

CERTAIN CHAINS AND PARTS THEREOF FROM JAPAN

**Determination of the Commission
in Investigation No. 701-TA-20
(Preliminary) Under the Tariff Act
of 1930, as Amended,
Together With the Information
Obtained in the Investigations**



USITC PUBLICATION 1039

FEBRUARY 1980

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Catherine Bedell, Chairman
Bill Alberger, Vice Chairman
George M. Moore
Paula Stern
Michael J. Calhoun

Kenneth R. Mason, Secretary to the Commission

This report was prepared principally by
John W. De Pauw, Office of Industries

Lynn Featherstone, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

C O N T E N T S

	<u>Page</u>
Determination of the Commission-----	1
Views of Chairman Catherine Bedell, Vice Chairman Bill Alberger, and Commissioners George M. Moore, Paula Stern, and Michael J. Calhoun-----	3
Additional views of Commissioners Alberger, Stern, and Calhoun-----	6
Information obtained in the investigation:	
Introduction-----	A-1
Description and uses-----	A-2
Nature and extent of alleged bounties or grants being paid or bestowed-----	A-3
U.S. tariff treatment-----	A-4
U.S. producers-----	A-6
U.S. market and channels of distribution-----	A-6
Consideration of injury-----	A-7
U.S. imports-----	A-7
U.S. exports-----	A-9
Appendix A. Administering authority's letter to the Commission-----	A-11
Appendix B. Treasury's <u>Federal Register</u> notices-----	A-15
Appendix C. U.S. International Trade Commission notice of preliminary countervailing duty investigation and conference-----	A-21
Appendix D. Letter from petitioner requesting withdrawal-----	A-23
Appendix E. Statistical tables-----	A-27

Tables

1. Tire and wheel chain: U.S. imports for consumption, by principal sources, 1978 and 1979-----	A-28
2. Welded chain: U.S. imports for consumption, by principal sources, 1978 and 1979-----	A-29
3. Weldless chain: U.S. imports for consumption, by principal sources, 1978 and 1979-----	A-30

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436

[701-TA-20 (Preliminary)]

CERTAIN CHAINS AND PARTS THEREOF FROM JAPAN

Determination of the Commission

On the basis of the Record developed in investigation No. 701-TA-20 (Preliminary), undertaken by the United States International Trade Commission under section 703(a) of the Tariff Act of 1930, the Commission unanimously determines that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of chains and parts thereof from Japan, provided for in items 652.24, 652.27, 652.30, 652.33, and 652.35 of the Tariff Schedules of the United States, and alleged to be receiving an additional subsidy over the 2 percent duty now being collected on the basis of the final determination of the Department of the Treasury on August 24, 1978, with respect to such chains and parts thereof from Japan. With respect to the issue of injury by reason of the subsidy practices already found to exist under the final determination of August 24, 1978, the issue is not ripe for determination until such time as the Commission institutes a case under section 104(b) of the Trade Agreements Act of 1979.

Section 102(a)(1) of the Trade Agreements Act of 1979 requires the Commission to conduct preliminary countervailing duty investigations in cases where, on January 1, 1980, the administering authority has begun an investigation, but not yet made a preliminary determination, under section 303 of the Tariff Act of 1930 as to whether a bounty or grant is being

paid or bestowed. On January 7, 1980, the Commission received advice from the Department of Commerce (the administering authority effective January 1, 1980) that such an investigation had been instituted prior to January 1, 1980, with respect to imported chains and parts thereof from Japan. Accordingly, effective January 1, 1980, the Commission instituted a preliminary countervailing duty investigation under section 703(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of chains and parts thereof from Japan.

Notice of the institution of the Commission's investigation and of the conference held in connection therewith was published in the Federal Register of January 14, 1980 (45 F.R. 2714). On February 1, 1980, a public conference was held in Washington, D.C., and all persons requesting the opportunity were permitted to appear in person or by counsel. The public conference opened as scheduled, but no witnesses appeared.

In arriving at its determination, the Commission gave due consideration to information provided by the administering authority, all written submissions from interested parties, and information adduced at the conference and obtained by the Commission's staff from questionnaires, documented personal interviews, and other sources which are a part of the official record.

VIEWS OF CHAIRMAN CATHERINE BEDELL,
VICE CHAIRMAN BILL ALBERGER, AND COMMISSIONERS GEORGE M. MOORE,
PAULA STERN AND MICHAEL J. CALHOUN

In order for the Commission to find in the affirmative in a preliminary injury determination under Section 701 of the Tariff Act of 1930 (19 U.S.C. 1671(b)), it is necessary to find that sufficient information has been presented to show that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise which is the subject of the investigation allegedly benefiting from subsidies provided by a foreign government.

In this investigation, we have determined that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or that the establishment of an industry in the United States is materially retarded,* by reason of the importation from Japan of certain chains and parts thereof provided for in items numbers 652.24, 652.27, 652.30, 652.33, and 652.35 of the Tariff Schedules of the United States (TSUS), which are alleged to be receiving subsidies from the Government of Japan in excess of the two percent duty presently being collected as a result of a final determination published by the Treasury Department August 24, 1978. We recognize that the Treasury Department reopened that earlier determination when it commenced its consideration of the petitioner's new claim that Japan's yen maintenance program constitutes a bounty or grant. However, notwithstanding the reopening, the administering authority is continuing to collect the two percent duty, and the duty remains in effect until

* Material retardation of the establishment of an industry in the United States is not an issue in this investigation (see Report, p. A-6).

modified or revoked. Thus, there remains outstanding a final countervailing duty order with respect to the product being investigated.

Section 104(b) of the Trade Agreements Act of 1979, which establishes for the first time a material injury test with respect to dutiable items subject to countervailing duties, provides that with respect to outstanding final duty orders, there is to be a material injury investigation only in those cases where such an investigation is requested by the country against which the order is issued. In this case, the Government of Japan has not requested such an investigation. Therefore, the Commission would violate section 104(b) if it were to act now on the injury question with respect to the final determination of a two percent subsidy without such a request from the Government of Japan.

The statute also requires that the Commission provide the opportunity for a hearing before ordering revocation of an outstanding countervailing duty order by a finding of no material injury. Even if a request had been made by the Government of Japan, Commission procedures with respect to preliminary inquiries do not provide, or even require, a hearing before the Commission of the type required prior to all determinations under section 104(b). * Therefore, the Commission would violate the spirit, if not the letter, of section 104(b) if it were to consider whether there is reasonable indication of injury with respect to a final countervailing duty order. For these reasons, we have considered only the question of whether material injury or threat thereof exists by reason of the new subsidy allegations by petitioner.

The petitioner has provided no information with respect to this investigation. Members of petitioner's organization did not answer Commission

* Compare Subpart B of Part 207 of the Commission's Rules (19 C.F.R.) with Subpart C, particularly sections 207.15 and 207.23.

questionnaires. Because petitioner and its constituent organizations did not provide the Commission with information tending to show injury, the record in this case is devoid of any support whatever for the proposition that there is a reasonable indication of injury with respect to imports of goods benefiting from Japan's yen maintenance program. We have therefore determined that there is no reasonable indication of injury with respect to such imports.

