filed briefs in support of continuation of the order, and Elkton filed briefs advocating revocation of the order.

## II. DOMESTIC LIKE PRODUCT AND INDUSTRY

### A. Domestic Like Product

In making its determination under section 751(c), the Commission defines “the domestic like product” and the “industry.”<sup>9</sup> The Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle.”<sup>10</sup> The Commission’s decision regarding the appropriate domestic like product(s) in an investigation or review is based on the facts, record, and legal parameters of the proceeding in question.<sup>11</sup> In a section 751(c) review, the Commission must also take into account “its prior injury determinations.”<sup>12</sup>

In its final five-year review determination for Sparklers from China, Commerce defined the subject merchandise as “fireworks each comprising a cut-to-length wire, one end of which is coated with a chemical mix that emits bright sparks while burning.”<sup>13</sup> When lit, sparklers may give off any of a variety of colors, including gold, red, green, or blue.<sup>14</sup> Sparklers vary in length and come in five standard sizes, the smallest (No. 8) being approximately 7 1/4 inches long and the longest (No. 36) being up to 33 inches long.<sup>15</sup>

In the original investigation, the Commission determined that the domestic like product consisted of all domestically produced sparklers.<sup>16</sup> The Commission found that all sparklers regardless of color and size shared the same end uses, channels of distribution, manufacturing facilities, and production

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<sup>8</sup> See Adequacy Explanation. See also 64 Fed. Reg. 55960 (October 15, 1999). See generally 63 Fed. Reg. 30599, 30604 (June 5, 1998) (preamble to the Commission’s Notice of Final Rulemaking concerning five-year reviews). Chairman Bragg and Commissioner Crawford dissented from the decision to conduct a full review and determined that the Commission should conduct an expedited review.

<sup>9</sup> 19 U.S.C. § 1677(4)(A).

<sup>10</sup> 19 U.S.C. § 1677(10). See NEC Corp. v. Dep’t of Commerce, 36 F. Supp. 2d 380, 383 (Ct Int’l Trade, 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct Int’l Trade, 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991). See also S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

<sup>11</sup> See, e.g., Citrosuco Paulista, S.A., v. United States, 704 F. Supp. 1075, 1087-88 (CIT 1988) (while each original investigation is *sui generis*, and the Commission is not bound by prior like product determinations, the like product definition must be based on a rational basis discernible to the reviewing court).

<sup>12</sup> 19 U.S.C. § 1675a(a)(1)(a).

<sup>13</sup> 65 Fed. Reg. 5312, 5313 (February 3, 2000). Commerce reiterated its 1995 scope ruling that Fritz Companies, Inc.’s 14 inch Morning Glories are outside the scope of the order. See 60 Fed. Reg. 36782 (July 18, 1995).

<sup>14</sup> Confidential Report (“CR”), Memorandum OINV-X-126 (June 9, 2000) at I-10; Public Report (“PR”) at I-6; Tr. at 89-90.

<sup>15</sup> CR at I-10; PR at I-5.

<sup>16</sup> See Original Determination at 3-6.

employees.<sup>17</sup> In this review, no party has argued for a different domestic like product definition, and there is no new information obtained during this five-year review that would suggest a reason for departing from the Commission's original definition of the domestic like product. Accordingly, we define the domestic like product as all domestically produced sparklers.

## **B. Domestic Industry**

Section 771(4)(A) of the Act defines the relevant industry as the “domestic producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>18</sup> In accordance with our domestic like product determination, we determine that the domestic industry for this five-year review consists of all domestic producers of sparklers.

During the original investigation, there were three domestic producers of sparklers, two of whom were still producing through 1998. One of those two, Diamond, continues to produce sparklers. The other, Elkton, ceased domestic production in June 1999. Prior to its cessation of domestic production, Elkton was the \*\*\* of the two U.S. producers, and accounted for \*\*\* of U.S. shipments of sparklers. In this review, Elkton provided financial data for both years covered by the questionnaire – 1998 and 1999. We therefore considered Elkton's data in our evaluation of the extent to which any improvement in the state of the domestic industry is related to the antidumping duty order at issue. Because Elkton has ceased U.S. production and has turned its interests wholly to importation, we focused our prospective analysis of the likely effects of revocation of the order on the only remaining producer, Diamond.

## **C. Related Parties**

We must further decide whether any producer of the domestic like product should be excluded from the domestic industry as a related party pursuant to section 771(4)(B), which allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise, or that are themselves importers. Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.<sup>19</sup>

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<sup>17</sup> Original Determination at 5-6.

<sup>18</sup> 19 U.S.C. § 1677(4)(A).

<sup>19</sup> See Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (CIT 1989), *aff'd without opinion*, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (CIT 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude such parties include:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and
- (3) the position of the related producer vis-à-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (CIT 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interest of the related producer lies in domestic production or importation. See, e.g., Sebacic Acid from the People's Republic of China, Inv. No. 731-TA-653 (Final), USITC Pub. 2793, at I-7 - I-8 (July 1994).

During and since the original investigation, domestic producer Diamond has met the definition of a “related party” by virtue of \*\*\* B.J. Alan, an \*\*\*.<sup>20</sup> Diamond accounted for approximately \*\*\* percent of U.S. production in 1999. Since June 1999, Diamond has accounted for all U.S. production, due to Elkton’s cessation of domestic production. Diamond states that B.J. Alan has \*\*\* in order to keep B.J. Alan’s prices as low as possible to compete with the subject imports, and to keep a greater number of Diamond’s domestic workers employed.<sup>21</sup> In 1999, Diamond’s ratio of production to B.J. Alan’s imports was \*\*\*. Thus, as in the original investigation, the information in the record of this review indicates that Diamond’s interests lie primarily in domestic production.<sup>22</sup> We therefore find that appropriate circumstances do not exist to exclude Diamond from the domestic industry.<sup>23</sup>

We also considered whether we should exclude Elkton’s data for 1998 and 1999 on related party grounds. Following its cessation of domestic sparkler production, Elkton began importing subject sparklers from China.<sup>24</sup> However, because \*\*\*, and is no longer a domestic producer, Elkton is not a related party under the statute.<sup>25</sup>

### **III. REVOCATION OF THE ANTIDUMPING DUTY ORDER ON SPARKLERS FROM CHINA WOULD BE LIKELY TO LEAD TO CONTINUATION OR RECURRENCE OF MATERIAL INJURY WITHIN A REASONABLY FORESEEABLE TIME**

#### **A. Legal Standard**

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping duty order unless: (1) it makes a determination that dumping is likely to continue or recur, and (2) the Commission makes a determination that revocation of an order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”<sup>26</sup> The Statement of Administrative Action to the Uruguay Round Agreements Act (“SAA”) states that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation [of the order]

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<sup>20</sup> CR at III-1, n.2; PR at III-1, n.2. See 19 U.S.C. § 1677(4)(B)(ii)(II). Diamond typically \*\*\*. CR at III-4; PR at III-2.

<sup>21</sup> Diamond’s Prehearing Brief (May 2, 2000) at 4-5. Diamond workers \*\*\*.

<sup>22</sup> Indeed, while Diamond accounted for a substantial portion of domestic production during the original investigation, at present it accounts for all domestic production, and excluding it would leave no domestic producer in the industry. See *Torrington Co. v. United States*, 790 F. Supp. at 1168 (upholding as reasonable the Commission’s determination that excluding related parties that account for significant shares of the domestic industry could present a distorted view of the industry). See also *Sebacic Acid from the People’s Republic of China*, Inv. No. 731-TA-653 (Final), USITC Pub. 2793 (July 1994) at I-8 (finding that appropriate circumstances did not exist to exclude the sole domestic producer from the domestic industry).

<sup>23</sup> See 19 U.S.C. § 1677(4)(B)(i). This is the same conclusion the Commission reached in the original investigation. See *Original Determination* at 8-9.

<sup>24</sup> Transcript of Hearing (“Tr.”) (May 11, 2000) at 90-92.

<sup>25</sup> We note that at the time of the Commission’s adequacy determination, the limited record evidence indicated that Elkton accounted for \*\*\*. However, the more complete record in this full sunset review indicates that \*\*\*. Elkton’s Importer Questionnaire at 6.

<sup>26</sup> 19 U.S.C. § 1675a(a).

. . . and the elimination of its restraining effects on volumes and prices of imports.”<sup>27</sup> Thus, the likelihood standard is prospective in nature.<sup>28</sup> The statute states that “the Commission shall consider that the effects of revocation . . . may not be imminent, but may manifest themselves only over a longer period of time.”<sup>29</sup> According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ time frame applicable in a threat of injury analysis [in antidumping and countervailing duty investigations].”<sup>30 31</sup>

Although the standard in five-year reviews is not the same as the standard applied in original antidumping duty investigations, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked.”<sup>32</sup> It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order under review, and whether the industry is vulnerable to material injury if the order is revoked.<sup>33 34</sup>

We note that Section 776(a) of the Act authorizes the Commission to take adverse inferences in five-year reviews, but such authorization does not relieve the Commission of its obligation to consider

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<sup>27</sup> SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry).” SAA at 883.

<sup>28</sup> While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

<sup>29</sup> 19 U.S.C. § 1675a(a)(5).

<sup>30</sup> SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

<sup>31</sup> In analyzing what constitutes a reasonably foreseeable time, Chairman Koplán examines all the current and likely conditions of competition in the relevant industry. He defines “reasonably foreseeable time” as the length of time it is likely to take for the market to adjust to a revocation. In making this assessment, he considers all factors that may accelerate or delay the market adjustment process including any lags in response by foreign producers, importers, consumers, domestic producers, or others due to: lead times; methods of contracting; the need to establish channels of distribution; product differentiation; and any other factors that may only manifest themselves in the longer term. In other words, this analysis seeks to define “reasonably foreseeable time” by reference to current and likely conditions of competition, but also seeks to avoid unwarranted speculation that may occur in predicting events into the more distant future.

<sup>32</sup> 19 U.S.C. § 1675a(a)(1).

<sup>33</sup> 19 U.S.C. § 1675a(a)(1). The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

<sup>34</sup> Section 752(a)(1)(D) of the Act directs the Commission to take into account in five-year reviews involving antidumping proceedings “the findings of the administrative authority regarding duty absorption.” 19 U.S.C. § 1675a(a)(1)(D). Commerce has not issued a duty absorption finding in this case. *See* 65 Fed. Reg. 5312 (February 3, 2000).

the record evidence as a whole in making its determination.<sup>35</sup> We generally give credence to the facts supplied by the participating parties and certified by them as true, but base our decision on the evidence as a whole, and do not automatically accept the participating parties' suggested interpretation of the record evidence. Regardless of the level of participation and the interpretations urged by participating parties, the Commission is obligated to consider all evidence relating to each of the statutory factors and may not draw adverse inferences that render such analysis superfluous. "In general, the Commission makes determinations by weighing all of the available evidence regarding a multiplicity of factors relating to the domestic industry as a whole and by drawing reasonable inferences from the evidence it finds most persuasive."<sup>36</sup>

For the reasons stated below, we determine that revocation of the antidumping duty order on sparklers from China would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

## **B. Conditions of Competition**

In evaluating the likely impact of the subject imports on the domestic sparklers industry, the statute directs the Commission to consider all relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."<sup>37</sup> A number of conditions of competition are pertinent to our analysis, some of which are unchanged from the original investigation and others that have developed since that time.

As it was at the time of the original investigation, demand for sparklers is seasonal, with the vast majority of sparklers sold to wholesalers and retailers in the spring for consumption during the Fourth of July holiday.<sup>38</sup> Conditions such as safety concerns and weather conditions (*e.g.*, drought) can affect demand.<sup>39</sup> Sales of assortment packages, which include sparklers and other fireworks, account for a significant percentage of all sparkler sales, but individual sales of packages of sparklers are also common.<sup>40</sup> The record indicates that the market for sparklers is mature, with no new uses developed since the original investigation or likely to develop in the reasonably foreseeable future.

The data collected in the original and review investigations indicate that the apparent consumption of sparklers, by quantity, declined approximately \*\*\* percent between the original period of investigation and the period of the review investigation, and declined by an additional \*\*\* percent between 1998 and 1999.<sup>41</sup> Diamond asserts that the data may understate consumption because they do not include sparklers that are sold as a part of assortment packages. There is some evidence to support the assertion that our data may understate consumption somewhat. Specifically, while Elkton stated that the reported data accurately reflected a drop in consumption due to the banning of sparklers in California, that ban would not account for the magnitude of the decline shown in the data. Also, no purchasers noted the kind of significant decline in consumption that our data appear to indicate.

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<sup>35</sup> 19 U.S.C. § 1675(c)(3)(B). Section 751(c)(3)(B) of the Act specifically provides that in an expedited five-year review the Commission is to issue "a final determination based on the facts available, in accordance with section 776." Section 776 of the Act, however, does not limit the use of facts available to an expedited review.

<sup>36</sup> SAA at 869.

<sup>37</sup> 19 U.S.C. § 1675a(a)(4).

<sup>38</sup> CR at I-9, II-5; PR at I-5, II-3.

<sup>39</sup> CR at I-9; PR at I-9. The demand for sparklers is influenced by the level of consumer spending on all fireworks and other devices for celebrations. *Id.*

<sup>40</sup> CR at II-1; PR at II-1.

<sup>41</sup> CR and PR at Table I-1; CR at II-5; PR at II-3.



