

CARTON-CLOSING STAPLES AND NONAUTOMATIC CARTON-CLOSING STAPLE MACHINES FROM SWEDEN

**Determinations of the Commission
in Investigations Nos. 731-TA-116
and 117 (Preliminary) Under the
Tariff Act of 1930, Together with the
Information Obtained
in the Investigations**

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Note.--Information which would disclose confidential operations of individual concerns may not be published and, therefore, has been deleted from this report. These deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigations Nos. 731-TA-116 and 117 (Preliminary)

CARTON-CLOSING STAPLES AND NONAUTOMATIC CARTON-CLOSING
STAPLE MACHINES FROM SWEDEN

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Sweden of carton-closing staples 2/ (investigation No. 731-TA-116 (Preliminary)) and nonautomatic carton-closing staple machines 3/ (investigation No. 731-TA-117 (Preliminary)) which are alleged to be sold, or likely to be sold, in the United States at less than fair value (LTFV). 4/

Background

On December 17, 1982, a petition was filed with the Commission and the Department of Commerce by counsel on behalf of International Staple and Machine Co., a domestic producer of carton-closing staples and nonautomatic carton-closing staple machines, alleging that imports of those products from

1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i), 47 F.R. 6190, Feb. 10, 1982).

2/ For purposes of this investigation, carton-closing staples are provided for in item 646.20 of the Tariff Schedules of the United States (TSUS).

3/ For purposes of this investigation, nonautomatic carton-closing staple machines are provided for in item 662.20 of the TSUS.

4/ Commissioner Stern determines that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of allegedly LTFV imports of carton-closing staples from Sweden, and also determines that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of allegedly LTFV imports of nonautomatic carton-closing staple machines from Sweden.

Sweden are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. § 1673). Accordingly, effective December 17, 1982, the Commission instituted preliminary antidumping investigations under section 733(a) of the Act (19 U.S.C. § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise from Sweden.

Notice of the institution of the Commission's investigations and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on December 29, 1982 (47 F.R. 58047). The conference was held in Washington, D.C., on January 10, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRMAN ALFRED E. ECKES AND COMMISSIONERS

PAULA STERN AND VERONICA A. HAGGART

Introduction

We determine, pursuant to section 731(a) of the Tariff Act of 1930 (hereinafter the Act), 1/ that there is a reasonable indication that industries in the United States are materially injured by reason of imports of carton-closing staples and nonautomatic carton-closing staple machines from Sweden which are allegedly sold at less than fair value (LTFV). 2/ 3/

Domestic Industry

Section 771(4)(A) of the Act defines the term "industry" as the "domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major portion of the total domestic production of that product." 4/ Section 771(10) defines "like product," in turn, as a "product which is like, or in the absence of like, most similar in characteristics and uses with, the articles subject to an investigation." 5/

1/ 19 U.S.C. § 1673b(a).

2/ Retardation of establishment of an industry in the United States is not an issue in these investigations and will not be discussed further.

3/ Commissioner Stern also determines that there is a reasonable indication that industries in the United States are threatened with material injury by reason of LTFV imports of carton-closing staples and nonautomatic carton-closing staple machines.

Commissioner Stern notes also that the nature and extent of the alleged LTFV margins may be significantly distorted by the use for their computation of a comparison of prices for the imported products to distributors with home market prices to end users. A comparison of domestic prices to end users with domestic prices to distributors would similarly generate a figure demonstrating a substantial difference in price between the two systems of distribution.

4/ 19 U.S.C. § 1677(4)(A).

5/ 19 U.S.C. § 1677(10).

The imported articles which are the subject of these investigations are carton-closing staples and nonautomatic carton-closing staple machines. Each of these articles is described and considered separately in this opinion. 6/

Carton-closing Staples

The imported carton-closing staples (hereinafter staples) which are the subject of this investigation are a type of fastener used to close corrugated paperboard cartons and boxes. They are recognized generally as an industrial staple and differ from office and desk-type staples in their size and use. Carton-closing staples vary according to the size of the wire, the width of the crown, and the length of the leg. Staples may be either copper-coated or galvanized if corrosion resistance is required. Staples designed by a manufacturer for its own machine are called "dedicated" staples, while those produced by one manufacturer for use in the staple machines of another manufacturer are known as "bootleg" staples. Various sizes of staples are offered by domestic firms and foreign manufacturers to service all segments of the market.

The parties in this investigation have raised the issue of whether the pertinent like product consists of only staples in stick form, or in addition, staples in roll form. Petitioner asserts 7/ that roll staples should not be included to delimit the domestic industry because they are used primarily in

6/ The Commission's definitions of the industry and the appropriate like product are based on the best information now available which is rather limited. The Commission's definitions in these preliminary determinations do not preclude the possibility of redefining the like products or the domestic industries in the event of any final investigations.