ADDITIONAL VIEWS OF COMMISSIONERS ALBERGER, STERN, AND CALHOUN

With respect to the absence of supporting information in this case, we wish to make two observations.

First, we cannot refuse to make any determination due to insufficient information in the Record. Under the preliminary determination procedures contained within Sections 703(a) and 733(a) of the Tariff Act of 1930 as amended by the Trade Agreements Act of 1979¹, the Commission is compelled in all cases to reach a finding on the reasonable indication question. This view is based on the plain language of these two sections that, "The Commission, within 45 days after the date on which a petition is filed...shall make a determination...of whether there is a reasonable indication" (emphasis added) of material injury or threat thereof or of material retardation of the establishment of an industry.

We see no ambiguity in this language on its face, but to the extent ambiguity may exist, the legislative history is unequivocal. The Report of the Committee on Ways and Means states, with regard to Section 703(a), that, "[T]he ITC must make a determination of whether there is a reasonable indication that an industry in the United States is being materially injured"² (emphasis added). With regard to Section 733(a), which contains identical language in providing for preliminary determinations in antidumping cases, the Committee Report states,

¹/ P.L. 96-39, July 26, 1979, 93 Stat. 144.

²/ House Report No. 96-317, 96th Cong. 1st Sess. (1979) at p. 51.

Section 733(a) amends present law by requiring the ITC to make, in every proceeding, a determination within 45 days...of whether there is a reasonable indication of injury.¹ (Emphasis added.)

The Report of the Committee on Finance is equally clear. With regard both to Sections 703(a) and 733(a) the Finance Committee uses identical language in expressing its views on their meaning: "The ITC would be required to make a determination...whether there is a reasonable indication that an industry in the United States is being materially injured or threatened with material injury, or the establishment of an industry in the United States is being materially injured."² (emphasis added.) Indeed, the Senate Report distinguishes this new provision from prior law by noting, inter alia, the very fact that this new provision establishes the "requirement that the ITC make a reasonable indication determination with respect to injury"³ (emphasis added).

While compelling the Commission to reach a determination in each case, Sections 703(a) and 733(a) are extraordinary procedures in that such determinations must be reached within a 45-day period. The changes made by the Trade Agreements Act of 1979 to the timing of decision-making in countervailing duty and antidumping cases, of which Sections 703(a) and 733(a) are only a small part, largely grew out of concern that the then established practice and, indeed, the existing law allowed too much time to pass between the initiation of a complaint

¹/ House Report No. 96-317, 96th Cong. 1st Sess. (1979) at p. 60.

²/ Ibid at pp. 48 and 64.

³/ Ibid at p. 49..

and the final collection of duties.¹ Although the new provisions under the Trade Agreements Act of 1979 extended the time period for preliminary determinations by 15 days but shortened the overall timetable, it was recognized that 45 days was still a very short time within which to reach even a preliminary decision.²

Thus, with this time burden in mind, the language in Sections 703 (a) and 733(a) that the Commission determinations should be "based upon the best information available to it at the time of the determination" is most reasonably construed to mean that the Commission is to do the best it can with the information before it in order to arrive at a preliminary decision within the 45 days allowed. Indeed, the Senate Report specifically states, that, "While the Committee recognizes that the ITC cannot conduct a full-scale investigation in 45 days, it expects the Commission to make every effort to conduct a thorough inquiry during that period. The nature of the inquiry may vary from case to case depending on the nature of the information available and the complexity of the issues."

It is, therefore, our view that, notwithstanding the absence of relevant information before it, the Commission is compelled, in all cases, to render a preliminary determination and in cases such as this one the only proper determination must be in the negative as to those

1/ House Report No. 96-317, 96th Cong. 1st Sess. (1979) at pp. 49, 59, and 61. See also Senate Report 96-249, 96th Cong. 1st Sess. (1979) at pp. 49 and 66.

2/ See Senate Report at p. 66.

subsidies that are properly before the Commission.

As a second matter, it is of concern to us that petitioners in this case have failed to provide any information bearing on the allegations in their petition. In separate views in 731-TA-4 (Microwave Ovens), Commissioners Stern and Calhoun expressed themselves on this matter in the broader context of non-parties and their obligation to come forward with information for the Commission under these procedures for reaching preliminary determinations. With regard to the obligation of parties to the petition to come forward with information reasonably available to them there can be no question: "The burden of proof under Section 703(a) would be on the petitioner."¹ We read this view of the Senate to be not simply a guidance regarding rules of evidence, but a prescription as to the obligation of parties seeking to invoke the authority of this institution in remedying the alleged adverse circumstances they face.

¹/ Senate Report 96-249, 96th Cong. 1st Sess. (1979) at p. 49.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

The Trade Agreements Act of 1979, section 102(a)(1), requires the United States International Trade Commission to conduct preliminary countervailing duty investigations in cases where on January 1, 1980, the administering authority has begun an investigation, but not made a preliminary determination under section 303 of the Tariff Act as to whether a bounty or grant is being paid or bestowed. On January 7, 1980, the Commission received advice from the administering authority that such an investigation had been instituted with respect to chains of iron or steel, the links of which are of stock essentially round in cross section, and parts thereof, from Japan, as provided for in item numbers 652.24, 652.27, 652.30, 652.33, and 652.35 of the Tariff Schedules of the United States (TSUS). ^{1/} Accordingly, effective January 1, 1980, the Commission instituted a preliminary countervailing duty investigation under section 703(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of allegedly subsidized imports of chains and parts thereof from Japan. The statute directs that the Commission make its determination within 45 days, or in this case, by February 14, 1980.

Notice of the institution of the Commission's investigation and of the conference held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's New York Office, and by publishing the notice in the Federal Register of January 14, 1980, (45 F.R. No. 9, page 2714). ^{2/}

Treasury conducted three previous countervailing duty investigations concerning chain and parts thereof. It announced subsidy findings with respect to imports from Italy on October 11, 1977, Spain on January 24, 1978, and Japan on August 24, 1978. Treasury reopened its investigation with respect to Japan in May 1979, after receiving a request from the National Association of Chain Manufacturers. The Commission's 45-day investigation to determine whether there is a reasonable indication of material injury is required since, as of January 1, 1980, Treasury had not yet made a preliminary determination in its reopened investigation pertaining to imports of chains and parts thereof from Japan.

^{1/} A copy of the administering authority's letter to the Commission is presented in app. A. A copy of its Federal Register notice of May 22, 1979, describing the scope of the investigation is provided in app. B. This notice appears inconsistent since it includes item 652.35 (non-round stock chain) in a description requiring round-stock chain. In recognition of this ambiguity, this report covers all chain in the listed item numbers, including item 652.35.

^{2/} A copy of the Commission's Notice of Investigation is presented in app. C.

Description and Uses

The term "chains and parts thereof," as used in this investigation, means chains and parts, of iron or steel, whether welded or not welded, including, but not limited to, tire chain, stamped chain, conveyor chains, bead chain, and chains fitted with attachments, i.e., hooks, grab links, coupling links, and rings. Welded chain is fabricated from carbon steel and alloy steel wire. The production process begins with the steel wire being fed into a wire-forming machine from a large coil at the head of the machine. The wire is passed through a die which cuts the length of wire necessary to form a complete link. The process is continuous; the newly formed link is turned on edge, and a following piece of cut wire is sent through the preceding link and formed. Heavy gauge chain, 0.75 inch in diameter or more, is formed from bar stock rather than wire. The stock is cut into small bars by a mechanical shear and then transferred and fed into a forming machine by hand or from an attached hopper. After the chain is formed, the open links are electrically welded on automatic welding machines.