The domestic industry has shrunk since the original investigation. During the original investigation, there were three U.S. producers of sparklers. By 1998, two U.S. companies produced sparklers, and as of the end of June 1999, only one producer, Diamond, has continued to produce sparklers in the United States. As noted, Diamond is \*\*\* by B.J. Alan, an importer \*\*\*. Diamond's sparklers are sold exclusively through B.J. Alan to wholesalers.<sup>42</sup> The other U.S. producer, Elkton, began importing \*\*\* sparklers shortly after it ceased U.S. production.<sup>43</sup>

The evidence in this review record indicates that purchasers view quality and price as the two most important considerations in purchasing decisions.<sup>44</sup> While most purchasers perceive the quality of U.S. and Chinese sparklers to be comparable, a majority of purchasers reported that Chinese sparklers are priced lower than the domestic like product.<sup>45</sup>

Nonsubject imports have increased since the imposition of the original order. During 1990, the last year of the original investigation, nonsubject imports accounted for \*\*\* percent by quantity and \*\*\* percent by value of apparent consumption.<sup>46</sup> Their quantity-based market share increased from \*\*\* percent in 1998 to \*\*\* percent in 1999.<sup>47</sup> By value, nonsubject imports' market share \*\*\*, from \*\*\* percent in 1998 to \*\*\* percent in 1999.<sup>48</sup>

We do not expect the foregoing conditions of competition to change appreciably if the antidumping duty order is revoked. Accordingly, we find that current conditions in the U.S. sparklers industry provide us with a basis upon which to assess the likely effects of revocation of the antidumping duty order within the reasonably foreseeable future.

### C. Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if the order under review is revoked, the Commission is directed to consider whether the likely volume of subject imports would be significant either in absolute terms or relative to production or consumption in the United States.<sup>49</sup> In doing so, the Commission must consider "all relevant economic factors," including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.<sup>50</sup>

During the original investigation, subject imports from China increased their market share from \*\*\* percent in 1988 to \*\*\* percent in 1990 of the quantity of apparent U.S. consumption.<sup>51</sup> At the same

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<sup>42</sup> CR at II-1; PR at II-1.

<sup>43</sup> Tr. at 90-92.

<sup>44</sup> CR at II-6-7; PR at II-4.

<sup>45</sup> CR and PR at Table II-2; CR at II-9-11; PR at II-5-7.

<sup>46</sup> CR and PR at Table I-1.

<sup>47</sup> CR and PR at Table I-1.

<sup>48</sup> CR and PR at Table I-1.

<sup>49</sup> 19 U.S.C. §1675a(a)(2).

<sup>50</sup> 19 U.S.C. § 1675(a)(2)(A)-(D).

<sup>51</sup> CR and PR at Table I-1.

time, they increased their market share by value from \*\*\* percent in 1988 to \*\*\* percent in 1990.<sup>52</sup> In the original determination, the Commission found that this volume was significant, both absolutely and relative to domestic production of sparklers.<sup>53</sup>

There is limited information on the record in this review concerning the current status of the sparklers industry in China because there were no responses by foreign producers or exporters to the Commission's data request. During the review period, subject imports accounted for \*\*\* percent of the quantity and \*\*\* percent of the value of 1998 apparent U.S. consumption, and \*\*\* percent of the quantity and \*\*\* percent of the value of 1999 apparent U.S. consumption.<sup>54</sup> Thus, even with the antidumping duty order in place, subject imports occupied a substantial presence in the U.S. market during the period of the review investigation. Both the quantity and the value-based market share of subject imports have, however, remained well below the levels that they held during the period of the original investigation. We find that the lower volume levels during the review period as compared to the original investigation period are attributable in large measure to the effects of the antidumping duty order.

Several factors indicate that subject Chinese producers have the capacity and incentive to export even higher volumes of subject imports to the United States if the order is revoked. Shipments of Chinese sparklers to the United States grew from 145 million sparklers in 1988 to over \*\*\* million sparklers in 1989.<sup>55</sup> This rapid increase in imports during the original investigation demonstrates an ability by Chinese exporters to rapidly increase shipments to the United States if the order is revoked. The United States is likely to be an attractive market for increasing volumes of Chinese sparklers, and the available information indicates that the sparkler industry in China continues to be export-oriented.<sup>56</sup> \*\*\*.<sup>57</sup> Nothing in the record indicates that Chinese capacity has declined since the original investigation, and the United States is still a significant export market for China, as demonstrated by the continued significant level of exports to the United States. Moreover, it would not be technically difficult for the Chinese to shift from production of other fireworks to sparkler production.<sup>58</sup>

The substantial market share that the subject imports attained prior to the imposition of the antidumping duty order on sparklers, their retention of a significant but smaller market share in the United States, their likely significant capacity levels, as well as \*\*\*, all suggest that subject producers will likely increase shipments to the United States if the antidumping duty order is revoked.<sup>59</sup> Consequently, based on the record in this review, we conclude that the likely volume of subject imports would be significant if the order is revoked.

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<sup>52</sup> CR and PR at Table I-1.

<sup>53</sup> Original Determination at 12-13.

<sup>54</sup> CR and PR at Table I-1.

<sup>55</sup> CR and PR at Table I-3.

<sup>56</sup> Diamond's Posthearing Brief at 4.

<sup>57</sup> \*\*\* Elkton's Document Submission Per Request of Chairman Koplán (May 31, 2000) at Attachment 2.

<sup>58</sup> Tr. at 138.

<sup>59</sup> Commissioner Bragg infers that, upon revocation, subject producers would revert to their historical emphasis on exporting to the United States, as evidenced in the Commission's original determination. Based upon the record in this review, Commissioner Bragg finds that the historical emphasis will likely result in significant volumes of subject imports into the United States if the order is revoked.

#### **D. Likely Price Effects**

In evaluating the likely price effects of subject imports if the order is revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared with the domestic like product and whether the subject imports are likely to enter the United States at prices that would have a significant depressing or suppressing effect on the prices for the domestic like product.<sup>60</sup>

In the original investigation, the Commission found that there was an overall decline in the average unit prices of subject sparklers.<sup>61</sup> This decline was attributable to the increasing market share of the Chinese sparklers that were concentrated at the lower end of the range for size.<sup>62</sup>

In this review, we find, as the Commission did in the original investigation, that price is a key element in purchasing decisions. Price ranks as the most important or second most important factor by the large majority of U.S. purchasers of sparklers.<sup>63</sup>

Even with the order in effect, the subject merchandise still undersells the domestic like product.<sup>64</sup> The pricing information collected on product 1, which accounts for the highest volume of the subject imports, shows underselling of the U.S. product.<sup>65</sup> Price data on other products, for which Chinese volume was lower, were mixed.<sup>66</sup> Given the importance of price as a factor in purchasing decisions and the comparable quality of Chinese sparklers, it is likely the subject imports from China would increasingly undersell the domestic like product in order to increase exports to the United States at prices that would likely have a significant depressing or suppressing effect on prices for the domestic like product.<sup>67</sup>

#### **E. Likely Impact**

In evaluating the likely impact of imports of subject merchandise if the order is revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry,

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<sup>60</sup> 19 U.S.C. § 1675a(a)(3). The SAA states that “[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices.” SAA at 886.

<sup>61</sup> Original Determination at 13-14.

<sup>62</sup> Original Determination at 14.

<sup>63</sup> CR and PR at Table II-1.

<sup>64</sup> Diamond’s Response at 7; Elkton’s Posthearing Brief at 4.

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

<sup>66</sup> We note that the average unit value (“AUV”) of domestic shipments increased from 1998 to 1999, while the subject imports’ AUV decreased by nearly \*\*\*. CR and PR at Table I-3.

<sup>67</sup> Elkton conceded that the wholesale price of sparklers will decrease. Tr. at 93. Elkton stated that retail prices would not be affected if the order is lifted. We find, however, that it is likely that a significant reduction in wholesale prices would inevitably affect prices at the retail level.

including efforts to develop a derivative or more advanced version of the domestic like product.<sup>68</sup> All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.<sup>69</sup> As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the antidumping duty order at issue and whether the industry is vulnerable to material injury if the order is revoked.

In the original investigation, the Commission noted the decline in U.S. production, shipments, employment, and market share while also noting that U.S. consumption of sparklers by quantity was increasing, and financial indicators were deteriorating. The Commission found that the domestic industry was materially injured by reason of the unfairly traded imports. The subject imports had a detrimental impact on the domestic industry resulting in losses in sales volumes, production, and capacity. The Commission also found that operating income, profitability, and employment suffered and the domestic industry lost market share to the subject imports.<sup>70</sup>

In the current review, domestic producers have increased their market share since the 1988-90 period, with U.S. shipments comprising \*\*\* percent of the domestic market in 1999.<sup>71</sup> However, in 1999, the industry lost the producer that accounted for \*\*\* of domestic capacity and production. Moreover, while the financial performance of the remaining producer, Diamond, was \*\*\*, Diamond's sales declined significantly from 1998 to 1999.<sup>72</sup> The record, therefore, indicates that the domestic industry is in a vulnerable condition.

As discussed above, revocation of the antidumping duty order would likely lead to an increase in subject imports selling at even lower prices in a market that is already experiencing a decline in demand. The volume and price effects of the subject imports would likely cause a decline in both the volume of domestic shipments and prices of the domestic like product.

Such price and volume declines would likely have a significant adverse impact on the production, shipment, sales, market share, and revenue levels of the domestic industry. The reduction in the industry's production, sales, and revenue levels would have a direct adverse impact on the industry's profitability.<sup>73</sup>

Accordingly, based on the record in this review, we conclude that, if the antidumping duty order is revoked, subject imports of sparklers from China would be likely to have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

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<sup>68</sup> 19 U.S.C. § 1675a(a)(4).

<sup>69</sup> 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that "the Commission may consider the magnitude of the margin of dumping" in making its determination in a five-year review investigation. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year review investigations as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv). *See also* SAA at 887. In its final expedited sunset review, Commerce found that revocation of the antidumping duty order would be likely to lead to continuation or recurrence of dumping at the following margins: 41.75 percent for Gaungxi Native Produce Import & Export Corp. and Benai Fireworks and Firecracker Branch; and 93.54 percent for Hunan Provincial Firecrackers & Fireworks Import Export (Holding) Co., Jiangxi Native Produce Import & Export Corp., Guangzhou Fireworks Co., and all others. 56 Fed. Reg. 5312 (February 3, 2000).

<sup>70</sup> Original Determination at 11-14.

<sup>71</sup> CR and PR at Table I-1.

<sup>72</sup> Diamond's Posthearing Brief at 1.

<sup>73</sup> Even with the order in place, employment in the industry dropped from \*\*\* production related workers in 1998 to \*\*\* production related workers in 1999. CR and PR at Table III-4. Diamond stated that if the order is revoked, it would be forced to stop producing sparklers in the United States. Diamond's Posthearing Brief at 1.

## **CONCLUSION**

For the foregoing reasons, we determine that revocation of the antidumping duty order on subject imports of sparklers from China would be likely to lead to continuation or recurrence of material injury to the U.S. sparklers industry within a reasonably foreseeable time.



## PART I: INTRODUCTION AND OVERVIEW

### BACKGROUND

On July 1, 1999, the Commission gave notice, pursuant to section 751(c) of the Tariff Act of 1930 (the Act), that it had instituted a review to determine whether revocation of the antidumping duty order on sparklers from China would likely lead to the continuation or recurrence of material injury to a domestic industry. Effective October 1, 1999, the Commission determined that it would conduct a full review pursuant to section 751(c)(5) of the Act. Information relating to the background and schedule of the review is provided in the following tabulation.<sup>1</sup> Effective February 8, 2000, the Commission issued a notice of scheduling of the full review for sparklers.

Effective date	Action
June 18, 1991	Commerce's antidumping duty order (56 FR 27946, June 18, 1991)
July 29, 1993	Amendment to Commerce's antidumping duty order (58 FR 40624, July 29, 1993)
July 1, 1999	Commission's institution of review (64 FR 35689, July 1, 1999)
October 1, 1999	Commission's decision to conduct a full review (64 FR 55960, October 15, 1999)
February 3, 2000	Commerce's final results of expedited review (65 FR 5312, February 3, 2000)
February 8, 2000	Commission's scheduling of the review (65 FR 7892, February 16, 2000)
May 11, 2000	Commission's hearing <sup>1</sup>
June 26, 2000	Commission's vote
July 10, 2000	Commission's determination transmitted to Commerce

<sup>1</sup> App. B contains a list of witnesses at the hearing.

### The Original Investigation

On July 2, 1990, a petition was filed with Commerce and the Commission alleging that an industry in the United States was materially injured by reason of less-than-fair-value imports of sparklers from China.<sup>2</sup> On May 6, 1991, Commerce made a final affirmative dumping determination, with margins as follows: Guangxi Native Produce Import & Export Corp., Benai Fireworks and Firecracker Branch (1.64 percent); Hunan Provincial Firecrackers & Fireworks Import & Export (Holding) Co. (93.54 percent); Jiangi Native Produce Import & Export Corp., Guangzhou Fireworks Co. (65.78 percent); and all others (75.88 percent). The Commission made its final affirmative injury determination on June 10, 1991, and Commerce issued an antidumping duty order on June 18, 1991. On July 29, 1993, the margin for Guangxi/Benai was amended to 41.75 percent, and the margins for

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<sup>1</sup> The Commission's notice of institution, notice to conduct full reviews, scheduling notice, and statement on adequacy appear in app. A and may also be found at the Commission's web site (internet address [www.usitc.gov](http://www.usitc.gov)). Commissioner's votes on whether to conduct an expedited or full review may also be found at the web site.