7/ Petitioner's Posthearing Brief, at 9-12.

automatic staple machines, they apparently are not being imported, they have different physical characteristics and are produced on different machines. Respondent, on the other hand, contends 8/ that stick staples have only minor differences in characteristics and uses when compared with roll staples, are produced on ordinary machine shop equipment, have similar end uses in packaging applications and are included in the normal course of business in financial data concerning other staple forms.

Stick staples are glued together lightly in a strip or stick form of five to one hundred staples to facilitate handling and loading of staple machines. Roll staples are taped together in rolls of one thousand to five thousand staples and are used primarily in automatic staple machines because the weight and bulk of roll staples do not lend themselves to manual operation. Furthermore, roll staples are not imported from Sweden. 9/

The production process for stick staples involves different machinery than for roll staples. The differences in production of different staples arise from different tooling and equipment adjustments which determine the crown width and the leg length. Changes in tooling and readjustments of equipment are relatively easy and inexpensive to accomplish. Roll staple production differs from stick staple production only in that the legs are bent to an obtuse angle rather than a right angle, the staples are taped together along their crowns only, and a roll of staples may contain more staples than a stick.

8/ Respondent's Posthearing Brief, at 2-10.

9/ Staples in stick form are currently classified under item 646.20, "staples in strip form" of the Tariff Schedules of the United States (TSUS). Carton-closing staples which are not in stick form, are classified under TSUS item 646.26.

Financial data available to the Commission concerning staples are not maintained in the normal course of business on the basis of individual product lines; however, financial data have been segregated for purposes of the present investigations on the basis of the like product alleged by petitioner. The limited information which has been provided to the Commission has been on the basis of stick staples without a breakdown according to size.

For purposes of this preliminary investigation, we conclude that the like product in this investigation is carton-closing staples in stick form. The domestic industry is comprised accordingly of the domestic producers as a whole of carton-closing staples in stick form. 10/

Carton-closing Staple Machines

The petitioner alleges that the like product in this investigation consists of nonautomatic carton-closing staple machines, and not automatic staple machines. 11/ The distinction between nonautomatic and automatic staple machines is not drawn easily. There is a broad range of products available which includes semi-automatic staple machines having both automatic and nonautomatic characteristics. No known imports of automatic staple machines from Sweden, however, are entering the United States. 12/

Generally, nonautomatic staple machines are machines designed to insert a carton-closing staple in a carton of corrugated paper board through mechanical pressure from depressing a foot lever or by pneumatic pressure. Nonautomatic

10/ The domestic companies producing stick staples are petitioner International Staple and Machine Co.; Bostitch, a Division of Textron Inc.; Container Stapling Corp.; Acme Staple; and Power-Line Fastening Systems.

11/ Petitioner's Posthearing Brief, at 12.

12/ Item 662.20 of the TSUS includes automatic, semi-automatic and nonautomatic staple machines.

staple machines typically are divided into top staplers or bottom staplers. Virtually all nonautomatic staple machines also use staples in stick form. For the most part, nonautomatic staple machines are produced on production lines and by personnel that are separate from those for automatic staple machines.

Automatic staple machines are characterized generally by control circuits and mechanisms for positioning cartons for insertion of staples upon an internal automatic signal. These machines primarily use roll staples and are significantly more expensive than nonautomatic staple machines. The principal uses for automatic staple machines are in large-volume packaging operations.

A remaining issue in the like product analysis in this investigation comes from the range of available staple machines of a semi-automatic nature. 13/ Nevertheless, there are domestic machines, principally with nonautomatic features, which have the same characteristics and uses as the imported staple machines. As a result, we find, at least at this preliminary stage, a like product in the form of nonautomatic staple machines and a domestic industry consisting of the production of nonautomatic staple machines. This conclusion, while based on the limited information available in this preliminary investigation, is consistent with section 771(4)(D). 14/

13/ Commissioner Stern notes that the Commission in previous investigations has faced circumstances in which the range of available products constitutes a product "continuum." See, e.g., Certain Portable Electric Nibblers from Switzerland, inv. No. 731-TA-35 (Preliminary), USITC Pub. 1108, p. 5 (1980); Certain Steel Wire Nails from the Republic of Korea, inv. No. 701-TA-145 (Preliminary), USITC Pub. 1223, p. 4 (1982); Stainless Clad Steel Plate from Japan, inv. No. 731-TA-50 (Preliminary), USITC Pub. 1196, p. 4 (1981). In the present investigation, there is spectrum of products ranging from machines that are fully automatic to machines which are totally manually operated.

14/ 19 U.S.C. § 1677(4)(D).