A number of different designs of chain-producing machines are used by U.S. chain producers. Nearly all are designed and built by the individual chain manufacturers or purchased from European machine builders and modified to suit each firm's needs. Most chain-forming machines are designed to form links only; however, at least one American chain manufacturer is using machines which weld as well as form each link. This equipment represents the latest in chain-manufacturing technology worldwide.

Welded alloy chains are heat treated, which includes quenching and tempering, to increase overall physical strength. Carbon steel chains are annealed and/or case hardened to increase surface hardness and thereby improve wearability. Following the heat treatment process, each chain is proof tested to insure that all welds are sound and the chain meets load requirements. During proof testing, the chain is also stretched to the proper length (pitch). The chain may then be galvanized in a molten zinc bath to provide greater corrosion resistance or electrogalvanized for customer eye appeal. Numerous other coatings are also used, however, zinc coating remains the most popular.

Welded chain made from alloy steel is primarily used for overhead lifting. Welded chain made from high-carbon steel includes high-test and transport chain used for load binding, towing, and logging. Welded chain of low-carbon steel, known as proof coil chain, is for general use where great strength is not needed.

Weldless chain is manufactured automatically by machines which twist, knot, or wrap lengths of carbon steel wire into interconnecting links of various sizes and styles. Weldless chain is not heat treated, and only a small sample is tested. A large part of this chain is electrogalvanized for customer eye appeal. Such chains fill a general utility need where loads or stresses are not high. Weldless chains include twisted link chain, bead chain, decorative chain, and stamped chain, whose links are formed from flat strip. Twisted link chain makes up the bulk of all weldless chain production.

Chain is packaged for shipment in three basic modes. A large part of welded chain is shipped in bulk in metal or plastic pails. Chain destined for sale in retail stores and equipment sales outlets is shipped on reels for ease of customer handling and eye appeal. Chains that are in specific product form, such as animal leashes and tire chains, may be individually packaged for marketing in retail stores.

Nature and Extent of Alleged Bounties or
Grants Being Paid or Bestowed

On July 29, 1977, the National Association of Chain Manufacturers filed a petition with the Treasury Department alleging that the Government of Japan was bestowing bounties or grants within the meaning of section 303 of the Trade Act of 1930, as amended (19 U.S.C. 1303) on the exports of steel chains and parts thereof to the United States. In the Federal Register of February 7, 1978, the Treasury Department announced a preliminary determination that the investigation had indicated that the Government of Japan had in fact bestowed bounties or grants to the exports of chains, and on August 24, 1978, the Treasury Department announced in the Federal Register that a final determination had been made that the Government of Japan had bestowed on exports of steel chains to the United States a benefit equivalent to 2.0 percent ad valorem. These bounties or grants included: (1) interest-free loans in the form of tax deferrals on funds held in the Overseas Market Development Reserve (OMDR), and (2) export promotional assistance from the Japan External Trade Organization (JETRO). These programs are subsidies in that they defray costs which would otherwise be incurred by Japanese chain exporters. The U.S. Customs Service is currently collecting a countervailing duty on imports of chain from Japan to offset these subsidies.

In May 1979, the National Association of Chain Manufacturers alleged that additional bounties or grants are being paid or bestowed on the manufacture and exportation of chains and parts under the "Temporary Measures Act for Small and Midsize Business With Regard to the High Yen Exchange Market." This program establishes a number of methods by which the Government of Japan can provide assistance to small and midsize Japanese firms which export and whose competitiveness has been adversely affected by the rapid appreciation of the yen. Assistance is provided in the form of: (1) low-cost loans; (2) the right to carryback current losses related to yen appreciation up to 3 years to offset income as well as corporate and local taxes paid, and (3) special Government credit guarantees for firms affected by yen appreciation over and above those otherwise offered to small and mid-size businesses. On the basis of these allegations, Treasury reopened the investigation. 1/

1/ Copies of Treasury's Federal Register notices of Aug. 24, 1978 and May 22, 1979 are shown in app. B.

The scope of the Commission's determination in this investigation involves the reopening of the Department of Treasury investigation as to subsidies bestowed by the Government of Japan on chain exports to the United States. This includes Treasury's final determination of August 24, 1978, that the Government of Japan is bestowing on exports of chains to the United States a benefit equivalent to 2.0 percent ad valorem, which is still in effect, as well as any additional benefits that may be bestowed above the 2.0 percent ad valorem by the Government of Japan under the "Temporary Measures Act for Small and Midsize Business With Regard to the High Yen Exchange Market."

U.S. Tariff Treatment

The various chains and parts which are the subject of this investigation are classified for tariff purposes under TSUS items 652.24, 652.27, 652.30, 652.33, and 652.35. The column 1 rates of duty (most-favored-nation rates) and column 2 rates (applicable to imports from certain Communist-dominated countries) and rates applicable to products of the least developed developing countries (LDDC) are shown in the following table. The column 1 rates have been in effect since January 1, 1980.

All of the above chains are entitled to duty-free treatment under the Generalized System of Preferences (GSP). Designated eligible countries which are suppliers of chains and parts to the United States include Mexico, Yugoslavia, and the Republic of Korea.

Countervailing duties are currently being collected by the United States Customs Service on chains and parts from Spain, Italy, and Japan. These duties were put into effect on imports of chain from the aforementioned countries on January 24, 1978, October 11, 1977, and August 24, 1978, respectively.

Chains and parts: U.S. import duties, 1980

TSUS item No.:	Description	Col. 1 rate	LDDC rate	Col. 2 rate
	: Chains and parts, the links of	:	:	:
	: which are essentially	:	:	:
	: round in cross section:	:	:	:
652.24	: Under 5/16 inches in	: 1.6% ad val	: 1.5% ad val	: 10% ad val
	: diameter.	:	:	:
652.27	: 5/16 inches or more but less	: 0.3¢ per lb	: Free	: 2.125¢ per lb
	: than 3/8 inches in	:	:	:
	: diameter.	:	:	:
652.30	: 3/8 inches or more but less	: 0.2¢ per lb	: Free	: 1.125¢ per lb
	: than 3/4 inches in	:	:	:
	: diameter.	:	:	:
652.33	: 3/4 inches or more in	: 0.2¢ per lb	: Free	: 0.875¢ per lb
	: diameter.	:	:	:
652.35	: Other, including parts-----	: 9% ad val	: 5.7% ad val	: 45% ad val
	:	:	:	:

Source: Tariff Schedules of the United States, Annotated 1980.

The countervailing duties were placed on chain from the three nations as a result of separate petitions filed by the National Association of Chain Manufacturers and affirmative rulings by the U.S. Treasury Department that these countries bestow subsidies or grants upon their respective chain industries. A countervailing duty of 12.5 percent ad valorem was placed on chain from Spain, and a 2-percent duty was placed on Japanese chain. A countervailing duty of 15 percent was placed on Italian chain, with the exception of chain from Weissenfels Inc., Italy's major chain exporter. A countervailing duty of 6.88 percent is applicable to imports from Weissenfels Inc.