<sup>2</sup> The petition was filed by Elkton Sparkler Co. (Elkton), North East, MD, and Diamond Sparkler Co. (Diamond), Youngstown, OH.

Jiangi/Guangzhou and all other Chinese producers/exporters except Hunan Provincial Firecrackers & Fireworks (which was not reviewed) were amended to 93.54 percent.<sup>3</sup>

Table I-1 presents a summary of data from the original investigation and from this review.

**Table I-1**

**Sparklers: Summary data from the original investigation and current review, 1988-90 and 1998-99**

\* \* \* \* \*

### Statutory Criteria

Section 751(c) of the Act requires Commerce and the Commission to conduct a review no later than five years after the issuance of an antidumping or countervailing duty order or the suspension of an investigation to determine whether revocation of the order or termination of the suspended investigation “would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury.”<sup>4</sup>

Section 752(a)(1) of the Act states that the Commission “shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--

*(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,*

*(B) whether any improvement in the state of the industry is related to the order or the suspension agreement,*

*(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and*

*(D) in an antidumping proceeding, Commerce’s findings regarding duty absorption.”*

Section 752(a)(2) of the Act states that in “evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including--

*(A) any likely increase in production capacity or existing unused production capacity in the exporting country,*

*(B) existing inventories of the subject merchandise, or likely increases in inventories,*

*(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and*

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<sup>3</sup> As referenced in 58 FR 40624, July 29, 1993.

<sup>4</sup> Certain transition rules apply to the scheduling of reviews (such as this one) involving antidumping that were in effect prior to January 1, 1995 (the date the WTO Agreement entered into force with respect to the United States). Reviews of these transition orders will be conducted over a three-year transition period running from July 1, 1998, through June 30, 2001. Transition reviews must be completed not later than 18 months after institution.



*(D) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.”*

Section 752(a)(3) of the Act states that in “evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether–

*(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and*

*(B) imports of the subject merchandise are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.”*

Section 752(a)(4) of the Act states that in “evaluating the likely impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated, the Commission shall consider all relevant economic factors which are likely to have a bearing on the state of the industry in the United States, including, but not limited to–

*(A) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,*

*(B) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and*

*(C) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.*

The Commission shall evaluate all such relevant economic factors within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.”

Section 752(a)(6) of the Act states that in making its determination, “the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy. If a countervailable subsidy is involved, the Commission shall consider information regarding the nature of the countervailable subsidy and whether the subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement.”

Information obtained during the course of the review that relates to the above factors is presented throughout this report. A summary of data collected in the review is presented in appendix C. U.S. producers’ data are based on questionnaire responses of 2 firms<sup>5</sup> that accounted for 100 percent of U.S. production of sparklers during 1999. U.S. import data are based on 12 firms.<sup>6</sup> Responses by U.S. producers, importers, and purchasers of sparklers and producers of sparklers in China to a series of questions concerning the significance of the existing antidumping duty order and the likely effects of revocation are presented in appendix D.

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<sup>5</sup> B.J. Alan Co., Inc./Diamond Sparkler (Diamond) and Elkton Sparkler Co. (Elkton) responded to the Commission’s producer questionnaire. Elkton ceased producing sparklers in June 1999. \*\*\*.

<sup>6</sup> Importers’ questionnaire responses were mainly from the larger firms and only one Chinese exporter responded to the Commission’s foreign producer/exporter questionnaire. Based on Customs data specifying the value of subject imports in fiscal year 1998, importer coverage is about 90 percent.

## COMMERCE'S RESULTS OF EXPEDITED REVIEW

On February 3, 2000, Commerce found that revocation of the antidumping duty order on sparklers from China would likely lead to continuation or recurrence of dumping as follows: Gaungxi Native Produce Import & Export Corp., Benai Fireworks and Firecracker Branch (41.75 percent); Hunan Provincial Firecrackers & Fireworks Import & Export (Holding) Co. (93.54 percent); Jiangi Native Produce Import & Export Corp., Guangzhou Fireworks Co. (93.54 percent); and all others (93.54 percent).<sup>7</sup> Commerce has not issued a duty absorption determination with respect to this order.

## COMMERCE'S ADMINISTRATIVE REVIEWS<sup>8</sup>

Commerce has conducted 4 administrative reviews of the antidumping duty order on sparklers from China, as shown in the following tabulation:

Period of review	Date review issued	Margin (percent)
6/1/92 - 5/31/93	March 31, 1995 (60 FR 16605)	93.54
6/1/93 - 5/31/94	October 23, 1995 (60 FR 54335)	94.54
6/1/94 - 5/31/95	July 30, 1996 (61 FR 39630)	93.54
6/1/98 - 5/31/99	March 7, 2000 (65 FR 11985)	93.54

## ANTIDUMPING DUTIES COLLECTED

Table I-2 presents the actual amount of customs duties collected under the antidumping duty order from 1994 to 1998.

**Table I-2**  
**Sparklers: Actual duties collected and imports from China, fiscal years 1994-98<sup>1</sup>**

(In 1,000 dollars)

Item	1994	1995	1996	1997	1998
Total duties collected	452.7	334.5	458.7	281.3	371.8
Total imports	646.1	441.0	532.9	375.9	438.7

<sup>1</sup> The Federal fiscal year is October 1-September 30.

Source: U.S. Customs Service Annual Report, Part A.

<sup>7</sup> Commerce's notice is presented in app. A.

<sup>8</sup> On September 20, 1993, Commerce announced its "Termination of Antidumping Duty Administrative Review" (58 FR 48849) for the period of December 17, 1990 through May 31, 1992.

## THE SUBJECT PRODUCT

The imported product subject to the antidumping order under review, as defined by Commerce, is “fireworks each comprising a cut-to-length wire, one end of which is coated with a chemical mix that emits bright sparks while burning.”<sup>9</sup> The scope is the same as that of the original investigation. In addition, Commerce issued one scope clarification of the original investigation in which “The Department determined that Fritz Companies, Inc.’s 14 inch Morning Glory’s are outside of the order.”<sup>10</sup> Imports of the sparklers that are the subject of this review are classified in subheading 3604.10.90 of the *Harmonized Tariff Schedule of the United States* (HTS). The column 1-general rate of duty for these fireworks (including sparklers), currently applicable to imports from China, is 5.3 percent *ad valorem*. Imports of these products are eligible for duty-free entry from beneficiary countries under provisions of the Generalized System of Preferences (except India), the North American Free Trade Agreement, the Caribbean Basin Economic Recovery Act, the United States-Israel Free Trade Area, and the Andean Trade Preference Act. The column 2 rate of duty, applicable to countries listed in HTS general note 3(b), is 12.5 percent *ad valorem*.

The product that is the subject of this review is the type of civilian pyrotechnic fireworks known as sparklers, each comprising a cut-to-length wire, one end of which is coated with a chemical mix that emits bright sparks while burning. The subject product falls into the category of so-called “safe-and-sane” fireworks.<sup>11</sup> They are legal in 38 states, but are prohibited in many local jurisdictions for safety reasons. Sparklers are used in the celebration of the Fourth of July and other holidays, birthdays, weddings, and other special occasions, and in theatrical shows and other entertainments.

The demand for sparklers is influenced by the level of consumer spending on fireworks and devices for celebrations. Demand is highly seasonal, with the vast majority of sparklers consumed on the Fourth of July; therefore, sales to wholesalers and retailers are greatest during April-June of each year. Other factors, such as safety concerns and weather conditions, can also affect demand. For example, drought conditions in some areas have caused a number of state governments to temporarily outlaw the use of all fireworks.

In its original determination the Commission found the appropriate domestic like product to be “all domestically produced sparklers.”<sup>12</sup> In response to a question soliciting comments regarding the appropriate domestic like product in the Commission’s notice of institution of this review, neither party raised the domestic like product issue.

Sparklers vary in length, in five standard sizes, the smallest (No. 8) being about 7¼ inches long and the largest (No. 36) being up to 33 inches long. The size numbers correspond approximately to the length of the box, with the sparklers being slightly shorter. Most sparklers sold in the United States are No. 8 and No. 10 sparklers, the two smallest sizes. These are less costly to manufacture and the least expensive to purchase, as the price of sparklers increases with the length. Almost all imports are of No. 8 and No. 10 sparklers. The domestic industry supplies almost all of the longer sparklers sold in the United States. Importers of the product note that the longer sparklers are difficult to transport without substantial breakage.

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<sup>9</sup> As referenced in 65 FR 5312, February 3, 2000.

<sup>10</sup> As referenced in 60 FR 36782, July 18, 1995.

<sup>11</sup> Martin Grayson and David Eckroth, eds., *Kirk-Othmer Encyclopedia of Chemical Technology*, 3d ed. (New York: John Wiley & Sons Inc., 1982), pp. 486-487.

<sup>12</sup> *Sparklers from the People’s Republic of China*, Investigation No. 731-TA-464 (Final), USITC Pub. 2387, June 1991, p. 6.

The majority of sparklers sold in the United States give off a yellow (“gold”) color while burning. Other sparklers, however, give off sparks of red, green, or blue color. Petitioners argue that these other colors are “very often faint and indistinguishable.” Industry representatives reported that gold sparklers are relatively safer and more reliable than colored sparklers and result in fewer product liability and performance complaints. Also, the chemicals used in making colored sparklers are somewhat less stable than those used in making gold sparklers and the products must be handled more carefully in the manufacturing process. Elkton, which pioneered in the development of colored sparklers, discontinued their production in 1999.

### **Substitute Products**

During the original case, most importers and nearly all purchasers reported that there are no close substitutes for sparklers, although some reported that “Morning Glories” may be substituted for sparklers in some states depending on state laws. Morning Glories have effects similar to sparklers, but utilize bamboo or wood sticks instead of wire and cost at least twice as much as sparklers. Several importers also observed that Morning Glories are less dangerous because they burn at a lower temperature; purchasers reported that sales of Morning Glories over the review period have been poor.

### **Manufacturing Process**

Sparklers are manufactured by a relatively simple process. Rolls of wire are straightened and cut to length by machine. The length and diameter of the wire used is determined by the size of the finished sparkler. The wire is usually steel. The cut lengths of wire are placed in a vibrating machine that shakes them into wooden frames. In the Chinese industry, the wires are placed into frames by hand. The frames are then taken to a dipping area where the wires are dipped into a vat containing a viscous mixture of shellac or dextrin containing an oxidizing agent (usually a chlorate or nitrate); pyroaluminum; steel filings, zinc filings, or copper filings; and one or more other chemical compounds to impart color, control burn rate, and/or establish other characteristics. The sparklers are dipped, dried, dipped again, and dried again. The burnable mixture is thus built up on the wire to the desired diameter in a manner similar to that used in making dipped candles. Two dips appear to be standard in the manufacturing of both domestic and imported sparklers. Gold sparklers are dried with heated air; sparklers of other colors require a lower drying temperature. The dried sparklers are then boxed and the boxes wrapped in plastic.

## **U.S. MARKET PARTICIPANTS**

### **U.S. Producers**

In 1990, the U.S. sparkler industry consisted of three firms that produced sparklers.<sup>13</sup> Based on responses to the Commission’s producer’s questionnaire and the Commission’s original request for responses to its notice of institution, only one firm continues to produce sparklers.<sup>14</sup>

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<sup>13</sup> During the original investigation, Diamond, Elkton, and New Jersey Fireworks Manufacturing Co., Inc. all produced sparklers. New Jersey ceased production and currently is reported to \*\*\*. No response to the Commission’s questionnaire has been received from New Jersey concerning its operations.

<sup>14</sup> Elkton ceased production operations in June 1999; Diamond continues to produce.

## U.S. Importers

The exact number of U.S. importers of sparklers is not known. However, the Commission mailed questionnaires to 55 possible importers and to the 3 producers identified in the 1990 case. Twenty-one companies responded, of which 8 said that they did not import sparklers during the period of review, and 1 was reported to be out of business.<sup>15</sup>

## APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table I-3 presents apparent U.S. consumption for the review period and table I-4 presents U.S. market shares for the same period.

**Table I-3**

**Sparklers: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1998-99**

\* \* \* \* \*

**Table I-4**

**Sparklers: U.S. market shares, 1998-99**

\* \* \* \* \*

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<sup>15</sup> The questionnaire was returned by Federal Express and follow-up calls confirmed that the company is no longer in business.



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

The U.S. market for sparklers is highly seasonal, with a large percentage of sales occurring in the second quarter of the year in anticipation of the Fourth of July holiday. Sparklers are also sold for use at birthday parties and various outdoor celebrations.

### **THE U.S. MARKET AND CHANNELS OF DISTRIBUTION**

U.S.-produced and imported sparklers from China are commonly sold to the same customers. Seven of 16 purchasers reported that they bought both domestic and Chinese-produced sparklers during 1998-99. While producers and importers sell sparklers to both wholesalers and retailers, the selling patterns often differ for particular suppliers. For example, Elkton, the \*\*\* U.S. producer, has sold to both wholesalers and retailers, while Diamond's sparklers are sold exclusively to wholesalers through B.J. Alan. However, B.J. Alan also sells \*\*\* to both wholesalers and retailers. When selling an assortment that includes sparklers and other fireworks, B.J. Alan \*\*\*.

When assortment sales are made, the price competition occurs between the competing packages of products rather than between individual items. In this situation, sparklers offered by the different suppliers do not compete separately with each other on the basis of price. While sales of assortments account for a significant percentage of all sparklers sales, separate sales of sparklers are also common.<sup>1 2</sup>

U.S.-produced sparklers and imported sparklers from China are sold throughout the United States. Diamond, through its distributor B.J. Alan, has a national distribution, and Elkton stated that it sells \*\*\*. While imports from China are available in all areas of the United States where sales are allowed, individual importers generally limit their sales to specific states or regions.