Reasonable Indication of Material Injury by Reason of LTFV Imports

In a preliminary investigation, the Commission is directed by title VII of the Act to determine, on the basis of the best information available at the time of the determination, 15/ 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 industry in the United States is materially retarded, by reason of imports of the merchandise that is the subject of the investigation. 16/ Section 771(7) of the Act directs the Commission to consider, in making its determination, among other factors: (1) volume of imports; (2) price undercutting; (3) sales; (4) productivity; and (5) utilization of capacity.

Condition of Domestic Industry: Carton-closing Staples

From the best information available to the Commission, it readily appears that the condition of the domestic staple industry has been deteriorating since 1980, with the downward trend increasing in January-September 1982. Production and capacity utilization have decreased by significant amounts since 1980. 17/ The domestic industry has experienced a decline in the quantity of commercial shipments for the periods under consideration. 18/ Limited data on employment, wages and productivity indicate generally declining trends. 19/

15/ We note that the responses to the Commission's questionnaires concerning the condition of the industry were limited. In a final investigation, we would anticipate an improved response rate.

16/ 19 U.S.C. § 1673b.

17/ Staff Report at A-9, Table 2.

18/ Id. at A-10.

19/ Id. at A-13.

The data on the financial experience of the domestic industry available to the Commission at this time consist exclusively of information provided by the petitioner, and therefore, to preserve confidentiality, can be discussed only in the most general terms. Available profitability data do support the Commission's finding of a reasonable indication of material injury. 20/

Causation--Carton-Closing Staples. 21/

Although no official data on imports of the subject staples are available because of their importation under a basket category of TSUS, substantial responses from U.S. importers indicate that imports from Sweden as a percentage of domestic consumption have increased steadily and significantly during the periods under consideration. 22/ Imports from Sweden increased from 808 million in 1979 to 1.3 billion staples in 1981, or by 66 percent. Imports then increased by 21 percent in January through September of 1982 relative to those in the corresponding period of 1981. 23/ Information

20/ Id. at A-14.

21/ One of the arguments raised by the respondent in the course of this investigation is that injury being suffered by the domestic industry does not arise from sales at LTFV of the subject imports. Pather, the respondent argues that the impact of imports derives from the precipitous decline in the Swedish krona in relation to the United States dollar, with the result that Swedish imports are becoming significantly less expensive in dollar terms. Respondent's Posthearing Brief, at 23-24. While noting that the Department of Commerce indicates that it takes into account exchange rate fluctuations in determining LTFV margins (19 C.F.R. § 355.56 (1982)), the Commission may examine this issue in the event of a final Commission investigation.

22/ Staff Report at A-18.

23/ Id. at A-15.

available to the Commission suggests that there is additional capacity for Swedish imports to be directed to the United States market. 24/

With respect to pricing of staples, the U.S. producers' list price compared with the importers' price suggests a margin of underselling of imports. 25/ The reliability of the price comparisons, however, is not clear at this preliminary stage. The comparisons have been made between domestic list prices on the one hand and actual import transaction prices on the other hand. Insofar as the domestic list prices do not account for discounts, the margin of underselling reflected in this price comparison may be inflated. Nevertheless, a review of unit value data supports the Commission's conclusion. The unit value of imports of carton-closing staples from Sweden declined from 88 cents per thousand staples in 1980 to 83 cents per thousand in 1981, or by 6 percent. The unit value declined further, to 76 cents per thousand staples in January-September 1982, representing a 6 percent decline from the value obtained in the corresponding period of 1981. 26/

Condition of the Domestic Industry: Nonautomatic Carton-closing Staples

Machines

The condition of the domestic staple machine industry reflects much the same trends indicated by the limited information available concerning the staple industry. There was a decline of capacity utilization and unit production. 27/ Commercial shipments of nonautomatic staple machines have declined significantly since 1980. 28/ Inventories remained at high levels in

24/ Conf. Tr. pp. 61, 67, 92 and 93.

25/ Staff Report at A-20.

26/ Id. at A-15.

27/ Id. at A-14-15.

28/ Id. at A-10-11.

relation to unit shipments. 29/ The average number of production and related workers and their hours worked has declined steadily while their productivity and compensation have increased in recent periods. 30/

As in the case of staples, financial data for staple machines are available only from the petitioner, and therefore, can be discussed in only the most general terms. General profitability, 31/ net sales, and gross income have not increased during the period under examination. 32/

Causation--Nonautomatic Carton-Closing Staple Machines 33/

There has been an increase in the quantity of imports of nonautomatic carton-closing staple machines from Sweden in each period under consideration, with a 38 percent increase occurring in January-September 1982 relative to those in the corresponding period of 1981. 34/ As a share of apparent consumption, there is again a consistent increase during the period under consideration. These increases culminate in the most recent period, when the share of consumption accounted for by imports from Sweden nearly doubled in January-September 1982 relative to that in the corresponding period of 1981. 35/ Information available to the Commission suggests that there is additional capacity for Swedish imports to be directed to the United States market. 36/

29/ Id. at A-12-13.