Presidential Proclamation No. 4707 of December 11, 1979, provides for implementation of staged reductions in the rates of duty for chains and parts over the next 8 years, as shown in the following table. These reductions are pursuant to the Multilateral Trade Negotiations recently concluded in Geneva.

Chains and parts: Tariff rate changes, 1980-87

Effective: date	TSUS item No.				
	652.24	652.27	652.30	652.33	652.35
Jan. 1--					
1980-----	1.7% ad val.:	3¢ per lb.:	2¢ per lb.:	2¢ per lb.:	9% ad val.
1981-----	1.7% ad val.:	3¢ per lb.:	1¢ per lb.:	1¢ per lb.:	8.6% ad val.
1982-----	1.6% ad val.:	2¢ per lb.:	1¢ per lb.:	1¢ per lb.:	8.1% ad val.
1983-----	1.6% ad val.:	2¢ per lb.:	1¢ per lb.:	1¢ per lb.:	7.6% ad val.
1984-----	1.6% ad val.:	1¢ per lb.:	1¢ per lb.:	1¢ per lb.:	7.1% ad val.
1985-----	1.6% ad val.:	1¢ per lb.:	Free	Free	6.7% ad val.
1986-----	1.5% ad val.:	Free	Free	Free	6.2% ad val.
1987-----	1.4% ad val.:	Free	Free	Free	5.7% ad val.

Source: Presidential Proclamation No. 4707 (44 F.R. 241, Dec. 13, 1979).

U.S. Producers

Fifteen firms, with approximately 3,500 employees, produce one or more of the welded chain products covered herein. Weldless chain is made by 10 firms, 7 of which also produce welded chain. Four small companies, employing approximately 400 people, produce specialty chain such as bead chain. The 10 firms which are members of the National Association of Chain Manufacturers account for about 95 percent of all domestically produced chain. The principal producing states are New York, Ohio, and Pennsylvania. Two of the major U.S. welded chain producers have plants in Canada, Europe, South Africa, and Australia.

One U.S. firm closed its chain operations during 1977-79. The failure of this firm, as reported by industry representatives, resulted from widespread acceptance of studded tires and strong import pressure from foreign producers of tire chain.

U.S. Market and Channels of Distribution

Chains and parts produced by U.S. chain manufacturers are sold in three distinct markets: the original-equipment manufacturer (OEM) market, the distributor market, and the retail outlet market. ^{1/} The retail outlet market is by far the smallest of the three in terms of volume and is made up of large retail establishments such as Sears Roebuck & Co. The OEM market is highly sought after because of the large bulk purchases made by this sector of the economy. Chains sold in this highly competitive market are normally lower priced than chains sold in the distributor market. Distributors, which

^{1/} Government purchases are considered as a fourth market by chain producers; however, this market is small relative to the distributor market and the OEM market.

generally carry large inventories of chain, represent the largest market for chain. A single chain manufacturer may have many different accounts nationwide; the majority of these are normally with distributors, which range in size from small city distributors to large regional distributors. Competition at the distributor level is less intense than in the OEM market because of longtime relationships between producers and distributors built on service and dependability.

The major U.S. welded chain markets are located in the northeast-midwest industrial belt, and the west coast region. To facilitate the rapid movement of the product to customers, domestic chain producers maintain warehouses strategically located in these major market areas.

Chain is brought into the United States by a number of different importing establishments, including (1) firms that take title to the chains and resell to distributors, (2) foreign chain manufacturers which maintain their own importing operations in the United States, (3) OEM's which import chain for their own use, (4) large retail establishments which import for resale to the public, and (5) domestic chain producers that import directly in order to round out their product line.

Consideration of Injury

The indicators of the economic health of the U.S. industry that are normally examined by the Commission (i.e., production, sales, employment, profitability, etc.) have not been provided by the producers of chains in this investigation. Questionnaires requesting this information were sent to all producers as well as the National Association of Chain Manufacturers; no responses were received. Accordingly, only information obtained from official statistics of the U.S. Department of Commerce on the quantity and value of U.S. imports and the quantity of U.S. exports is discussed in this section.

Counsel for the association noted that no allegations of injury were required when the petition was originally filed and that no such allegations would be made at this time. Counsel further indicated, however, that the association would not state that there was no injury by reason of allegedly subsidized imports from Japan. On February 6, 1980, the association submitted a request to the Commission that its petition be withdrawn (see App. D). Under section 704(a) of the Tariff Act of 1930, however, the Commission may not terminate an investigation by petitioner's withdrawal before a preliminary determination is made by the administering authority. In this investigation, the administering authority has not yet made a preliminary determination and, therefore, the Commission cannot terminate the investigation.

U.S. imports

As shown in the following table, total imports of chains and parts increased from 27.6 million pounds in 1977, to 39.2 million pounds in 1978, and to 46.7 million pounds in 1979. Such imports from Japan also increased annually, from 7.5 million pounds in 1977, to 7.8 million pounds in 1978, and

Chain and parts thereof 1/: U.S. imports for consumption, by
principal sources, 1977-79

Source	1977	1978	1979
Quantity (pounds)			
Japan	7,511,658	7,770,941	11,116,889
Italy	2,664,482	5,521,583	5,646,615
Spain	1,145,716	1,722,560	520,999
West Germany	4,998,268	5,921,971	6,827,010
All other	11,296,513	18,234,704	22,611,603
Total	27,616,637	39,171,759	46,722,116
Value			
Japan	\$3,229,496	\$4,224,023	\$6,834,139
Italy	1,018,940	2,025,801	2,431,983
Spain	478,262	695,767	224,235
West Germany	3,486,436	3,984,581	6,316,741
All other	8,409,357	13,941,250	19,605,552
Total	16,622,491	24,871,422	35,412,700
Unit value (cents per pound)			
Japan	43	54	61
Italy	38	37	43
Spain	42	40	43
West Germany	70	67	93
All other	74	76	87
Total	60	63	76

1/ TSUS items 652.24, 652.27, 652.30, 652.33, and 652.35.

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

11.1 million pounds in 1979. The unit value of chains and parts from Japan rose from \$0.43 per pound in 1977, to \$0.54 per pound in 1978, and to \$0.61 per pound in 1979. Imports from Japan accounted for 24 percent of total imports in 1979, compared with 20 percent in 1978, and 27 percent in 1977.

Import data on tire and wheel chains are presented separately in table 1, appendix E. Data on welded and weldless chain are reported separately in tables 2 and 3, respectively. In 1979, imports of tire and wheel chains accounted for about 16 percent of total imports; imports of welded chains and parts (excluding tire and wheel chain) accounted for 45 percent of total imports, and imports of weldless chains and parts accounted for 23 percent. The remainder was accounted for by chains and parts that were not essentially round in cross section.

An indication of the relative significance of imports in the U.S. market can be seen using data reported by the Department of Commerce in its preliminary publication of the 1977 Census of Manufactures (August 1979). In that publication, U.S. producers' shipments of wire chain (a broader product category than that included within the scope of this investigation) were valued at \$193 million. Thus, an approximation of the ratio of imports from Japan to U.S. shipments in 1977, is 1.5 percent.