Reported delivery lead times ranged widely for questionnaire respondents. Diamond reported a lead time of \*\*\* days and Elkton reported a lead time of \*\*\* days. Some importers reported a period as short as 1 day when sparklers are available in inventory. However, when the sparklers have to be ordered from China, the lead time may be as much as 120 days.

U.S. producers and importers were asked to estimate the percentages of their sales that occur within 100 miles of their storage or production facilities or U.S. shipping points, and within 1,000 miles of these facilities or shipping points. For U.S. producers the reported percentages of sales within 100 miles ranged from \*\*\* to \*\*\* percent, and the percentages falling within 1,000 miles ranged from \*\*\* to \*\*\* percent. For importers that were able to provide meaningful estimates, the reported percentages of sales within 100 miles ranged from 10 to 95 percent and the percentages falling within 1,000 miles ranged from 80 to 100 percent. The overall weighted averages for producers were \*\*\* percent for shipments within 100 miles and about \*\*\* percent for sales within 1,000 miles. The overall weighted averages for importers were 54 percent for distances of less than 100 miles and 86 percent for sales within 1,000 miles.

### **U.S. MARKET STRUCTURE**

The market for sparklers in the United States has been supplied by two U.S. producers and a number of importers that bring in products from China and other countries. The U.S. market has tended

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<sup>1</sup> \*\*\* and \*\*\* have said that they commonly sell sparklers either separately or in assortments (conversations with \*\*\* of \*\*\* and \*\*\* of \*\*\*, May 24, 2000). In the case of the \*\*\* during 1998-99, \*\*\* sells most of its sparklers in assortments while \*\*\* sells most of its sparklers separately (conversations with \*\*\* and \*\*\*, May 24, 2000).

<sup>2</sup> In some states sparklers sales are allowed, but sales of other fireworks are illegal (hearing transcript, p. 35, testimony of Bruce Zoldan, CEO, Diamond Sparkler Manufacturing Co.).

to be concentrated, with \*\*\* accounting for the majority of domestic sales.<sup>3</sup> During 1998 alone, \*\*\* accounted for over \*\*\* percent of U.S. shipments, and over \*\*\* percent of total apparent consumption in the United States. \*\*\* overall share of commercial shipments increased to \*\*\* percent during 1999, and its share of apparent consumption was still over \*\*\* percent in 1999 \*\*\*. While the market for sparklers has been concentrated because of \*\*\*, the volume of shipments of domestic sparklers by \*\*\* accounted for \*\*\* percent of U.S. apparent consumption in 1998 and \*\*\* percent in 1999, and imports from China and other sources accounted for about \*\*\* percent of consumption in 1998, and about \*\*\* percent in 1999. In view of the competition posed by \*\*\* and import sources, it is likely that the U.S. market has been fairly price competitive in spite of the \*\*\* position held by \*\*\*.

### **U.S. Supply: Domestic Production for the U.S. Market**

The response of a domestic industry to increased competition resulting from the removal of antidumping duty orders is likely to depend upon such factors as the level of industry capacity utilization, the level of inventories, costs of production, and the availability of export markets.<sup>4</sup>

\*\*\* excess capacity existed for the U.S. producers throughout 1998-99, and the ratio of inventories to shipments declined \*\*\*. The capacity utilization rate was \*\*\* percent in 1998 and \*\*\* percent in 1999. The ratio of U.S. inventories declined from \*\*\* percent in 1998 to \*\*\* percent in 1999.

When asked to discuss the effects of changes in raw material costs on pricing during 1998-99, responses by Diamond and Elkton \*\*\*. Diamond said that \*\*\*.<sup>5</sup> However, Elkton said that \*\*\*. In the aggregate, raw materials amounted to over \*\*\* percent of the cost of goods sold during both 1998 and 1999. The key raw material inputs in sparklers are finely divided metal parts, plastic covers, and steel wire.

It is not likely that the domestic industry would shift from domestic shipments of sparklers to exports if faced with increased import competition. \*\*\* of the U.S. producers reported \*\*\* during 1998-99. When asked whether sales could be shifted from the United States to other markets, Elkton said that \*\*\*. Diamond stated that \*\*\*.

### **Subject Imports: The Potential of Subject Imports to Supply the U.S. Market**

The ability of foreign producers to expand exports of sparklers to the U.S. market as a result of eliminating antidumping or duties depends upon such factors as capacity utilization rates, planned expansions in capacity, current inventory levels, current levels of both home market sales, levels of exports to markets other than the United States, and differences in the products sold in different markets. Twelve Chinese producers were identified and sent questionnaires to obtain this information. However, none of the producers responded. One Chinese exporter, \*\*\*, reported that in both 1998 and 1999 about \*\*\* percent of its sparkler exports went to the United States and about \*\*\* percent went to other export markets.

Limited information presented at the hearing indicates that Chinese-produced sparklers are marketed in substantial quantities in Europe, South America, and Japan in addition to the United States.<sup>6</sup>

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

<sup>4</sup> In some cases an industry's flexibility in shifting its production facilities between a variety of products is an indicator of industry responsiveness to increased competition. However, neither of the producers \*\*\*.

<sup>5</sup> Diamond stated in its questionnaire that \*\*\* since 1991.

<sup>6</sup> Hearing transcript, p. 100, testimony of Charles Shivery, President, Elkton.



However, they are not sold in Canada because of strict regulations that Canada imposes on imports of explosives.<sup>7</sup>

### **DEMAND CHARACTERISTICS**

The overall U.S. demand for sparklers is highly seasonal, reaching peak levels near the Fourth of July holiday. The product is marketed to wholesalers or retailers in its final form and is then resold to final consumers. Demand as measured by apparent U.S. consumption in quantity terms declined by about \*\*\* percent from \*\*\* million units in 1998 to \*\*\* million units in 1999.

When asked whether the overall demand in the United States for sparklers has changed since 1991, the \*\*\* and the majority of other questionnaire respondents that were able to answer the question generally agreed that it has been stable or has declined. Diamond reported that demand has \*\*\*, while Elkton stated that it has \*\*\*. Among importers that responded to the question, 6 said that demand has decreased, 2 said that it has remained unchanged, and 1 said that it has increased.<sup>8</sup> The majority of purchasers did not respond to this question. Of the purchasers that responded, most said that demand had remained unchanged. Comparisons of data compiled in the earlier investigation and during this review indicate that consumption has decreased substantially. During 1989-90, apparent consumption of sparklers averaged about \*\*\* million units per year. By 1998-99 the annual average had decreased to about \*\*\* million units annually, an overall decrease of about \*\*\* percent from the average for 1989-90.

### **Substitute Products**

When producers, importers, and purchasers were asked what products could be substituted for sparklers, the majority, including \*\*\*, stated that no substitutes exist, although a number of respondents mentioned "Morning Glories." Morning Glories are similar to sparklers except that they have wooden handles instead of metal handles.<sup>9</sup> According to \*\*\*, these items compete with metal-handled sparklers and are not subject to antidumping duties when imported. \*\*\* said that they are packaged for retail in sparkler-sized cartons that are very similar in appearance to cartons for standard sparklers. However, B.J. Alan strongly disagrees, arguing that Morning Glories have been around for 30 years, and have never posed serious competition for sparklers.<sup>10</sup>

### **Cost Share**

The sparklers that are the subject of this investigation are marketed by producers and importers in their final form to wholesalers and retailers, and thus are not used as an input into other final products. The sparklers are subject to markups by the wholesalers and retailers when sold to final consumers.

### **SUBSTITUTABILITY ISSUES**

The extent of substitutability between domestic products and subject imports, between domestic products and nonsubject imports, and between subject and nonsubject imports is examined in this

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<sup>7</sup> Ibid., p. 115.

<sup>8</sup> Importers that reported a decline in demand frequently stated that the high antidumping duties had resulted in an increase in the price of imports that resulted in a reduced demand for imports from China.

<sup>9</sup> Four of 12 importers and 5 of 16 purchasers listed "Morning Glories" as a substitute for sparklers.

<sup>10</sup> Hearing transcript, p. 120.

section, along with comparisons between subject imports from different sources. The discussion is based largely on information developed from questionnaire responses.

### Factors Affecting Purchasing Decisions

Purchasers reported that a variety of factors are considered important in purchases of sparklers. When asked to rank the three most important factors considered in purchasing decisions, quality ranked highest, with 8 of 16 purchasers choosing this factor (table II-1). Price was most frequently chosen as the second most important factor in purchasing decisions. Other factors that were frequently ranked high in importance included availability, traditional supplier, and product range.

**Table II-1**  
**Sparklers: Ranking of factors used in purchasing decisions, as reported by U.S. purchasers**

Factor	First place	Second place	Third place
	<i>Number of firms reporting</i>		
Quality	8	5	0
Price	6	4	1
Availability	1	2	4
Other <sup>1</sup>	1	5	10

<sup>1</sup> Other factors include traditional supplier, product range, packaging, extension of credit, display vehicle, and delivery.

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

In order to obtain more information on purchasing decisions, firms were asked whether these decisions are based mainly on price. Purchasers were instructed to answer “always,” “usually,” “sometimes,” or “never.” Three purchasers selected “always,” 5 selected “usually,” 4 selected “sometimes,” and 4 selected “never.”<sup>11</sup> Purchasers were also asked to list those factors that are more important than price in some cases in making purchasing decisions. While quality was most often mentioned, availability, delivery, and packaging were also cited.

### Comparisons of Domestic Products and Subject Imports

When asked whether the domestic products and imports can be used interchangeably, \*\*\* 11 importers that responded to the question reported that the products can be used interchangeably. However, some factors limit the extent of the competition.

When asked to discuss differences in product characteristics or sales conditions between U.S.-produced and imported sparklers from China, responses by producers and importers varied. Diamond said that \*\*\*. Elkton stated that \*\*\*. The majority of importers stated that there are no differences in the product characteristics or sales conditions between domestic sparklers and imports from China. However, one importer said that the domestic companies do not offer colored sparklers. Therefore, it is forced to import these sparklers from China even though they are expensive. Another importer said that

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<sup>11</sup> The purchasers that selected “never” rank other factors such as quality, availability, and product range ahead of price in making their decisions.

it has inland transportation advantages over domestic producers when shipping sparklers within the United States because it can combine shipments of small quantities of imported sparklers from China with shipments of other items.

Purchasers were also asked to compare U.S.-produced sparklers with imports from China in selected characteristics, noting whether the domestic product was superior, comparable, or inferior to imports. The characteristics included availability, delivery time, product quality, product range, product consistency, and price among others. Ten purchasers made the comparisons. The results show that a majority of purchasers ranked the United States and China comparable in most of the characteristics (table II-2). Six of 10 purchasers ranked China superior to the United States in price, but there were no other categories where a majority ranked the United States either superior or inferior to China.

### **Comparisons of Domestic Products and Nonsubject Imports**

When asked whether imports from nonsubject countries can be used interchangeably with the domestic product, \*\*\* and the majority of the importers answered yes. In addition to China, imports of sparklers are known to come from Bolivia, India, Indonesia, and Mexico. While acknowledging interchangeability in use, \*\*\* stated that the domestic product quality is superior to imports from these nonsubject sources. In addition, one purchaser that compared the domestic product and imports from Indonesia in the 14 characteristics shown in table II-2 ranked the U.S. product superior in delivery time, but comparable in all of the other characteristics.

### **Comparisons of Subject and Nonsubject Imports**

\*\*\* a majority of importers also stated that imports from China and the nonsubject countries can be used interchangeably. However, \*\*\* stated that \*\*\*. One purchaser that compared China with Indonesia in the 14 characteristics shown in table II-2 said that the products are comparable in all characteristics.

## **MODELING ESTIMATES AND RESULTS**

Estimates of the supply, demand, and substitution elasticities that are used in a simulation model to estimate the effects of removing antidumping duties are discussed in this section, along with a consideration of the likely growth in demand for the subject products. None of the parties commented on these elasticities in their posthearing briefs.

### **U.S. Supply Elasticity**

The domestic supply elasticity for sparklers measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. price. This elasticity depends upon such factors as the level of excess industry production capacity, inventory levels, the availability of export markets, and the ease of shifting from the production of sparklers to other products. The \*\*\* rates of capacity utilization suggest that producers have flexibility in expanding shipments in response to price changes, despite the uncertain influence of other factors affecting this elasticity. It is likely that the domestic supply elasticity is fairly high, falling in the 5 to 10 range.

**Table II-2****Sparklers: Comparisons between U.S.-produced and Chinese product, by number of purchasers per category**

Item	U.S. superior	Comparable	U.S. inferior
Availability	1	7	2
Delivery terms	1	7	2
Delivery time	3	6	1
Discounts offered	0	6	2
Lowest price <sup>1</sup>	0	4	6
Minimum quantity requirements	0	8	1
Packaging	1	6	3
Product consistency	1	9	0
Product quality	2	8	0
Product range	1	8	1
Reliability of supply	2	8	0
Technical support/service	2	7	0
Transportation network	2	6	2
U.S. transportation costs	2	6	2

<sup>1</sup> A rating of superior means that the price is generally lower. For example, if a firm reports "U.S. superior," this means that it rates the U.S. price generally lower than the Chinese price.