30/ Id. at A-13.

31/ Cost of goods sold and export sales have had a significant effect on this profitability data. Staff Report, Table 8.

32/ Id. at A-14.

33/ See footnote 21 *supra*.

34/ Staff Report at A-17.

35/ Id. at A-19.

36/ Conf. Tr. pp. 61, 67, 92 and 93.

Price comparisons for U.S. producers of staple machines and importers' prices do not reflect a consistent pattern of underselling. Such comparisons for the most recent periods in 1982, however, reflect a sharp turn to a margin of underselling. 37/ These margins, like the margins for staples, may be inflated because of the comparison of list prices to distributors as opposed to actual transaction prices.

Conclusion

On the basis of the best information available, we find that there is a reasonable indication that industries in the United States are materially injured 38/ by reason of imports of carton-closing staples and nonautomatic carton-closing staple machines from Sweden which allegedly are being sold at less than fair value.

37/ Staff Report at A-22.

38/ See Commissioner Stern's position, footnote 3, supra.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On December 17, 1982, counsel for International Staple & Machine Co. (ISM) filed petitions with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Sweden of carton-closing staples and nonautomatic carton-closing staple machines provided for in items 646.20 and 662.20, respectively, of the Tariff Schedules of the United States (TSUS), which are allegedly being sold in the United States at less than fair value (LTFV). Accordingly, the Commission instituted investigations Nos. 731-TA-116 and 117 (Preliminary), under section 733 of the Tariff Act of 1930 (19 U.S.C. § 1673b), 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 such merchandise into the United States. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or, in this case, by January 31, 1983.

Notice of the institution of the Commission's investigations and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of December 29, 1982 (47 F.R. 58047). 1/ The conference was held in Washington, D.C., on January 10, 1983. 2/ The Commission voted on these cases on January 25, 1983.

The Product

Description and uses

Staples.--Carton-closing staples are U-shaped fastening devices used to secure or close the flaps of corrugated paperboard cartons and boxes. They are recognized throughout the industry as an industrial type of staple and differ from office or desk-type staples primarily in their size and use. Carton-closing staples are usually manufactured from copper-coated or galvanized flat wire that has been drawn from steel rod. The staples are lightly cemented or lacquered together in strip or stick form to facilitate handling and loading into stapling machines. Copper is a principal coating material because it provides desired lubricating qualities during the wire drawing process and offers protection against corrosion. Galvanized staples are preferred on cartons and boxes containing produce or exposed foodstuffs that are constantly exposed to moist conditions.

1/ A copy of the Commission's notice of institution of preliminary investigations is presented in app. A. A copy of the Department of Commerce's notice of investigations is presented in app. B.

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

Carton-closing staples vary according to the size of the wire, the width of the crown, and the length of the leg. The size of the wire used in the production of the staples which are the subject of these investigations varies from 0.037 X 0.074 inch to 0.037 X 0.092 inch. ^{1/} The leg length ranges from 1/2 inch to 7/8 inch, and the crown width, from 1-1/4 inches to 1-3/8 inches.

Carton-closing staples are usually designed by a manufacturer for use in carton-closing staple machines made by the same manufacturer. These staples are referred to as dedicated staples. These staples may also conform to the same specifications as staples produced by other domestic manufacturers. In addition, one manufacturer may produce staples that can be used in the stapling machines of other manufacturers. Such staples are known in the industry as bootleg staples.

Most suppliers of this market, both domestic and foreign, manufacture staples which generally conform to standard specifications and tolerances and which are generally interchangeable. No significant differences between the imported product and the domestically produced product are known to exist at this time.

Carton-closing staples are used in those industries which package goods in fairly large cartons or boxes for transportation or sale. Such staples are widely used in such industries as the television, appliance, furniture, hardware, and produce-packaging industries. Carton-closing staples generally perform the same function as various types of tape and glue and compete primarily with these products. According to industry representatives, staples impede tampering and pilferage because cartons cannot be resealed without detection once the staple has been removed. Thus, they provide better security to the packager. In addition, staples are the least expensive fastening devices for closing appropriately sized and appropriately packed cartons. Staples are unsuitable for small boxes and for cartons that are packed loosely with large, irregularly shaped items.