U.S. exports

As shown in the following table, U.S. exports of chains and parts increased from 19.4 million pounds in 1976, to 20.0 million pounds in 1977, and then decreased to 16.1 million pounds in 1978. A further decline is shown for January-September 1979. Canada was by far the largest buyer of U.S.-produced chain, accounting for about 47 percent of all U.S. chain exports in 1978. Welded chain made up the bulk of U.S. chain exports during the period.

Chains and parts: U.S. exports, by principal markets, 1976-78, January-September 1978, and January-September 1979

(In pounds)						
Market	1976	1977	1978	January-September--		
				1978	1979	
Canada-----	8,449,265	8,740,009	7,602,071	5,906,164	5,519,683	
Venezuela-----	819,532	1,057,587	836,324	647,012	219,679	
Iran-----	1,313,080	763,120	677,857	677,092	-	
Japan-----	554,443	769,641	590,025	461,645	327,748	
Mexico-----	827,465	515,417	475,573	391,889	255,113	
All other-----	7,481,324	8,169,820	5,961,160	4,022,133	4,084,795	
Total-----	19,445,109	20,015,594	16,143,010	12,105,935	10,407,018	

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

APPENDIX A

ADMINISTERING AUTHORITY'S LETTER
TO THE COMMISSION

RECEIVED

JAN 7 1980

OFFICE OF THE SECRETARY
U.S. INTL. TRADE COMMISSION
Dear Mr. Mason:

04 JAN 1980

NUMBER
#620
Office of the Secretary Int. Trade Commission.

In accordance with the requirements of the Trade Agreements Act of 1979, the following countervail and antidumping cases are being referred to the Commission for a determination of injury or reasonable indication thereof. With regard to countervail investigations, only those cases involving products from countries which signed the Code at Geneva are being referred.

I. Countervailing Duty Cases in which the collection of duties was waived pursuant to the Trade Act of 1974 (5 cases):

Product	Country
Dairy Products (other than quota cheeses)	Member states of the European Communities
Canned Hams	Member states of the European Communities
Butter Cookies	Denmark
Fish	Canada
Leather Handbags	Brazil

II. Countervailing Duty Cases in which final affirmative determinations were issued between July 26 and December 31, 1979 (2 cases):

Product	Country
Tomato Products	Member states of the European Communities
Potato Starch	Member states of the European Communities

III. Countervailing Duty final affirmative determination with regard to frozen beef from member states of the European Communities (1 case).

IV. Countervailing Duty investigations in which a preliminary affirmative determination (but no final determination) has been issued (8 cases):

Product	Country
Corn Starch	Member states of the European Communities

Valves	Italy
Rayon Staple Fiber	Austria
Valves	Japan
Scales	Japan
Malleable Pipe Fittings	Japan
Firearms	Brazil
Ferroalloys	Brazil

V. Countervailing Duty Cases which have been initiated, but for which no preliminary or final determination has been issued (4 cases):

Product	Country
Frozen Potato Products	Canada
Roses	Netherlands
Glass Lined Steel Reactor Pressure Vessels	France
Chains and Parts	Japan

VI. Antidumping Cases for which there have been preliminary affirmative determinations, but no final determinations (3 cases):

Product	Country
Portable Typewriters	Japan
Melamine	Austria
Melamine	Italy

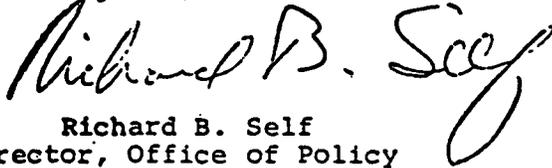
VII. Antidumping Cases which have been initiated, but for which no preliminary or final determinations have been issued (9 cases):

Product	Country
Sodium Hydroxide	United Kingdom
Sodium Hydroxide	West Germany
Sodium Hydroxide	Italy
Sodium Hydroxide	France
Rail Passenger Cars	Italy

Rail Passenger Cars	Japan
Electric Motors	Japan
Microwave Ovens	Japan
Canned Clams	Canada

If you have any questions regarding any of these cases, please feel free to contact me or members of my staff at 566-2323.

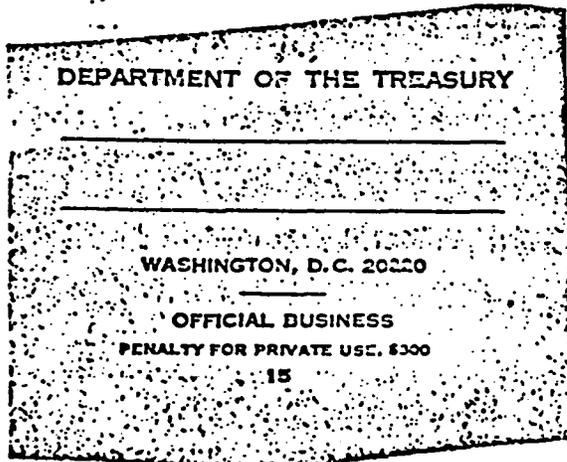
Regards,



Richard B. Self
Director, Office of Policy
Office of the Assistant Secretary
for Trade Administration

cc: Dave Binder

Mr. Kenneth R. Mason
Secretary to the Commission
U.S. International Trade Commission
Washington, D.C. 20436



APPENDIX B

TREASURY'S FEDERAL REGISTER NOTICES

RULES AND REGULATIONS

37685

(T.D. 78-295)

PART 159—LIQUIDATION OF DUTIES

Chain of Iron or Steel from Japan,
Final Countervailing Duty Determination

AGENCY: Customs Service, U.S. Treasury Department.

ACTION: Final countervailing duty determination.

SUMMARY: This notice is to inform the public that a countervailing duty investigation has resulted in a determination that the Government of Japan has granted benefits on the manufacture, production or exportation of chain of iron or steel, and parts thereof, which are considered to be bounties or grants under the countervailing duty law. Consequently, countervailing duties in the amount of these benefits will be collected in addition to duties normally due on shipments of this merchandise.

EFFECTIVE DATE: August 24, 1978.

FOR FURTHER INFORMATION CONTACT:

Charles F. Goldsmith, Economist, U.S. Treasury Department, Office of Tariff Affairs, 15th Street and Pennsylvania Avenue NW., Washington, D.C. 20229, telephone 202-566-2323.

SUPPLEMENTARY INFORMATION: On February 7, 1978, a "Preliminary Countervailing Duty Determination" was published in the FEDERAL REGISTER (43 FR 5127). The notice stated that it had been preliminarily determined that benefits are available to Japanese manufacturers/exporters of chain of iron or steel or parts thereof which may constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303) (referred to in this notice as the "Act"). The benefits preliminarily determined to be bounties or grants were.

(1) Interest-free loans in the form of tax deferrals on funds held in the Overseas Market Development Reserve (OMDR).

(2) Export promotional assistance from the Japan External Trade Organization (JETRO). This assistance is general in nature and not oriented to the export promotion of specific products. However, these activities do defray costs which would otherwise be incurred by Japanese chain exporters and to that extent may subsidize that industry.

Programs which were investigated and determined preliminarily to be not

applicable to or not used by the Japanese chain industry include:

(1) Government financing of new machinery and equipment under the provisions of the "Mechanical Industry Development Temporary Measure Law."