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

### U.S. Demand Elasticity

The U.S. demand elasticity for sparklers measures the sensitivity of the demand for these products to changes in the U.S. market price. Because of the fact that Morning Glories with wooden handles are viewed by \*\*\* and some purchasers and importers as a substitute that competes to some extent with metal-handled sparklers, it is likely that the demand elasticity is in the moderate range, falling between -1.0 and -1.5.

### Substitution Elasticity

The substitution elasticity is a measure of the degree to which domestically produced sparklers and the imported sparklers from China are substitutable across the range of possible uses.<sup>12</sup> Taking into account differences in product and marketing characteristics reported by questionnaire respondents, it is likely that this elasticity falls in the 4 to 6 range.

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<sup>12</sup> This elasticity measures the sensitivity of the relative consumption levels of the domestic and imported products to changes in their relative prices.

## Exogenous Change in Demand

Questionnaire respondents generally do not anticipate major future changes in the overall U.S. demand for sparklers. Elkton said that demand is likely to \*\*\*, while Diamond \*\*\*. The majority of importers and purchasers \*\*\* said that demand is likely to remain unchanged. None of the questionnaire respondents provided numerical forecasts of future demand levels.

In arriving at a projection of future demand, one approach would be to rely upon the average annual rate of decline from past periods. Average annual apparent consumption decreased by about \*\*\* percent annually from the 1989-90 period to the 1998-99 period. While this rapid rate of decline may not continue, there is no evidence that an upturn in consumption is likely to occur.

## Model Results

The analysis of the effects of removing antidumping duties discussed in this section is based upon a non-linear partial equilibrium supply and demand model that assumes that domestic and imported products are less than perfect substitutes. Such models, also known as Armington models, are relatively standard in applied trade policy analysis and are used extensively for the analysis of trade policy changes both in partial and general equilibrium. Based on the information presented earlier, a range of estimates was selected that represent price-supply, price-demand, and product-substitution relationships (i.e., elasticities of supply, demand, and substitution) in the U.S. market for sparklers. The model uses these estimates with data on market shares, ocean transportation charges, and Commerce's dumping margins to estimate the likely effect of removing antidumping duties.

Estimates of the economic effects of the model under 8 differing elasticity scenarios are presented in appendix E. All estimates use 1999 as a base year, and assume that no growth in overall demand will occur. With the large dumping duties on imports from China removed, U.S. producer prices are estimated to fall by \*\*\* percent to \*\*\* percent, producer shipments are estimated to fall by \*\*\* to \*\*\* percent, and U.S. producers' revenue is estimated to decrease by \*\*\* to \*\*\* percent.



## PART III: U.S. PRODUCERS' OPERATIONS

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

Diamond and Elkton are the only known U.S. producers of sparklers.<sup>1</sup> Table III-1 shows U.S. production capacity, production, and capacity utilization during 1998-99.

**Table III-1**

**Sparklers: U.S. production capacity, production, and capacity utilization, 1998-99**

\* \* \* \* \*

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

Data on U.S. shipments of sparklers are presented in table III-2. Elkton reports that it \*\*\*, which is the reason for captive U.S. shipments.

**Table III-2**

**Sparklers: U.S. producers' shipments, by types, 1998-99**

\* \* \* \* \*

### RELATED-PARTY INFORMATION

Of the two U.S. producers of sparklers during the period of review, \*\*\*\*<sup>2</sup> and \*\*\*.

### U.S. PRODUCERS' INVENTORIES

End-of-period inventories for U.S. sparkler producers are presented in table III-3.

**Table III-3**

**Sparklers: U.S. producers' end-of-period inventories, 1998-99**

\* \* \* \* \*

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

U.S. producers' employment, wages, and productivity are presented in table III-4.

**Table III-4**

**Sparklers: U.S. employment-related indicators, 1998-99**

\* \* \* \* \*

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<sup>1</sup> In the Commission's original investigation, three U.S. producers of sparklers constituted the U.S. industry: Elkton, Diamond, and New Jersey. As of July 1999, only Diamond produces sparklers in the United States.

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

## FINANCIAL CONDITION OF THE U.S. INDUSTRY

### Background

Both known U.S. producers of sparklers, Diamond and Elkton, provided usable financial data.<sup>3</sup> Diamond's manufacturing operations are located in Youngstown, OH, and the company typically \*\*\*. Elkton is a closely-held Maryland corporation that was involved in the manufacture of sparklers along with the wholesale and retail sale of both imported and domestically-made fireworks. The manufacturing facility is located in North East, MD, and the company \*\*\*.<sup>4</sup> Elkton stated in its questionnaire response that it \*\*\*.

### Sparkler Operations

The combined results of Diamond's and Elkton's sparkler operations are presented in table III-5; the operations of each company are presented separately in table III-6.

**Table III-5**  
**Results of operations of U.S. producers in the production of sparklers, fiscal years 1998-99**

\* \* \* \* \*

**Table III-6**  
**Results of operations of Diamond and Elkton separately in the production of sparklers, fiscal years 1998-99**

\* \* \* \* \*

Diamond reported \*\*\*, while Elkton's total sales of sparklers are \*\*\*.

Total sales quantities of the two firms decreased from \*\*\* million sparklers to \*\*\* million sparklers (an \*\*\*-percent decline) between 1998 and 1999. Although unit sales values increased by \*\*\* percent, the total value of sales declined by \*\*\* percent between the two years. Moderating this decrease in sales was a reduction in the cost of goods sold of \*\*\* percent between the two years, and the two companies together recorded \*\*\* in 1999 of \$\*\*\*, compared with a \*\*\* in 1998. The ratio of \*\*\* that the companies achieved in 1999 compares \*\*\*.

Diamond \*\*\* in 1998, but achieved a \*\*\* in 1999, and recorded \*\*\* in both years. Similarly, Elkton \*\*\* in 1999 after incurring an \*\*\* in 1998; however, Elkton was \*\*\*.

Changes in Diamond's and Elkton's operating income are further evidenced by the variance analysis that shows the effects of prices and volume on net sales and of costs and volume on their total costs (table III-7). This analysis shows that the \*\*\* increase in the companies' combined operating

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<sup>3</sup> Diamond's fiscal year-end is \*\*\*. After the hearing, Diamond provided detailed cost data for its fixed and variable production costs. As a result, several cost items were reclassified between cost categories and raw materials costs were restated to reflect Diamond's actual raw materials purchases for its production. This restatement resulted in \*\*\*. Also, packaging costs, which had been included in the raw materials' category and included expenses of packaging purchased sparklers, were extracted from the raw materials category, restated to reflect packaging of \*\*\* (resulting in a decrease in such costs), and included in the category of "selling expense."

Elkton provided trade and financial data together with financial statements audited by the company's independent auditors. Elkton has a fiscal year-end of \*\*\*. The company reported trade and financial data based on its fiscal year.

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



income between 1998 and 1999 was attributable to favorable variances of price, expense, and volume. However, while \*\*\*.

**Table III-7**

**Variance analysis for U.S. producers in their sparkler operations, and for Diamond and Elkton separately, fiscal years 1998-99**

\* \* \* \* \*

**Capital Expenditures, R&D Expenses, and  
Investment in Productive Facilities**

Capital expenditures, R&D expenses, and the original cost and book value of property, plant, and equipment used in the production of sparklers are shown in table III-8. Diamond \*\*\*. Elkton \*\*\*. The original cost of \*\*\*.

**Table III-8**

**Capital expenditures, research and development expenses, and the value of assets of Diamond and Elkton with respect to sparklers, fiscal years 1998-99**

\* \* \* \* \*

**U.S. Producers' Comments on the Effects of the Order**

Diamond's and Elkton's comments regarding the significance of the existing antidumping duty order on imports of sparklers from China on their revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values are repeated verbatim in appendix D. The companies' comments regarding any anticipated changes in these indicators that might occur in the future if the antidumping duty order on imports of sparklers from China were revoked also are in appendix D.



## PART IV: U.S. IMPORTS AND THE INDUSTRY IN CHINA

### U.S. IMPORTS

The quantity and value of U.S. imports of sparklers based on responses to Commission questionnaires are presented in table IV-1.<sup>1</sup> Of those importers responding, all reported imports from China and two reported imports from Mexico. \*\*\*.

**Table IV-1**  
**Sparklers: U.S. imports, by sources, 1998-99**

\* \* \* \* \*

### U.S. IMPORTERS' INVENTORIES

All but one importer supplied beginning and ending inventory data, which are presented in table IV-2. It should be noted that sales of sparklers are heaviest during June and July, therefore inventories at the end of the year will be higher than might be expected.

**Table IV-2**  
**Sparklers: U.S. importers' end-of-period inventories of imports from China, 1998-99**

\* \* \* \* \*

### U.S. IMPORTERS' CURRENT ORDERS

Firms reported imports of or arrangements for the importation of sparklers from China after December 31, 1999 (question II-5 of the importers' questionnaire) totaling 2 million sparklers to be delivered before May 31, 2000.

### CHINESE PRODUCERS

Twelve Chinese producers were identified and were sent questionnaires, but none responded.

### CHINESE CAPACITY, PRODUCTION, CAPACITY UTILIZATION, DOMESTIC SHIPMENTS, EXPORT SHIPMENTS, AND INVENTORIES

Table IV-3 presents information reported by one Chinese exporter.

**Table IV-3**  
**Sparklers: China's production capacity, production, inventories, and shipments, 1998-99**

\* \* \* \* \*

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<sup>1</sup> All reporting importers stated, when contacted by Commission staff, that their reported imports include all sparklers whether or not bundled with other fireworks. All reported having to file forms for Customs indicating the amount of sparklers included in the imported firework "packs." Such sparklers were included in their submissions.



## PART V: PRICING AND RELATED INFORMATION

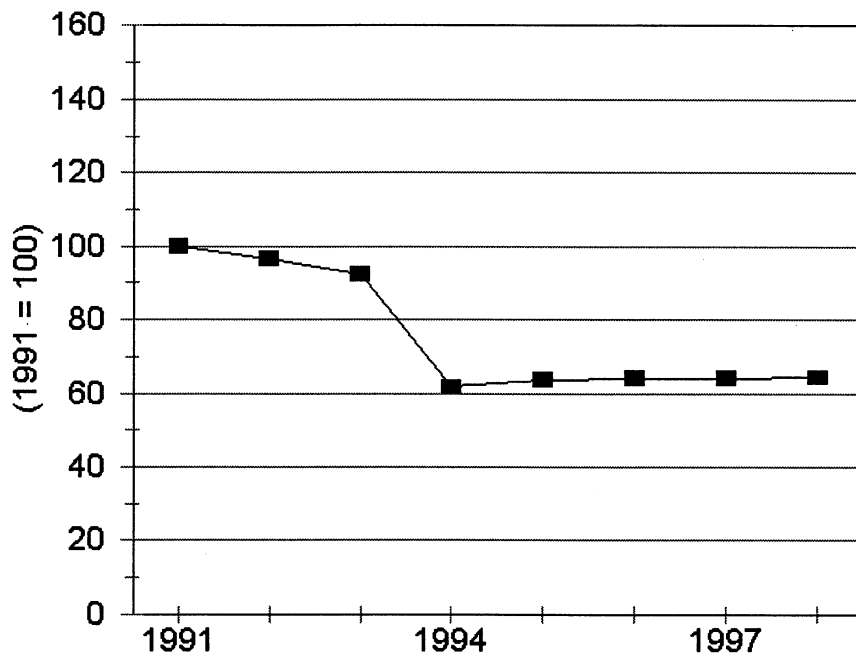
### FACTORS AFFECTING PRICES

#### Exchange Rates

Nominal exchange rate data for China were examined on a quarterly basis for 1998-99, and on an annual basis for 1991-98.<sup>1</sup> The short-term data show that the nominal value of the Chinese yuan, which was pegged to the U.S. dollar throughout 1998-99, has remained virtually constant relative to the dollar during this period.<sup>2</sup> The longer-term exchange rate data shown in figure V-1 show that the nominal value of the Chinese currency depreciated relative to the U.S. dollar from 1991 to 1994 but was stable during the following years.

**Figure V-1**

**Exchange rates: Index of the nominal exchange rate of the currency of China in relation to the U.S. dollar, annually, 1991-98**



Source: International Monetary Fund, *International Financial Statistics Yearbook*, 1999.

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<sup>1</sup> Real exchange rates, which are calculated by adjusting the nominal rates for movements in producer prices in United States and the subject country, could not be computed in the present case because a producer price index for China is not available.

<sup>2</sup> The Chinese currency has been pegged to the dollar since January 1, 1994 (see International Monetary Fund, *International Financial Statistics*, March 2000).

## Antidumping Duties

The evidence indicates that the antidumping duties have resulted in higher prices for imported sparklers from China, although the exact effects of the duties are difficult to measure. The duties which went into effect in 1991 have been based on a calculated dumping margin of 93.54 percent. Because of the size of the margin, the annual amounts of dumping duties collected have consistently been large in relation to the annual values of imports of sparklers from China (see table I-2). Some importers' comments on the effects of the antidumping duties are presented in appendix D.

## Raw Material Costs

When asked to discuss the effects of changes in raw material costs on pricing during 1998-99, responses by Diamond and Elkton \*\*\*. Diamond said that \*\*\*.<sup>3</sup> However, Elkton said that \*\*\*. In the aggregate, raw materials amounted to over \*\*\* percent of the cost of goods sold during both 1998 and 1999. The key raw material inputs in sparklers are finely divided metal parts, plastic covers, and steel wire.