Staple machines.--Nonautomatic staple machines are designed to secure a carton-closing staple in a carton of corrugated paperboard using either direct force or air to drive the staple. A nonautomatic carton-closing staple machine can best be differentiated from a semiautomatic or an automatic machine in terms of its stapling function. For a nonautomatic machine, depression of a switch or lever causes a staple to be driven into the carton. In contrast, a semiautomatic or automatic machine staples in a programmed series, i.e., depression of a lever or switch causes the placement of a given number of staples. Nonautomatic carton-closing staple machines are used in all industries that package goods in corrugated boxes, including such major customers as the television, appliance, furniture, hardware, and produce-packaging industries.

These machines can be divided into two principal categories: (1) top staplers, used to fasten the top flaps of filled boxes, with the staple inserted by mechanical pressure generated by depressing a lever by hand or by pneumatic pressure; and (2) bottom staplers, machines with a fixed frame, used

^{1/} These staples meet the minimum requirements of Rule 41 of the Uniform Freight Classification Code and Mil-5 Military Specifications.

to fasten the bottom flaps of unfilled boxes by mechanical pressure generated by depressing a foot lever or by pneumatic pressure. Although each of these machines is engineered and sold to close either the top or bottom of a corrugated box as stated above, the top stapler can, with some effort, be used to close the bottom of a box. In addition to top and bottom staplers, which are manual or pneumatic, other product variations are offered by most suppliers. These variations include models that can use multiple sticks of staples instead of a single stick or that utilize different size staples.

In these investigations, the product imported from Sweden differs from the domestic product in terms of design and specific features that are unique to particular manufacturers. However, specific models of each foreign and domestic producer's nonautomatic carton-closing staple machines are generally the same with respect to their specific functions and markets. In other words, top and bottom staplers that either manually or pneumatically drive the staple are available from both the foreign producer and domestic producers.

Staple machines excluded from the scope of these investigations include (1) automatic staple machines which are characterized by control circuits and mechanisms for positioning cartons on the machine for insertion of staples upon an internal automatic signal that the carton is in position, (2) semiautomatic staple machines which deliver staples in a specified series; and (3) automatic and nonautomatic stapling machines using coil or roll staples. Roll staplers are growing in popularity in the United States and are best suited for large-volume operations where their 1,000- or 5,000-staple capacity is efficiently utilized. Still, such machines are estimated to account for less than 10 percent of the market for all types of carton-closing staplers in 1982. 1/

It is estimated that, in recent years, corrugated containers were closed by staplers about 35 percent of the time; by tapes, both gummed paper and polypropylene, about 55 percent of the time; and by the hot-melt or white glue method about 10 percent of the time. 2/

U.S. tariff treatment

Staples.--Carton-closing staples are provided for in item 646.20 of the TSUS, which covers "staples in strip form." The current column 1 rate of duty for this item is 0.9 percent ad valorem. 3/ The current column 2 rate of duty is 4 percent ad valorem. 4/ These rates of duty have been in effect since January 1, 1980, when the first staged reduction granted during the Tokyo round of the Multilateral Trade Negotiations became effective. The current rates of duty are not scheduled for further reduction, and there is no

1/ See Report on Outside Contacts, Jan. 4, 1983, telephone conversation with Mr. Robert Adsit, Marketing Department, Duo-Fast Corp., Franklin Park, Ill.

2/ Ibid.

3/ Col. 1 rates of duty are most-favored-nation rates and are applicable to imports from all countries except those Communist countries enumerated in general headnote 3(f) of the TSUS.

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

preferential rate applicable to imports from least developed developing countries (LDDC's). 1/

On January 1, 1976, imports of staples in strip form provided for under item 646.20 were designated by the President as articles eligible for duty-free treatment under the Generalized System of Preferences (GSP). 2/ Designated beneficiary countries that were major suppliers of staples in strip form to the U.S. market during 1981 were the Dominican Republic, Israel, and Hong Kong.

Staples in strip form are also covered by the United States-Canadian automotive agreement, implemented by Public Law 89-283 and Presidential Proclamation No. 3682. This agreement provides for the duty-free entry of Canadian articles of original motor-vehicle equipment. 3/ Staples in strip form are covered by this agreement and are entered under item no. 646.79. Staples imported under item 646.79 are not included in these investigations.

Staple machines.--U.S. imports of carton-closing staple machines are provided for in item 662.20 of the TSUS. This item is a residual, or "basket," provision covering a variety of machinery for cleaning, sealing, and similar functions. Carton-closing staple machines are dutiable at a column 1 rate of 4.6 percent ad valorem, effective January 1, 1983. This rate is scheduled for annual reductions until it reaches 3.6 percent ad valorem on January 1, 1987. U.S. imports of these machines from countries assessed the column 2 rate are dutiable at 35 percent ad valorem. A preferential tariff rate of 3.6 percent ad valorem for LDDC's is applicable to this item. In addition, imports of these machines from designated beneficiary countries are eligible for duty-free treatment under the GSP. However, there have been no known imports of nonautomatic carton-closing staple machines from countries receiving GSP benefits.