(2) Preferential financing to specifically designated industries provided by the Japan Development Bank.

(3) Preferential financing and export risk insurance provided by the Export-Import Bank of Japan.

The preliminary determination noted that the rebate of the Japanese commodity tax upon export was not considered by Treasury to be a bounty or grant. On June 21, 1978, the Supreme Court of the United States upheld that position in its decision in the case *Zenith Radio Corporation v. the United States*.

The merchandise subject to this investigation is chains of iron or steel, the links of which are of stock essentially round in cross section, and parts thereof, as provided for in item numbers 652.24, 652.27, 652.30, 652.33 and 652.35 of the Tariff Schedules of the United States, Annotated (TSUSA).

The preliminary determination indicated that before a final determination was to be made, consideration would be given to any relevant data, views or arguments submitted in writing within 30 days from the date of publication of the preliminary determination.

After consideration of the information received, it is hereby determined that the subject merchandise from Japan receives bounties or grants within the meaning of section 303 of the act. The bounties or grants are in the form of benefits conferred by the OMDR and JETRO. The other programs which were investigated, as enumerated above, are hereby determined to be not applicable or not used by the Japanese chain industry and, therefore, not bounties or grants. The rebate upon exportation of the Japanese Commodity Tax is, in accordance with the *Zenith* case, determined not to result in the payment or bestowal of a bounty or grant.

The aggregate estimated benefit to exports of chain of iron or steel and parts thereof is 2.0 percent ad valorem. This determination has been made in the absence of information regarding benefits specifically conferred upon the chain industry.

Accordingly, notice is hereby given that chain or chains of iron or steel, the links of which are of stock essentially round in cross section and parts thereof, classifiable under item numbers 652.24, 652.27, 652.30, 652.33, and 652.35 TSUSA, which are imported directly or indirectly from Japan, if en-

[4810-22]

Title 19—Customs Duties

CHAPTER I—UNITED STATES CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

37686

RULES AND REGULATIONS

tered or withdrawn from warehouse, for consumption on or after August 24, 1978, will be subject to payment of countervailing duties equal to the net amount of any bounty or grant determined or estimated to have been paid or bestowed.

In accordance with section 303 of the act, until further notice, the net amount of such bounties or grants has been estimated and declared to be 2.0 percent of the f.o.b. price of export to the United States.

Effective on or after August 24, 1978, and until further notice, upon the entry for consumption or withdrawal from warehouse for consumption of such dutiable chain or chains imported directly or indirectly from Japan which benefit from these bounties or grants, there shall be collected, in addition to any other duties estimated or determined to be due, countervailing duties in the amount ascertained in accordance with the above declaration.

Any merchandise subject to the terms of this order shall be deemed to have benefited from a bounty or grant if such bounty or grant has been or will be credited or bestowed, directly or indirectly, upon the manufacture, production, or exportation of the merchandise.

The table in § 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting after the last entry for Japan the words "Chain and Parts Thereof, of Iron or Steel" in the column headed "Commodity", the number of this Treasury Decision in the column headed "Treasury Decision", and the words "Bounty Declared-Rate" in the column headed "Action".

Pursuant to reorganization plan No. 26 of 1950 and Treasury Department Order 190 (revision 15), March 16, 1978, the provisions of Treasury Department Order 165, revised November 2, 1954, and § 159.47 of the Customs Regulations (19 CFR 159.47), insofar as they pertain to the issuance of a final countervailing duty order by the Commissioner of Customs, are hereby waived.

Date: August 16, 1978.

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

[FR Doc. 78-23775 Filed 8-23-78; 8:45 am]

and Pennsylvania Avenue NW., Washington, D.C. 20220, (202-566-8256).

SUPPLEMENTARY INFORMATION: On August 24, 1978, an affirmative "Final Countervailing Duty Determination" (T.D. 78-295) was published in the Federal Register (43 FR 37685). That notice stated that pursuant to an investigation conducted under section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303) (hereinafter referred to as the "Act"), it had been determined that benefits considered to constitute bounties or grants were being paid or bestowed upon the manufacture, production or exportation of "chains of iron or steel and parts thereof" from Japan.

As a result of that determination, a countervailing duty of 2.0 percent was imposed on the subject merchandise upon entry for consumption or withdrawal from warehouse for consumption on or after August 24, 1978. That rate is still in effect.

The merchandise so described includes "chains of iron or steel, the links of which are of stock essentially round in cross section, and parts thereof," as provided for in item numbers 652.24, 652.27, 652.30, 652.33 and 652.35 of the Tariff Schedules of the United States Annotated (TSUSA).

Petitioner in that investigation, the National Association of Chain Manufacturers, has now alleged that additional bounties or grants are being paid or bestowed on the manufacture, production, or exportation of chains and parts thereof under the "Temporary Measures Act for Small and Midsize Businesses With Regard to the High Yen Exchange Market" which has been in operation since October 1977. This program established a number of methods by which the Government of Japan can provide assistance to small and midsize Japanese firms which export and whose competitiveness has been adversely affected by the rapid appreciation of the yen. Assistance is provided in the form of: (1) Low cost loans; (2) the right to carry back current losses related to yen appreciation up to 3 years to offset income, corporate and local taxes paid in prior years; and (3) special government credit guarantees for firms affected by yen appreciation over and above those otherwise offered to small and midsize businesses.

In light of the eligibility criteria, which limit utilization of the program to firms in sectors which export, this program would constitute the bestowal of a bounty or grant within the meaning of section 303 of the act to any firm actually benefitting from the program.

However, there is no evidence yet available which would indicate that Japanese chain manufacturers are in fact eligible. The scope of the investigation reopened pursuant to this notice is to determine, pursuant to sections 303 (a)(3) and (a)(4) of the Act (19 U.S.C. 1303 (a)(3), (a)(4)), whether firms producing the merchandise covered by T.D. 78-295 are eligible for, and have in fact utilized, the high yen programs to the extent that they would be considered to have received bounties or grants within the meaning of section 303 of the Act. During the course of this investigation, Customs officers will continue to collect the 2.0 percent *ad valorem* countervailing duty as originally instructed in T.D. 78-295.

Pursuant to section 303(a)(4), Tariff Act of 1930, as amended (19 U.S.C. 1303(a)(4)), the Secretary of the Treasury is required to issue a preliminary determination as to whether or not any bounty or grant is being paid or bestowed within the meaning of that statute within six months of receipt of information regarding the possible payment or bestowal of a bounty or grant. A final determination must be issued within twelve months of the receipt of such information. Therefore, a preliminary determination will be made no later than October 9, 1979, and a final determination will be issued no later than April 9, 1980. However, in view of the commonality of the program to be investigated in this case and other pending cases involving additional products from Japan, the preliminary determination in this case will be made within sixty days from May 22, 1979.

Before any determination is made, consideration will be given to any relevant data, views or arguments submitted in writing with respect to this reopened investigation. Submissions should be addressed to the Commissioner of Customs, 1301 Constitution Avenue, NW., Washington, D.C. 20229, in time to be received by his office on or before 4 weeks from the date of publication of this notice.

This notice is published pursuant to section 303(a)(3) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(a)(3)), and § 159.47(c), Customs Regulations (19 CFR 159.47(c)).