## Inland Transportation Costs

U.S. producers and importers were asked to estimate the cost of inland transportation as a percentage of their total delivered price for sparklers. B.J. Alan, Elkton, and 6 importers of sparklers from China were able to provide meaningful estimates. B.J. Alan reported that these costs average \*\*\* percent of its delivered price, Elkton reported that they average \*\*\* percent, and importers reported a range of 5 percent to 12 percent. The overall weighted average for importers that provided meaningful estimates was 6.9 percent.

## PRICING PRACTICES

Prices of sparklers are determined in various ways. B.J. Alan and 6 of 12 importers reported that they regularly publish price lists, although the use of the lists varies. \*\*\*, importers that use the lists generally charge their customers the specified amounts. In addition to price lists, suppliers often charge prices on a cost-plus basis. For example, \*\*\* sets its prices on the basis of current material costs. One importer of Chinese sparklers, \*\*\*, stated that it adds up all costs including the antidumping duty to arrive at a total cost and then adds a gross profit to arrive at a final price. Prices of sparklers are commonly quoted on either an f.o.b. or delivered basis. B.J. Alan and Elkton both quote f.o.b. prices. Among importers, 7 quote delivered prices exclusively, 1 quotes either f.o.b. or delivered prices, and 3 quote f.o.b. prices exclusively.

Discount policies for sparklers vary widely. B.J. Alan said that it \*\*\*. Elkton reported that it offers volume discounts \*\*\*, and 6 of 12 importers \*\*\* offer some form of volume discount on imports from China. One importer said that it provides a 1-percent discount for sales over \$300, which rises to 3½ percent for sales over \$500, and increases further to 10 percent for sales over \$1,000. Another importer stated that it offers a sliding scale of discounts ranging from 1 percent to 6 percent depending upon the volume purchased. Neither of the domestic producers nor any of the importers have sales terms that provide discounts for early payments.

Sparklers are sold almost exclusively on a spot basis. \*\*\* 9 of 11 importers stated that all of their sales are spot. The importer that accounts for most of the contract sales reported that \*\*\*.

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<sup>3</sup> Diamond stated in its questionnaire that \*\*\* since 1991.

## PRICE DATA

The Commission asked U.S. producers, importers, and purchasers to provide quarterly data for the total quantity and f.o.b. U.S. shipping point value of sparklers that were shipped to unrelated customers in the U.S. market during 1998-99. Separate data were requested from producers and importers for sales to wholesalers and retailers. Specifications for the products were as follows.

Product 1 –Number 8 gold sparklers

Product 2 –Number 10 gold sparklers

U.S. producers and 8 importers provided varying amounts of usable price data on sales of products 1 and 2 to wholesalers and retailers during 1998-99. The producers' price data accounted for \*\*\* percent of total U.S. producers' shipments of sparklers in 1998 and \*\*\* percent in 1999. The importers' price data accounted for 34 percent of total shipments of imported sparklers from China in the United States during 1998, and 38 percent during 1999.

### Price Trends

Quarterly weighted-average 1998 and 1999 prices of U.S.-produced and imported sparklers from China in dollars per gross carton are shown in tables V-1 and V-2 and figures V-2 through V-5.<sup>4</sup> U.S. producer prices at the wholesale level were only reported for the first and second quarters of each year, and prices at the retail level were only reported for the second quarter, since \*\*\* producer sales occurred in other quarters. Producer prices on sales of products 1 and 2 to wholesalers and product 2 to retailers were \*\*\* higher in the second quarter of 1999 than they were in the second quarter of 1998. Prices reported by importers of sparklers from China were relatively stable for sales of product 1 to both wholesalers and retailers and sales of product 2 to retailers. Import prices on sales of product 2 to wholesalers fluctuated moderately during the eight-quarter period.

**Table V-1**

**Sparklers: Weighted-average f.o.b. prices for product 1 sold by U.S. producers and importers to wholesalers and retailers, by quarters, 1998-99**

\*       \*       \*       \*       \*       \*       \*

**Table V-2**

**Sparklers: Weighted-average f.o.b. prices for product 2 sold by U.S. producers and importers to wholesalers and retailers, by quarters, 1998-99**

\*       \*       \*       \*       \*       \*       \*

**Figure V-2**

**Sparklers: Weighted-average f.o.b. prices of domestic and imported product 1 sold to wholesalers, by quarters, 1998-99**

\*       \*       \*       \*       \*       \*       \*

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<sup>4</sup> A gross carton contains 144 boxes of sparklers. One gross carton of No. 8 sparklers contains 864 sparklers (6 sparklers per box) and one gross carton of No. 10 sparklers contains 1,152 sparklers (8 sparklers per box). Several importers reported selling sparklers by the case, which consists of two gross cartons.

**Figure V-3**

**Sparklers: Weighted-average f.o.b. prices of domestic and imported product 1 sold to retailers, by quarters, 1998-99**

\* \* \* \* \*

**Figure V-4**

**Sparklers: Weighted-average f.o.b. prices of domestic and imported product 2 sold to wholesalers, by quarters, 1998-99**

\* \* \* \* \*

**Figure V-5**

**Sparklers: Weighted-average f.o.b. prices of domestic and imported product 2 sold to retailers, by quarters, 1998-99**

\* \* \* \* \*

**Price Comparisons**

Price comparisons are presented in table V-3. The data show that prices of imported sparklers from China were lower than prices of U.S.-produced sparklers in 9 out of 12 quarters where comparisons were possible, by margins ranging from 2.9 percent to 28.1 percent.

One direct purchaser comparison between domestic and import prices was also available. \*\*\* reported buying both U.S.-produced and imported products 1 and 2 from China during the second quarter of 1998. The Chinese price was lower for product 1, but comparable to the U.S. price for product 2. \*\*\* bought \*\*\* gross cartons of the U.S.-produced product 1 at \$\*\*\* per carton and \*\*\* cartons of the Chinese-produced product 1 at \$\*\*\* per carton. It also bought \*\*\* cartons of U.S.-produced product 2 at \$\*\*\* per carton and \*\*\* cartons of the Chinese-produced product 2 at \$\*\*\* per carton.

In addition to the numerical price comparisons, purchasers were also asked to generally compare prices of purchases from different country sources. There were 10 comparisons between the United States and China, 2 between the United States and Mexico, and 1 between the United States and Indonesia. There was also 1 comparison between China and Indonesia and 2 between China and Mexico. In the comparison between the United States and China, 6 purchasers reported that the U.S. price is higher, 3 reported that they are the same, and 1 reported that they U.S. price is lower. In the comparisons between the United States and Mexico, 1 purchaser reported that the U.S. price is higher and the other reported that the prices are the same. The single purchaser that compared the United States and Indonesia reported that the prices are the same. This purchaser also reported that prices of imports from China and Indonesia are the same. In the comparison between China and Mexico, one purchaser reported that China's price is lower, and the other reported that the prices are the same.



**Table V-3**

**Sparklers: Margins of underselling/(overselling) for products 1<sup>1</sup> and 2<sup>2</sup> sold by U.S. producers and importers from China, by quarters, 1998-99**

Period	Sales to wholesalers		Sales to retailers	
	Product 1	Product 2	Product 1	Product 2
<i>(In percent)</i>				
<b>1998:</b>				
January-March	28.1	17.4	(3)	(3)
April-June	22.3	(3.8)	(2.1)	6.3
July-September	(3)	(3)	(3)	(3)
October-December	(3)	(3)	(3)	(3)
<b>1999:</b>				
January-March	16.8	19.5	(3)	(3)
April-June	16.5	2.9	(16.6)	8.9
July-September	(3)	(3)	(3)	(3)
October-December	(3)	(3)	(3)	(3)
<sup>1</sup> Number 8 gold sparklers. <sup>2</sup> Number 10 gold sparklers. <sup>3</sup> No sales reported.				
Source: Compiled from responses to Commission questionnaires.				



**APPENDIX A**  
***FEDERAL REGISTER* NOTICES**



**ACTION:** Institution of a five-year review concerning the antidumping duty order on sparklers from China.

**SUMMARY:** The Commission hereby gives notice that it has instituted a review pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act) to determine whether revocation of the antidumping duty order on sparklers from China would be likely to lead to continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission;<sup>1</sup> to be assured of consideration, the deadline for responses is August 20, 1999. Comments on the adequacy of responses may be filed with the Commission by September 13, 1999.

For further information concerning the conduct of this review 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, D, E, and F (19 CFR part 207). Recent amendments to the Rules of Practice and Procedure pertinent to five-year reviews, including the text of subpart F of part 207, are published at 63 FR 30599, June 5, 1998, and may be downloaded from the Commission's World Wide Web site at <http://www.usitc.gov/rules.htm>.

**EFFECTIVE DATE:** July 1, 1999.

**FOR FURTHER INFORMATION CONTACT:** Mary Messer (202-205-3193) or Vera Libeau (202-205-3176), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>).

**SUPPLEMENTARY INFORMATION:**

<sup>1</sup> No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117-0016/USITC No. 99-5-024. Public reporting burden for the request is estimated to average 7 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW, Washington, DC 20436.

**INTERNATIONAL TRADE  
COMMISSION**

[Investigation No. 731-TA-464 (Review)]

**Sparklers From China**

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

### Background

On June 18, 1991, the Department of Commerce issued an antidumping duty order on imports of sparklers from China (56 FR 27946). The Commission is conducting a review to determine whether revocation of the order would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. It will assess the adequacy of interested party responses to this notice of institution to determine whether to conduct a full review or an expedited review. The Commission's determination in any expedited review will be based on the facts available, which may include information provided in response to this notice.

### Definitions

The following definitions apply to this review:

(1) Subject Merchandise is the class or kind of merchandise that is within the scope of the five-year review, as defined by the Department of Commerce.

(2) The Subject Country in this review is China.

(3) The Domestic Like Product is the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the Subject Merchandise. In its original determination, the Commission found one Domestic Like Product: sparklers.

(4) The Domestic Industry is the U.S. producers as a whole of the Domestic Like Product, or those producers whose collective output of the Domestic Like Product constitutes a major proportion of the total domestic production of the product. In its original determination, the Commission found one Domestic Industry: producers of sparklers.

(5) The Order Date is the date that the antidumping duty order under review became effective. In this review, the Order Date is June 18, 1991.

(6) An Importer is any person or firm engaged, either directly or through a parent company or subsidiary, in importing the Subject Merchandise into the United States from a foreign manufacturer or through its selling agent.

### Participation in the Review and Public Service List

Persons, including industrial users of the Subject Merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the review as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11(b)(4) of the

Commission's rules, no later than 21 days after publication of this notice in the Federal Register. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the review.

### Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and APO Service List

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI submitted in this review available to authorized applicants under the APO issued in the review, provided that the application is made no later than 21 days after publication of this notice in the Federal Register.

Authorized applicants must represent interested parties, as defined in 19 U.S.C. 1677(9), who are parties to the review. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

### Certification

Pursuant to § 207.3 of the Commission's rules, any person submitting information to the Commission in connection with this review must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will be deemed to consent, unless otherwise specified, for the Commission, its employees, and contract personnel to use the information provided in any other reviews or investigations of the same or comparable products which the Commission conducts under Title VII of the Act, or in internal audits and investigations relating to the programs and operations of the Commission pursuant to 5 U.S.C. Appendix 3.

### Written Submissions

Pursuant to § 207.61 of the Commission's rules, each interested party response to this notice must provide the information specified below. The deadline for filing such responses is August 20, 1999. Pursuant to § 207.62(b) of the Commission's rules, eligible parties (as specified in Commission rule 207.62(b)(1)) may also file comments concerning the adequacy of responses to the notice of institution and whether the Commission should conduct an expedited or full review. The deadline for filing such comments is September 13, 1999. All written submissions must conform with the provisions of §§ 201.8 and 207.3 of the Commission's rules and any submissions that contain BPI must also

conform with the requirements of §§ 201.6 and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means. Also, in accordance with §§ 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the review must be served on all other parties to the review (as identified by either the public or APO service list as appropriate), and a certificate of service must accompany the document (if you are not a party to the review you do not need to serve your response).

### Inability To Provide Requested Information

Pursuant to § 207.61(c) of the Commission's rules, any interested party that cannot furnish the information requested by this notice in the requested form and manner shall notify the Commission at the earliest possible time, provide a full explanation of why it cannot provide the requested information, and indicate alternative forms in which it can provide equivalent information. If an interested party does not provide this notification (or the Commission finds the explanation provided in the notification inadequate) and fails to provide a complete response to this notice, the Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determination in the review.

### Information To Be Provided in Response to This Notice of Institution

As used below, the term "firm" includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address if available) and name, telephone number, fax number, and E-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the Domestic Like Product, a U.S. union or worker group, a U.S. importer of the Subject Merchandise, a foreign producer or exporter of the Subject Merchandise, a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in this review by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the antidumping duty order on the Domestic Industry in

general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of Subject Merchandise on the Domestic Industry.

(5) A list of all known and currently operating U.S. producers of the Domestic Like Product. Identify any known related parties and the nature of the relationship as defined in section 771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the Subject Merchandise and producers of the Subject Merchandise in the Subject Country that currently export or have exported Subject Merchandise to the United States or other countries since 1990.