Nature and Extent of Alleged Sales at LTFV

Staples

The petition states that the known manufacturers and exporters of carton-closing staples in Sweden are Josef Kihlberg Trading AB (Kihlberg) and Grytgols Bruks AB (Grytgols) and that Kihlberg accounts for most of the exports to the United States. The petition presents Kihlberg's price lists in effect until August 1982 for the United States and Sweden and states that

1/ The preferential rates of duty in the "LDDC" column reflect the full U.S. Multilateral Trade Negotiations concession rates implemented without staging for particular items which are the products of the LDDC's enumerated in general headnote 3(d) of the TSUS. Where no rate of duty is provided in the LDDC column for an item, the rate of duty provided in col. 1 applies.

2/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive order No. 11888 of Nov. 24, 1974, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

3/ See headnote 2, subpart B, pt. 6, schedule 6, of the TSUS.

prices in both lists are generally not discounted. Prices on both lists were noted in Swedish kronor. The U.S. price was adjusted for freight and insurance. The petitioner found that comparing the adjusted U.S. list price with the Swedish list price resulted in dumping margins for each type of carton-closing staple sold by Kihlberg in the United States. Two specific examples were presented. For Kihlberg's staple type 561/15K, which is identical to ISM's most popular staple, No. C 58, the dumping margin was shown as 91 percent. For Kihlberg's staple type 561/15G, which is equivalent to ISM's C 58 galvanized staple, the margin was shown as 103 percent.

Staple machines

The petition also states that the known manufacturers and exporters of nonautomatic carton-closing staple machines in Sweden are Kihlberg and Grytgols and that Kihlberg accounts for most of the exports to the United States. The petition uses a similar method to evaluate the dumping margins for the staple machines, presenting price lists with the prices noted in Swedish kronor for both the United States and Sweden. It is asserted that no discounts are generally given from either price list for nonautomatic carton-closing staple machines. The U.S. price was adjusted for freight and insurance and compared with the Swedish price. This comparison resulted in substantial dumping margins for each type of machine. Two specific examples were presented. For Kihlberg's manual bottom stapler, model No. B-561--equivalent to ISM's model No. BF6C--the dumping margin was presented as 171 percent. For Kihlberg's manual top stapler, model No. 561/18--comparable to ISM's basic stapler model No. B7C34--the dumping margin was presented as 214 percent.

The Domestic Industry

U.S. producers

In 1982, there were five known domestic companies producing carton-closing staples and nonautomatic carton-closing staple machines: The producers were located in Pennsylvania, New Hampshire, Rhode Island, Illinois, and California. The bulk of production occurred in Pennsylvania, Rhode Island, and Illinois.

ISM has its manufacturing and administrative facilities located in Butler, Pa. In addition to carton-closing staples and staple machines, ISM produces small quantities of stitching wire for carton closing; staples used in joining wood to wood, as in the manufacture of furniture; and nails for its automatic nailing machines.

Bostitch, a Division of Textron Inc., is located in East Greenwich, R.I. In addition to making the products covered by these investigations, Bostitch manufactures automatic carton-closing staple machines, nonautomatic and automatic roll-staple machines, and other staples, nails, nailers, and stitchers. Bostitch has a plant in Atlanta, Ga., that produces stitchers, woodworking equipment, and shoemaking machinery. * * * .

The other major domestic producer, Container Stapling Corp., is located in Herrin, Ill. This firm produces a variety of staples and carton-closing staple machines, as well as wire for securing bales of various materials and reinforcing wire used in the construction industry.

Another firm, Acme Staple, is located in Franklin, N.H. In addition to producing the products covered by these investigations, Acme manufactures stitching wire; staples for the graphic arts, shoe, and telephone industries; and staple machines for the graphic arts and shoe industries. * * * .

Power-Line Fastening Systems, of El Monte, Calif., produces a line of hand-operated pneumatic carton-closing staplers that it sells to plants that purchase its other equipment, such as nails and nailing machines. According to a company official, * * * .

U.S. importers

Currently, there may be as many as 20 importers of carton-closing staples or staple machines. However, the larger importers, such as * * * . These firms sell primarily to independent distributors and perform many of the same functions as a domestic manufacturer in supplying service and spare parts. ^{1/} The remainder of the importers are smaller, independent distributors that sell primarily to end users. These distributors often handle a variety of products and product lines for the staples and staple machines under investigation. These smaller distributors often purchase both domestically produced and imported equipment.