Pursuant to Reorganization Plan No. 26 of 1950 and Treasury Department Order 190 (Revision 15), March 16, 1978, the provisions of Treasury Department Order 165, Revised, November 2, 1954, and § 159.47 of the Customs Regulations (19 CFR 159.47) insofar as they pertain to the initiation of a countervailing duty

Customs Service

Chains of Iron or Steel From Japan, Receipt of Countervailing Duty, Petition and Initiation of Investigation

AGENCY: Customs Service, U.S. Treasury Department.

ACTION: Reopening of Countervailing Duty Investigation.

SUMMARY: This notice is to inform the public that the Treasury Department is reopening its countervailing duty investigations with respect to chains of iron or steel and parts thereof (T.D. 78-295) in order to determine whether additional benefits which are considered to be bounties or grants under the countervailing duty law are being bestowed by the Government of Japan on the manufacture, production or exportation of that merchandise. A preliminary determination will be made not later than October 9, 1979, and a final determination not later than April 9, 1980.

EFFECTIVE DATE: May 22, 1979.

FOR FURTHER INFORMATION CONTACT: Donald W. Eiss, Office of Tariff Affairs, U.S. Treasury Department, 15th Street

investigation by the Commissioner of
Customs, are hereby waived.

Robert H. Mundheim,

General Counsel of the Treasury.

May 15, 1979.

[FR Doc. 79-15977 Filed 5-21-79; 8:45 am]

BILLING CODE 4810-22-M

APPENDIX C

U.S. INTERNATIONAL TRADE COMMISSION NOTICE OF PRE-
LIMINARY COUNTERVAILING DUTY INVESTIGATION AND
CONFERENCE

**INTERNATIONAL TRADE
COMMISSION**

**Notice of Institution of Preliminary
Countervailing Duty Investigations and
Scheduling of Conferences**

AGENCY: United States International
Trade Commission.

ACTION: Institution of two preliminary
countervailing duty investigations under
section 703(a) of the Tariff Act of 1930 to
determine whether with respect to the
articles involved there is a reasonable
indication that an industry in the United
States is materially injured, or is
threatened with material injury, or the
establishment of an industry in the
United States is materially retarded, by
reason of allegedly subsidized imported
merchandise.

EFFECTIVE DATE: January 1, 1980.

FOR FURTHER INFORMATION CONTACT:
The supervisory investigator assigned
by the Commission to the particular
investigation for which the information
is sought. The assignments of
supervisory investigators and their
telephone numbers at the Commission
are designated below.

SUPPLEMENTARY INFORMATION: The
Trade Agreements Act of 1979, section
102(a)(1), requires the Commission to
conduct preliminary countervailing duty
investigations in cases where on
January 1, 1980, the Secretary of the
Treasury has not made a preliminary
determination under section 303 of the
Tariff Act as to whether a bounty or
grant is being paid or bestowed.
Accordingly, the Commission hereby

gives notice that, effective as of January
1, 1980, it is instituting the following
investigations pursuant to section 703(a)
of the Tariff Act of 1930, as added by
title I of the Trade Agreements Act of
1979. These investigations will be
subject to the provisions of Part 207 of
the Commission's rules of practice and
procedure (19 CFR 207, 44 FR 76457) and,
particularly, Subpart B thereof, effective
January 1, 1980.

Written submissions. Any person may
submit to the Commission on or before
the date specified below for the relevant
investigation a written statement of
information pertinent to the subject
matter of the investigation. A signed
original and nineteen true copies of such
statements must be submitted.

Any business information which a
submitter desires the Commission to
treat as confidential shall be submitted
separately and each sheet must be
clearly marked at the top "Confidential
Business Data." Confidential
submissions must conform with the
requirements of § 201.6 of the
Commission's rules of practice and
procedure (19 CFR 201.6). All written
submissions, except for confidential
business data, will be available for
public inspection.

Conferences. The Director of
Operations of the Commission has
scheduled a conference in each
investigation on the date specified
below. Parties wishing to participate in
a conference should contact the
appropriate supervisory investigator
designated below. It is anticipated that
parties in support of the petition for
countervailing duties and parties
opposed to such petition will each be
collectively allocated one hour within
which to make an oral presentation at
the conference. Further details
concerning the conduct of the
conference will be provided by the
applicable supervisory investigator.

Preliminary Countervailing Duty Investigations

Investigation No.	Product/country	Conference date	Conference location	Deadline for written submission	Contact person
701-TA-3 (Preliminary)	Frozen potato products, provided for in TSUS items 138.40 and 141.86/Canada.	Jan. 29, 1980	ITC Bldg., Washington, D.C.	Feb. 1, 1980	Robert Eninger, 523-0312.
701-TA-20 (Preliminary)	Chains and parts thereof, provided for in TSUS items 652.24, 652.27, 652.30, 652.33, and 652.35/Japan.	Feb. 1, 1980	ITC Bldg., Washington, D.C.	Feb. 6, 1980	Lynn Featherstone, 523-1376.

Issued: January 9, 1980.
By order of the Commission.
Kenneth R. Mason,
Secretary.
[FR Doc 80-1109 Filed 1-11-80, 8:45 am]
BILLING CODE 7020-02-M

APPENDIX D

LETTER FROM PETITIONER REQUESTING WITHDRAWAL

LAW OFFICES

HALFPENNY, HAHN & ROCHE

HAROLD T. HALFPENNY
RICHARD F. HAHN
THOMAS F. ROCHE
JAMES F. FLANAGAN
JOSEPH J. NAGLE
MARY M. SHAW (DEC'D)
RICHARD F. FRIEDEMANN, JR.
LOUIS R. MARCHESE
NEIL J. KUENN
GEORGE W. KEELEY

111 WEST WASHINGTON STREET
CHICAGO, ILLINOIS 60602
(312) 782-1829

WASHINGTON OFFICE
HALFPENNY, HAHN & ROCHE
1725 K STREET, N.W.
WASHINGTON, D.C. 20006
(202) 659-8735

February 6, 1980

Mrs. Catherine Bedell, Chairman
United States International Trade Commission - Room 344
Washington, D. C. 20436

Re: Chain of Iron or Steel,
and Parts Thereof, from
Japan

Dear Mrs. Bedell:

This letter is written on behalf of the National Association of Chain Manufacturers ("NACM") in regard to subject products imported from Japan.

T.S.U.S. Items 652.24, 652.27, 652.30, 652.33,
and 652.35

On August 24, 1978, Treasury Decision 78.295 was published in The Federal Register (43 FR 37685) (Exhibit 1) wherein the Treasury Department made an affirmative "Final Countervailing Duty Determination" that benefits considered to constitute bounties or grants within the meaning of Section 303 of the Tariff Act of 1930, as amended, were being paid or bestowed by the Government of Japan (GOJ) upon the exportation of "chains of iron and steel and parts thereof" to the United States. As a result of this final determination, a countervailing duty of two (2.0) percent was imposed on the subject merchandise upon entry for consumption or withdrawal from warehouse for consumption on or after August 24, 1978. NACM was the petitioner in this investigation.