(7) If you are a U.S. producer of the Domestic Like Product, provide the following information on your firm's operations on that product during calendar year 1998 (report quantity data in units and value data in thousands of U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the Domestic Like Product accounted for by your firm's(s') production; and

(b) The quantity and value of U.S. commercial shipments of the Domestic Like Product produced in your U.S. plant(s); and

(c) The quantity and value of U.S. internal consumption/company transfers of the Domestic Like Product produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the Subject Merchandise from the Subject Country, provide the following information on your firm's(s') operations on that product during calendar year 1998 (report quantity data in units and value data in thousands of U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping or countervailing duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of Subject Merchandise from the Subject Country accounted for by your firm's(s') imports; and

(b) The quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. commercial shipments of Subject Merchandise imported from the Subject Country; and

(c) The quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. internal consumption/company transfers of Subject Merchandise imported from the Subject Country.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the Subject Merchandise in the Subject Country, provide the following information on your firm's(s') operations on that product during calendar year 1998 (report quantity data in units and value data in thousands of U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping or countervailing duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of Subject Merchandise in the Subject Country accounted for by your firm's(s') production; and

(b) The quantity and value of your firm's(s') exports to the United States of Subject Merchandise and, if known, an estimate of the percentage of total exports to the United States of Subject Merchandise from the Subject Country accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the Domestic Like Product that have occurred in the United States or in the market for the Subject Merchandise in the Subject Country since the Order Date, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the Domestic Like Product produced in the United States, Subject Merchandise

produced in the Subject Country, and such merchandise from other countries.

(11) (OPTIONAL) A statement of whether you agree with the above definitions of the Domestic Like Product and Domestic Industry; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

**Authority:** This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to § 207.61 of the Commission's rules.

Issued: June 25, 1999.

By order of the Commission.

**Donna R. Koehnke,**

*Secretary*

[FR Doc. 99-16820 Filed 6-30-99; 8:45 am]

BILLING CODE 7020-02-P





For further information concerning the conduct of this review 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, D, E, and F (19 CFR part 207). Recent amendments to the Rules of Practice and Procedure pertinent to five-year reviews, including the text of subpart F of part 207, are published at 63 FR 30599, June 5, 1998, and may be downloaded from the Commission's World Wide Web site at <http://www.usitc.gov/rules.htm>.

**EFFECTIVE DATE:** October 1, 1999.

**FOR FURTHER INFORMATION CONTACT:**

George Deyman (202-205-3197), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>).

**SUPPLEMENTARY INFORMATION:** On October 1, 1999, the Commission determined that it should proceed to a full review in the subject five-year review pursuant to section 751(c)(5) of the Act. The Commission found that the domestic interested party group response to its notice of institution (64 FR 35689, July 1, 1999) was adequate and that the respondent interested party group response was inadequate. The Commission also found that other circumstances warranted conducting a full review.<sup>1</sup>

A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's web site.

**Authority:** This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

**By order of the Commission.**

Issued: October 8, 1999.

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

[FR Doc. 99-26907 Filed 10-14-99; 8:45 am]

**BILLING CODE 7020-02-P**

<sup>1</sup> Chairman Bragg and Commissioner Crawford dissenting.

**INTERNATIONAL TRADE  
COMMISSION**

[Investigation No. 731-TA-464 (Review)]

**Sparklers From China**

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

**ACTION:** Notice of Commission determination to conduct a full five-year review concerning the antidumping duty order on sparklers from China.

**SUMMARY:** The Commission hereby gives notice that it will proceed with a full review pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) to determine whether revocation of the antidumping duty order on sparklers from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission has determined to exercise its authority to extend the review period by up to 90 days pursuant to 19 U.S.C. 1675(c)(5)(B); a schedule for the review will be established and announced at a later date.



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**DEPARTMENT OF COMMERCE**

**International Trade Administration**

**[A-570-804]**

**Final Results of Expedited Sunset  
Review: Sparklers From the People's  
Republic of China**

**AGENCY:** Import Administration,  
International Trade Administration,  
U.S. Department of Commerce. <sup>A-9</sup>

**ACTION:** Notice of final results of expedited sunset review: Sparklers from the People's Republic of China.

**SUMMARY:** On July 1, 1999, the Department of Commerce ("the Department") initiated a sunset review of the antidumping duty order on sparklers from the People's Republic of China (64 FR 35588) pursuant to section 751(c) of the Tariff Act of 1930, as amended ("the Act"). On the basis of a notice of intent to participate and adequate substantive response filed on behalf of a domestic interested party, and inadequate response (in this case, no response) from respondent interested parties, the Department determined to conduct an expedited sunset review. As a result of this review, the Department finds that revocation of the antidumping duty order would be likely to lead to continuation or recurrence of dumping at the levels indicated in the *Final Results of Review* section of this notice.

**EFFECTIVE DATE:** February 3, 2000.

**FOR FURTHER INFORMATION CONTACT:** Martha V. Douthit or Melissa G. Skinner, Office of Policy for Import Administration, International Trade Administration, U.S. Department of Commerce, 14th St. & Constitution Ave., NW, Washington, D.C. 20230; telephone (202) 482-5050 or (202) 482-1560, respectively.

**SUPPLEMENTARY INFORMATION:**

**Statute and Regulations**

This review was conducted pursuant to sections 751(c) and 752 of the Act. The Department's procedures for the conduct of sunset reviews are set forth in *Procedures for Conducting Five-year ("Sunset") Reviews of Antidumping and Countervailing Duty Orders*, 63 FR 13516 (March 20, 1998) ("*Sunset Regulations*") and in 19 CFR Part 351 (1999) in general. Guidance on methodological or analytical issues relevant to the Department's conduct of sunset reviews is set forth in the Department's Policy Bulletin 98:3—*Policies Regarding the Conduct of Five-year ("Sunset") Reviews of Antidumping and Countervailing Duty Orders; Policy Bulletin* 63 FR 18871 (April 16, 1998) ("*Sunset Policy Bulletin*").

**Scope**

The products covered by this order are sparklers from the People's Republic of China ("PRC"). Sparklers are fireworks each comprising a cut-to-length wire, one end of which is coated with a chemical mix that emits bright sparks while burning. Sparklers are currently classified under Harmonized

Tariff Schedule ("HTS") of the United States subheading 3604.10.00. The HTS subheading is provided for convenience and customs purposes. The written description remains dispositive.

The Department determined that Fritz Companies, Inc.'s 14 inch Morning Glory's are outside the scope of the order. See *Notice of Scope Ruling* 60 FR 36782 (July 18, 1995).

**History of the Order**

On May 6, 1991, the Department issued a final determination of sales at less than fair value on imports of sparklers from the PRC (56 FR 20588). In the final determination of sales at less than fair value the Department assigned the following dumping margins: Gaungxi Native Produce Import & Export Corporation ("Gaungxi")—1.64 percent, Hunan Provincial F&F Import & Export (Holding) Corporation ("Hunan")—93.54 percent, and Jiangxi Native Produce Import & Export Corporation ("Jiangxi")—65.78 percent, and "all others"—75.88 percent. The antidumping duty order on the subject merchandise was published in the *Federal Register* (56 FR 27946) on June 18, 1991. On July 29, 1993, the Department published the amendment to the final determination of sales at less than fair value and antidumping duty order in accordance with decision upon remand, in which the Department adjusted the margins for Guangxi—41.75 percent, Jiangxi—93.54 percent, and all others—93.54 percent (58 FR 40624).

There have been three administrative reviews of this order<sup>1</sup> and no investigations of duty absorption. The antidumping duty order remains in effect for all producers and exporters of sparklers from the PRC.

**Background**

On July 1, 1999, the Department initiated a sunset review of the antidumping duty order on sparklers from the PRC pursuant to section 751(c) of the Act (64 FR 35588). On July 13, 1999 we received a Notice of Intent to Participate on behalf of Diamond Sparklers Company ("Diamond") within the deadline specified in section 351.218(d)(1)(i) of the *Sunset Regulations*. We received a complete substantive response from Diamond on July 30, 1999, within the deadline

<sup>1</sup> See *Sparklers from the People's Republic of China; Final Results of Antidumping Duty Administrative Review*, 60 FR 16605 (March 31, 1995), *Sparklers from the People's Republic of China; Final Results of Antidumping Duty Administrative Review*, 60 FR 54335 (October 23, 1995), and *Sparklers from the People's Republic of China; Final Results of Antidumping Duty Administrative Review*, 61 FR 39630 (July 30, 1996).

specified in section 351.218(d)(3)(i) of the *Sunset Regulations*. Diamond claimed interested party status under section 771(9)(C) of the Act as a U.S. producer of a domestic like product. Diamond was a petitioner in the original investigation. We did not receive any response from respondent interested parties in this review. As a result, and in accordance with our regulations (19 CFR § 351.218(e)(1)(ii)(C)(2)) we determined to conduct an expedited sunset review of this order.

In accordance with section 751(c)(5)(C)(v) of the Act, the Department may treat a review as extraordinarily complicated if it is a review of a transition order (*i.e.* an order in effect on January 1, 1995). Therefore, on November 16, 1999, the Department determined that the sunset review of the antidumping duty order on sparklers from the PRC is extraordinarily complicated and extended the time limit for completion of the final results of this review until not later than January 27, 2000, in accordance with section 751(c)(5)(B) of the Act (*see* 64 FR 62167).

**Determination**

In accordance with section 751(c)(1) of the Act, the Department conducted this review to determine whether revocation of the antidumping order would be likely to lead to continuation or recurrence of dumping. Section 752(c)(1) of the Act provides that, in making this determination, the Department shall consider the weighted-average dumping margins determined in the investigation and subsequent reviews and the volume of imports of the subject merchandise for the period before and the period after the issuance of the antidumping order. Pursuant to section 752(c)(3) of the Act, the Department shall provide to the International Trade Commission ("the Commission") the magnitude of the margin of dumping likely to prevail if the order is revoked.

The Department's determinations concerning continuation or recurrence of dumping and magnitude of the margin are discussed below. In addition, Diamond's comments with respect to the continuation or recurrence of dumping and the magnitude of the margin are addressed within the respective sections below.

**Continuation or Recurrence of Dumping**

Drawing on the guidance provided in the legislative history accompanying the Uruguay Round Agreements Act ("URAA"), specifically the Statement of Administrative Action ("the SAA"),<sup>0</sup>

H.R. Doc. No. 103-316, vol. 1 (1994), the House Report, H.R. Rep. No. 103-826, pt. 1 (1994), and the Senate Report, S. Rep. No. 103-412 (1994), the Department issued its *Sunset Policy Bulletin* providing guidance on methodological and analytical issues, including the basis for likelihood determinations. The Department clarified that determinations of likelihood will be made on an order-wide basis. See section II.A.2 of the *Sunset Policy Bulletin* (April 16, 1998 (63 FR 18871)). Additionally, the Department normally will determine that revocation of an antidumping order is likely to lead to continuation or recurrence of dumping where (a) dumping continued at any level above *de minimis* after the issuance of the order, (b) imports of the subject merchandise ceased after the issuance of the order, or (c) dumping was eliminated after the issuance of the order and import volumes for the subject merchandise declined significantly (see section II.A.3 of the *Sunset Policy Bulletin*).

In addition to considering the guidance on likelihood cited above, section 751(c)(4)(B) of the Act provides that the Department shall determine that revocation of an order is likely to lead to continuation or recurrence of dumping where a respondent interested party waives its participation in the sunset review. In the instant review, the Department did not receive a response from any respondent interested party. Pursuant to section 351.218(d)(2)(iii) of the *Sunset Regulations* this constitutes a waiver of participation.

With respect to whether dumping continued at any level above *de minimis* after the issuance of the order, Diamond argues that over the history of this order the Department has imposed a 93.54 percent dumping margin on all sparklers from the PRC. Dumping continued after the issuance of the order, and continues to the present day. Diamond therefore argues that under the Department's own standard, this order cannot be revoked. Citing to the Department's *Sunset Policy Bulletin*, Diamond maintains that if companies continue to dump with the discipline of an order in place, it is reasonable to assume that dumping would continue if the discipline were removed.

With respect to import volumes of the subject merchandise, Diamond states that sparklers enter the U.S. under a single tariff code with other fireworks and, therefore, statistical data on sparklers alone is not available. However, Diamond provided data from the ITC's final determination (based on questionnaire responses) that illustrate a

substantial increase of imports prior to the antidumping duty order. See Diamond's July 30, 1999, Substantive Response at 5.

Finally, Diamond concludes that because a dumping margin of 93.54 percent continues to exist, import volumes are increasing, and exporters and producers of the subject merchandise continue to undersell the subject merchandise in the United States, the Department should determine that there is likelihood of the continuation of dumping of sparklers from the PRC if the order were revoked. See Diamond's July 30, 1999, Substantive Response at 5).

As discussed in section II.A.3 of the *Sunset Policy Bulletin*, the SAA at 890, and the House Report at 63-64, existence of dumping margins after the order is issued is highly probative of the likelihood of continuation or recurrence of dumping. If companies continue to dump with the discipline of an order in place, the Department may reasonably infer that dumping would continue if the discipline of the order were revoked. After examining published findings with respect to the weighted-average dumping margins in previous administrative reviews,<sup>2</sup> we determined that Chinese manufacturers/exporters continued to dump the subject merchandise after the issuance of the order.

Based on information available from Customs in its annual reports to Congress on the administration of the antidumping and countervailing duty statutes (available on the Department's sunset web site) annual import values have fluctuated between fiscal years 1993 and 1998.

We agree with Diamond that dumping above *de minimis* rates continued to exist in this case. Given that dumping above *de minimis* continued, respondent interested parties waived their right to participate in the instant review, and absent argument and evidence to the contrary, the Department determines that dumping would likely continue or recur if the order on sparklers from the PRC were revoked.