* * * * *

Foreign Producers

There are apparently two producers of carton-closing staples in Sweden that export such merchandise to the United States--Grytgols and Kihlberg. Grytgols produces carton-closing staples which conform to the specifications of all U.S. producers' staples. Kihlberg, on the other hand, produces staples which match only those produced by ISM and Container Staple Corp. Kihlberg produces a variety of different products for the package-stapling industry. However, in Sweden, only Kihlberg produces a nonautomatic carton-closing staple machine for export to the U.S. market. Both Grytgols and Kihlberg have apparently been exporting the subject merchandise to the United States since the late 1960's.

The U.S. Market

Channels of distribution

Three of the five known producers of carton-closing staples and nonautomatic carton-closing staple machines sell the vast majority of their merchandise to distributors, which in turn sell them to end users. Working

^{1/} See transcript of the conference, p. 76.

through an elaborate system of independent distributors, most domestic producers are capable of supplying staples or staple machines to customers located throughout the United States. Generally, these distributors can be characterized as "shipping room suppliers." It is estimated that there are over 1,000 of these distributors, some of which have large operations with a number of outlets. Others are small jobbers that order merchandise only as the firm obtains orders.

Nearly all U.S. importers are distributors of carton-closing staples and nonautomatic carton-closing staple machines. The large importers resell the majority of their imported merchandise to other independent distributors. The small importers sell only to end users.

Bostitch distributes the subject staples and staple machines through its four regional offices in the United States. Such offices employ salesmen that sell directly to the customer. ISM also has several branch offices through which it sells directly to end users. Power-Line Fastening Systems sells its staplers to plants that purchase its other equipment.

Carton-closing staples are usually shipped by truck in 10-ton lots. Truck transportation is generally provided by the producer, with the distributor absorbing the freight cost and ultimately passing it on to the end user. However, depending on the location of the customer and the transaction, a producer will occasionally absorb a portion of the transportation costs to offset the advantage of a competitor.

Factors affecting demand

The markets for carton-closing staples and nonautomatic carton-closing staple machines are very much interrelated, although the factors affecting demand for each product differ somewhat. Generally, purchasers do not buy carton-closing staples unless they have a machine in which to use them. That machine may be an automatic staple machine, but is primarily a nonautomatic carton-closing staple machine. The market for nonautomatic staple machines primarily comprises small manufacturers, produce packagers, and greenhouse operators. A small manufacturer generally uses a bottom stapler to set up the boxes and a top stapler to close them once they are packed. However, some manufacturers may be able to make do with only a top stapler. Some produce packagers and most greenhouse operators require only a bottom stapler to set up trays or open cartons.

Obviously, the demand for both the staples and the staple machines is dependent on the volume of goods passing through the purchasers' packaging lines. Thus, in a recessionary period, one would expect a decline in consumption of both items. However, the decline in the demand for staple machines is likely to be much sharper since the machines can be repaired or rebuilt at a moderate cost. This affords the end user an opportunity to extend the life of current equipment rather than invest in new equipment.

Apparent consumption

Data on apparent U.S. consumption of carton-closing staples and nonautomatic carton-closing staple machines are incomplete at this time. In addition, the data are somewhat flawed, in that they are based on the domestic shipments and imports reported by a limited number of firms (no secondary source for such data is known). Moreover, most of the domestic shipments and virtually all U.S. imports go to distributors, not to end users (only very limited data on distributors' inventories are available). Thus, the data on consumption are a significantly understated approximation of actual consumption.

The available data on apparent U.S. consumption of carton-closing staples show a general decline during the period under consideration (table 1). Apparent consumption of these staples declined from * * *. Consumption then fell by * * * in January-September 1982 relative to that for the corresponding period of 1981.

Table 1.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. producers' domestic shipments, imports for consumption, and apparent consumption, 1979-81, January-September 1981, and January-September 1982

Period	Domestic shipments	Imports	Apparent consumption
: Carton-closing staples (million staples)			
1979-----	***	1,672	***
1980-----	***	1,685	***
1981-----	***	1,917	***
January-September--			
1981-----	***	1,395	***
1982-----	***	1,827	***
: Nonautomatic carton-closing staple machines (units)			
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***
January-September--			
1981-----	***	***	***
1982-----	***	***	***

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

The available data on apparent consumption of nonautomatic carton-closing staple machines show an increase from 1979 to 1980, but a decline thereafter. Apparent consumption of the subject machines increased by * * * percent from 1979 to 1980, but then declined by * * * . * * * .

The Question of Material Injury

U.S. production, capacity, and capacity utilization

Staples.--Data on production, capacity, and capacity utilization were available for only two of the five known producers of carton-closing staples. These firms, ISM and Bostitch, account for about * * * of domestic production. 1/ These producers' data on domestic production of carton-closing staples show * * * (table 2). * * * .