Thereafter, NACM notified Treasury by letter dated April 3, 1979 that it appeared additional bounties or grants were being paid or bestowed on the exportation of chain and parts thereof from Japan under the "Temporary Measures Act for Small and Midsize Businesses With Regard to the High Yen Exchange Market ("High Yen Programs")." The High Yen Programs have been in operation since October, 1977, and established several methods by which the GOJ may provide assistance to small and midsize Japanese firms which export and whose competitiveness has been affected adversely by the rapid appreciation of the yen. In its letter, NACM requested Treasury to make a determination that the High Yen Programs necessitated imposition of an additional countervailing duty.

Mrs. Catherine Bedell, Chairman
February 6, 1980
Page 2

In response to NACM's letter, on May 22, 1979 there was published in The Federal Register (44 FR 29788) (Exhibit 2) a notice that Treasury had reopened its countervailing duty investigation with respect to chain and parts thereof from Japan. The scope of the reopened investigation, according to The Federal Register announcement, was to determine whether firms producing merchandise covered by T.D. 78-295 were eligible for and have, in fact, utilized the High Yen Programs, and if so, to the extent that they would be considered to have received bounties or grants within the meaning of Section 303 of the Act. During this investigation, customs officers were to collect the two (2.0) percent ad valorem countervailing duty as required in T.D. 78-295.

As provided in the May 22nd notice, Treasury, within the stated scope of the investigation, was to make a preliminary determination as to whether a bounty or grant was being paid or bestowed no later than October 9, 1979, as provided in Section 303 (A) (4) of the Trade Act of 1974 under provision of which these proceedings were being conducted. This statutory deadline was illegally ignored by the Treasury Department and as a result of the enactment the Trade Agreements Act of 1979 the case is now under a 45-day deadline with the ITC. The effective date was January 1, 1980, the ITC's notice of investigation was issued January 9, 1980, and final action is slated for February 14, 1980.

The NACM is composed of relatively small closely held companies whose facilities, manpower, and finances are too limited to justify expending the time and incurring the expense involved in filling out the questionnaire and otherwise pursuing the matter, particularly in view of the short space of time available. NACM, in good faith and in accordance with the law, petitioned for the assessment of countervailing duty. We were able to convince the Treasury Department that bounties or grants were in fact being bestowed on exports of chains and parts thereof, and a countervailing duty was imposed. Exports subsidies were considered to be unfair trade practices then and are considered to be now. The difference being that now, in order for the countervailing duty to be continued, we must prove injury. This to us constitutes a retroactive penalty.

The purpose of the ITC investigation to NACM's way of thinking is to make a determination based upon the best information available to it at the time of the determination, whether

Mrs. Catherine Bedell, Chairman
February 6, 1980
Page 3

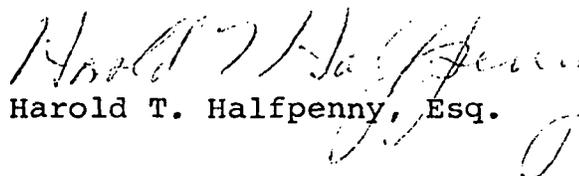
the additional alleged benefits described in The Federal Register announcement of May 22, 1979, are materially injuring an industry in the United States.

In view of the changed circumstances, including the delays encountered, NACM now considers it appropriate to withdraw its Petition of April 3, 1979.

This withdrawal of NACM's Petition of April 3, 1979 should not affect the continued collection by customs officers of the two (2.0) percent ad valorem countervailing duty as originally instructed in Treasury Decision 78-295.

Therefore, the NACW respectfully requests to withdraw without prejudice its Petition of April 3, 1979.

Respectfully submitted,


Harold T. Halfpenny, Esq.

HTH/jv

Enclosures: Exhibits 1 and 2.

cc: National Association of Chain Manufacturers
Richard B. Self, Director, Office of Policy
Office of the Assistant Secretary
for Trade Administration
Washington, D. C. 20230

Note.--The exhibits referred to in this letter are reproduced in app. B.

APPENDIX E
STATISTICAL TABLES

Table 1.—Tire and wheel chain: ^{1/} U.S. imports for consumption, by principal sources, 1978 and 1979

Source	1978	1979
Quantity (pounds)		
Japan	7,723	1,409,915
Italy	67,463	-
Spain	-	-
West Germany	134,932	178,515
All other	2,829,569	6,107,210
Total	3,039,687	7,695,640
Value		
Japan	\$3,334	\$674,342
Italy	38,843	-
Spain	-	-
West Germany	295,262	425,526
All other	1,583,308	3,326,556
Total	1,920,747	4,426,414
Unit value (cents per pound)		
Japan	43	48
Italy	58	-
Spain	-	-
West Germany	219	238
All other	56	54
Total	63	58

^{1/} TSUSA items 652.2410, 652.2710, and 652.3010.

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

Table 2.--Welded chain: 1/ U.S. imports for consumption, by principal sources, 1978 and 1979

Source	1978	1979
	Quantity (pounds)	
Japan	3,896,150	4,810,435
Italy	1,193,626	2,671,878
Spain	269,054	121,538
West Germany	3,834,877	4,106,768
All other	7,475,812	9,303,860
Total	16,669,519	21,014,479
	Value	
Japan	\$1,518,000	\$2,561,992
Italy	393,241	1,069,449
Spain	146,181	58,424
West Germany	2,274,372	2,573,979
All other	5,403,042	7,451,812
Total	9,734,836	13,715,656
	Unit value (cents per pound)	
Japan	39	53
Italy	33	40
Spain	54	48
West Germany	59	63
All other	72	80
Total	58	65

1/ TSUSA items 652.2425, 652.2430, 652.2720, 652.2730, 652.3020, 652.3030, 652.3310, and 652.3320.

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

Table 3.--Weldless chain: 1/ U.S. imports for consumption, by principal sources, 1978 and 1979

Source	1978	1979
Quantity (pounds)		
Japan-----	1,832,096	1,749,104
Italy-----	4,143,082	2,841,530
Spain-----	1,304,888	342,236
West Germany-----	1,839,587	1,966,949
All other-----	4,689,216	3,658,262
Total-----	13,808,809	10,558,081
Value		
Japan-----	\$1,003,042	\$1,022,885
Italy-----	1,538,202	1,185,258
Spain-----	472,929	133,921
West Germany-----	1,108,320	1,756,921
All other-----	3,550,617	4,007,324
Total-----	7,683,110	8,106,309
Unit value (cents per pound)		
Japan-----	55	58
Italy-----	37	42
Spain-----	36	39
West Germany-----	60	89
All other-----	76	110
Total-----	56	77

1/ TSUSA items 652.2445, 652.2450, 652.2740, 652.3040, and 652.3330

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

Library Cataloging Data

U.S. International Trade Commission.

Certain chains and parts thereof from Japan. Determination of the Commission in investigation no. 701-TA-20 (preliminary) under the Tariff act of 1930, as amended, together with the information obtained in the investigations. Washington, 1980.

9, A-30 p. illus. 28 cm. (USITC
Publication 1039)

1. Chains. I. Title.

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

OFFICIAL BUSINESS

ADDRESS CORRECTION REQUESTED

Postage And Fees Paid
U.S. International Trade Commission



ADDRESS CHANGE

- Remove from List
 - Change as Shown
- Please detach address label and mail to address shown above.