#### Magnitude of the Margin

In the *Sunset Policy Bulletin* the Department stated that, consistent with the SAA and House Report, the Department will provide to the Commission the company-specific margin from the investigation because that is the only calculated rate that

<sup>2</sup> See Footnote 1. In each administrative reviews the Department found dumping margins of 93.54 percent.

reflects the behavior of exporters without the discipline of an order. Further, for companies not specifically investigated, or for companies that did not begin shipping until after the order was issued, the Department normally will provide a margin based on the "all others" rate from the investigation. (See section II.B.1 of the *Sunset Policy Bulletin*.) Exceptions to this policy include the use of a more recently calculated margin, where appropriate, and consideration of duty absorption determinations. (See sections II.B.2 and 3 of the *Sunset Policy Bulletin*.)

With respect to the magnitude of the margin likely to prevail if the order were revoked, Diamond urges the Department to reject the margins from the original investigation, and to select instead 93.54 percent the dumping margin from the administrative reviews. Diamond bases its argument on the respondents' failure to either request or participate in administrative reviews since the issuance of the order.

As noted above, consistent with the SAA and House Report, the Department normally will provide to the Commission the company-specific margin from the investigation because that is the only calculated rate that reflects the behavior of exporters without the discipline of an order. Further, we stated in the *Sunset Policy Bulletin* that where a company chooses to increase dumping in order to maintain or increase market share, an increasing margin may be more representative of a company's behavior in the absence of the order. In this case, however, Diamond has merely asserted that a more recent rate is appropriate based on respondents failure to request or participate in an administrative review. Therefore, we disagree with Diamond on selecting 93.54 percent for all producers and exporters as the margin likely to continue if the order is revoked.

Rather, consistent with the *Sunset Policy Bulletin* we find that the margins from the original investigation are probative of the behavior of exporters of sparklers without the discipline of the order and we will report to the Commission the margins contained in the Final Results of Review section of this notice.

#### Final Results of Review

As a result of this review, the Department finds that revocation of the antidumping order would be likely to lead to continuation or recurrence of dumping at the levels indicated below.

Manufacturer/exporter	Margin (percent)
Gaungxi Native Produce Import & Export Corporation, Behai Fireworks and Firecrackers Branch .....	41.75
Hunan Provincial Firecrackers & Fireworks Import & Export (Holding) Corporation .....	93.54
Jiangxi Native Produce Import & Export Corporation Guangzhou Fireworks Com- pany .....	93.54
All others .....	93.54

This notice serves as the only reminder to parties subject to administrative protective order ("APO") of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305 of the Department's regulations. Timely notification of return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

This five-year ("sunset") review and notice are in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: January 27, 2000.

**Holly Kuga,**

*Acting Assistant Secretary for Import Administration.*

[FR Doc. 00-2294 Filed 2-2-00; 8:45 am]

**BILLING CODE 3510-DS-P**

## INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-464 (Review)]

### Sparklers From China

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

**ACTION:** Scheduling of a full five-year review concerning the antidumping duty order on sparklers from China.

**SUMMARY:** The Commission hereby gives notice of the scheduling of a full review pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty order on sparklers from China would be likely to lead to continuation or recurrence of material injury. For further information concerning the conduct of this review 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, D, E, and F (19 CFR part 207). Recent amendments to the Rules of Practice and Procedure pertinent to five-year reviews, including the text of subpart F of part 207, are published at 63 FR 30599, June 5, 1998, and may be

<sup>1</sup> The notice of institution for all of the subject reviews was published in the Federal Register on November 2, 1999 (64 FR 59209, November 2, 1999).

downloaded from the Commission's World Wide Web site at <http://www.usitc.gov/rules.htm>.

**EFFECTIVE DATE:** February 8, 2000.

**FOR FURTHER INFORMATION CONTACT:** Fred Ruggles (202-205-3187), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>).

### SUPPLEMENTARY INFORMATION:

#### Background

On October 1, 1999, the Commission determined that responses to its notice of institution of the subject five-year review were such that a full review pursuant to section 751(c)(5) of the Act should proceed (64 FR 55960, October 15, 1999). A record of the Commissioners' votes and the Commission's statement on adequacy are available from the Office of the Secretary and at the Commission's web site.

#### Participation in the Review and Public Service List

Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in this review as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the review need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the review.

#### Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this review available to authorized applicants under the APO issued in the review, provided that the application is made by 45 days

after publication of this notice.

Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the review. A party granted access to BPI following publication of the Commission's notice of institution of the review need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

#### Staff Report

The prehearing staff report in the review will be placed in the nonpublic record on April 21, 2000, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

#### Hearing

The Commission will hold a hearing in connection with the review beginning at 9:30 a.m. on May 11, 2000, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before May 3, 2000. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on May 5, 2000, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), 207.24, and 207.66 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

#### Written Submissions

Each party to the review may submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.65 of the Commission's rules; the deadline for filing is May 2, 2000. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.67 of the Commission's rules. The deadline for filing posthearing briefs is May 25, 2000; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the review may submit a written

statement of information pertinent to the subject of the review on or before May 25, 2000. On June 16, 2000, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before June 20, 2000, but such final comments must not contain new factual information and must otherwise comply with section 207.68 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the review must be served on all other parties to the review (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 review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: February 8, 2000.

By order of the Commission.

**Donna R. Koehnke,**

*Secretary.*

[FR Doc. 00-3710 Filed 2-15-00; 8:45 am]

BILLING CODE 7020-02-P



## EXPLANATION OF COMMISSION DETERMINATIONS ON ADEQUACY

in

### *Sparklers From China*, Investigation No. 731-TA- 464 (Review)

On October 1, 1999, the Commission determined that it should proceed to a full review in the subject five-year review pursuant to section 751(c)(5) of the Tariff Act Of 1930, as amended (19 U.S.C. §1675(c)(5)).<sup>1</sup>

Regarding domestic interested parties, the Commission received responses from two domestic producers, Diamond Sparkler Company, which supports the continuation of the antidumping duty order, and Elkton Sparkler Company (“Elkton”), which seeks the revocation of the antidumping duty order against China. Together these two producers account for all 1998 U.S. production of sparklers. Regarding respondent interested parties, the Elkton response also states that Elkton is an importer of the subject merchandise from China. The Commission did not receive a response from any other respondent interested party.<sup>2</sup>

The Commission determined that the domestic interested party group response was adequate. Because no respondent interested party other than Elkton responded to the notice of institution in the review, and Elkton accounts for only a *de minimis* share of the subject imports, the Commission determined that the respondent interested party group response was inadequate.<sup>3</sup> However, the Commission determined to exercise its discretion to conduct a full review based upon information received from the parties regarding structural changes taking place in the U.S. industry.

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<sup>1</sup> Chairman Bragg and Commissioner Crawford dissented from the decision to conduct a full review and determined that the Commission should conduct an expedited review.

<sup>2</sup> Commissioner Crawford determined that Elkton is not a respondent interested party. Elkton did not specifically file its response to the notice of institution as an importer of the subject merchandise. In addition, Elkton has provided particular information and data in its response that establishes its role as a U.S. producer of sparklers. Although Elkton reports that its is an importer subject merchandise, omissions of critical data, as well as specific information provided by Elkton, support a conclusion that Elkton is not an importer of subject merchandise. Thus, Commissioner Crawford determined that the Commission did not receive a respondent interested party response to its notice of institution.

<sup>3</sup> As previously noted, Commissioner Crawford determined that the Commission did not receive a respondent interested party response to its notice of institution. Therefore, she determined that the respondent interested party group response was inadequate.



**APPENDIX B**  
**HEARING WITNESSES**



**CALENDAR OF THE PUBLIC HEARING**

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

**SPARKLERS FROM CHINA**

**Investigation No. 731-TA-464 (Review)**

**May 11, 2000 - 9:30 am**

The hearing was held in Room 101 (Main Hearing Room) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

**In Support of the Continuation of the Antidumping Order:**

Thompson Coburn, LLP  
Washington, DC  
on behalf of

Diamond Sparkler Manufacturing Company

**Bruce Zoldan**, CEO  
**Alan Zoldan**, Executive Vice President

**Marcela B. Stras** )--OF COUNSEL

**In Support of the Revocation of the Antidumping Order:**

Barnes, Richardson & Colburn  
Washington, DC  
on behalf of

Elkton Sparkler Company, Incorporated

**Charles Shivery**, President

**Matthew T. McGrath** )--OF COUNSEL  
**Michael J. Chessler** )



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





**Table C-1**

**Sparklers: Summary data concerning the U.S. market, 1998-99**

\* \* \* \* \*

**Table C-2**

**Sparklers: Summary data concerning Elkton, 1998-99**

\* \* \* \* \*

**Table C-3**

**Sparklers: Summary data concerning Diamond, 1998-99**

\* \* \* \* \*



**APPENDIX D**

**U.S. PRODUCERS', U.S. IMPORTERS', U.S. PURCHASERS',  
AND FOREIGN PRODUCERS' COMMENTS REGARDING  
THE EFFECTS OF THE ORDER AND THE LIKELY  
EFFECTS OF REVOCATION**



**U.S. PRODUCERS' COMMENTS REGARDING THE EFFECTS  
OF THE ORDER AND THE LIKELY EFFECTS  
OF REVOCATION**

**Anticipated Operational/Organizational Changes if the Order Were  
Revoked (Question II-4)**

The Commission requested U.S. producers to describe any anticipated changes in the character of their operations or organization relating to the production of sparklers in the future if the antidumping duty order on imports of the subject products from China were revoked. Their responses follow:

\*\*\*\_“\*\*\*.”  
\*\*\*\_“\*\*\*.”

**Significance of Existing Order in Terms of Trade and Related Data (Question II-14)**

The Commission requested U.S. producers to describe the significance of the existing antidumping duty order on imports of sparklers from China in terms of its effect on their firm's production capacity, production, U.S. shipments, inventories, purchases, and employment. Their responses follow:

\*\*\*\_“\*\*\*.”  
\*\*\*\_“\*\*\*.”

**Anticipated Changes in Trade and Related Data if the Order were Revoked (Question II-15)**

The Commission requested U.S. producers to describe the any anticipated changes if the existing antidumping duty order on imports of sparklers from China were revoked in terms of its effect on their firm's production capacity, production, U.S. shipments, inventories, purchases, and employment. Their responses follow:

\*\*\*\_“\*\*\*.”  
\*\*\*\_“\*\*\*.”

**Significance of Existing Orders in Terms of Financial Data (Question III-8)**

The Commission requested U.S. producers to describe the significance of the existing antidumping duty order covering imports of sparklers from China in terms of its effect on their revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values. Their responses follow:

\*\*\*\_“\*\*\*.”  
\*\*\*\_“\*\*\*.”

**Anticipated Changes in Financial Data if the Order Were Revoked (Question III-9)**

The Commission asked U.S. producers whether they would anticipate any changes in their revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, or asset values relating to the production of sparklers in the future if the antidumping duty order on sparklers from China were to be revoked. Their responses follow:

\*\*\*\_“\*\*\*.”  
\*\*\*\_“\*\*\*.”

**U.S. IMPORTERS’ COMMENTS REGARDING THE EFFECTS  
OF THE ORDERS AND THE LIKELY EFFECTS  
OF REVOCATION**

**Anticipated Operational/Organizational Changes if the Order Were  
Revoked (Question II-4)**

The Commission requested U.S. importers to describe any anticipated changes in the character of their operations or organization relating to the importation of sparklers in the future if the antidumping duty order on imports of the subject products from China were revoked. Their responses follow:

\* \* \* \* \*

**Significance of Existing Order in Terms of Trade and Related Data (Question II-8)**

The Commission requested U.S. importers to describe the significance of the existing antidumping duty order on imports of sparklers from China on their firm’s imports, U.S. shipments of imports, and inventories. Their responses follow:

\* \* \* \* \*

**Anticipated Changes if the Existing Order were Revoked (Question II-9)**

The Commission requested U.S. importers to describe any anticipated changes to their operations if the antidumping duty order on imports of the subject products from China was revoked. Their responses follow:

\* \* \* \* \*

**U.S. PURCHASERS' COMMENTS REGARDING THE EFFECTS  
OF THE ORDER AND THE LIKELY EFFECTS  
OF REVOCATION**

**Effects of Revocation of Order on Individual Purchasers  
and the Market as a Whole (Question III-6)**

The Commission asked purchasers to assess the likely effects of the revocation of the antidumping duties on (1) the future activities of their firms and (2) the U.S. market for sparklers as a whole. Their responses follow:

\* \* \* \* \*

**FOREIGN PRODUCERS' COMMENTS REGARDING THE EFFECTS  
OF THE ORDER AND THE LIKELY EFFECTS  
OF REVOCATION**

**Anticipated Operational/Organizational Changes if the Order Were  
Revoked (Question II-3)**

The Commission requested foreign producers/exporters to describe any anticipated changes in the character of their operations or organization relating to the production of sparklers in the future if the antidumping duty order on imports of the subject products from China were revoked. Their responses follow:

“\*\*\*”\_“\*\*\*”

**Significance of Existing Order in Terms of Trade and Related Data (Question II-15)**

The Commission requested foreign producers/exporters to describe the significance of the existing antidumping duty order on their production capacity, production, home market shipments, exports to the United States and other markets, and inventories relating to the production of sparklers. Their responses follow:

“\*\*\*”\_“\*\*\*”

**Anticipated Changes in Trade and Related Data if Order Were Revoked (Question II-16)**

The Commission requested foreign producers/exporters to describe any anticipated changes in their production capacity, production, home market shipments, exports to the United States and other markets, and inventories if the antidumping duty order was revoked. Their responses follow:

“\*\*\*”\_“\*\*\*”





**APPENDIX E**  
**ECONOMIC MODEL RESULTS**



\* \* \* \* \*