Table 2.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. production, capacity, and capacity utilization, 1979-81, January-September 1981, and January-September 1982

Item	1979	1980	1981	January-September--	
				1981	1982
Carton-closing staples					
Production					
million staples--	***	***	***	***	***
Capacity					
million staples--	***	***	***	***	***
Capacity utilization					
percent--	***	***	***	***	***
Nonautomatic carton-closing staple machines					
Production-----units--	***	***	***	***	***
Capacity-----do----	***	***	***	***	***
Capacity utilization					
percent--	***	***	***	***	***

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

The capacity of these two firms to produce carton-closing staples * * * . Their capacity utilization was * * * . * * * .

Staple machines.--Data on production, capacity, and capacity utilization for nonautomatic carton-closing staple machines were also available for only ISM and Bostitch. These firms account for about * * * . 2/ The data provided by these producers show that domestic production of nonautomatic carton-closing staple machines has * * * (table 2). * * * .

1/ This is the staff's estimate and is based on conversations with representatives of the nonresponding domestic producers.

2/ Ibid.

The capacity of the responding firms to produce nonautomatic carton-closing machines * * * . However, the utilization of this capacity was * * * .

U.S. producers' commercial shipments

Staples.--Data in the following sections were supplied only by ISM and Bostitch. Their data on commercial shipments of carton-closing staples show * * * (table 3). * * * .

Table 3.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. producers' commercial shipments, by firms, 1979-81, January-September 1981, and January-September 1982

Item	1979	1980	1981	January-September--	
				1981	1982
Carton-closing staples					
Quantity:					
ISM--million staples--:	***	***	***	***	***
Bostitch-----do-----:	***	***	***	***	***
Total-----do-----:	***	***	***	***	***
Value:					
ISM---1,000 dollars--:	***	***	***	***	***
Bostitch-----do-----:	***	***	***	***	***
Total-----do-----:	***	***	***	***	***
Average unit value:					
ISM					
per 1,000 staples--:	***	***	***	***	***
Bostitch-----do-----:	***	***	***	***	***
Average-----do-----:	***	***	***	***	***
Nonautomatic carton-closing staple machines					
Quantity:					
ISM-----units--:	***	***	***	***	***
Bostitch-----do-----:	***	***	***	***	***
Total-----do-----:	***	***	***	***	***
Value:					
ISM---1,000 dollars--:	***	***	***	***	***
Bostitch-----do-----:	***	***	***	***	***
Total-----do-----:	***	***	***	***	***
Average unit value:					
ISM-----per unit--:	***	***	***	***	***
Bostitch-----do-----:	***	***	***	***	***
Average-----do-----:	***	***	***	***	***

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

In contrast, the value of responding U.S. producers' commercial shipments of carton-closing staples * * * . * * * .

The average unit value of responding U.S. producers' shipments * * * . * * * .

Exports of domestically produced carton-closing staples have represented * * * (table 4). * * * .

Table 4.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. producers' exports and total commercial shipments, 1979-81, January-September 1981, and January-September 1982

* * * * *

Staple machines.--The quantity of ISM's and Bostitch's commercial shipments of nonautomatic carton-closing staple machines * * * (table 3). * * * .

The value of responding U.S. producers' commercial shipments * * * . This gave rise to a unit value of commercial shipments which * * * . * * * .

Exports of domestically produced nonautomatic carton-closing staple machines accounted for a * * * (table 4). Moreover, as a share of total commercial shipments, exports * * * . Further details on these exports are presented in table 5. * * * .

Table 5.--Nonautomatic carton-closing staple machines: U.S. producers' exports, by firms, 1979-81, January-September 1981, and January-September 1982

Item	1979	1980	1981	January-September--	
				1981	1982
Quantity:					
ISM-----units--:	***	***	***	***	***
Bostitch-----do--:	***	***	***	***	***
Total-----do--:	***	***	***	***	***
Value:					
ISM----1,000 dollars--:	***	***	***	***	***
Bostitch-----do--:	***	***	***	***	***
Total-----do--:	***	***	***	***	***
Unit value:					
ISM-----per unit--:	***	***	***	***	***
Bostitch-----do--:	***	***	***	***	***
Total-----do--:	***	***	***	***	***

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

U.S. producers' inventories

Staples.--Data in the following sections were supplied only by ISM and Bostitch. The quantity of staples held in inventory as of December 31, 1979, is * * * (table 6). * * * . * * * .

Table 6.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. producers' inventories held as of Dec. 31 of 1979-81, Sept. 30, 1981, and Sept. 30, 1982, and U.S. producers' total shipments, 1979-81, January-September 1981, and January-September 1982

* * * * *

Staple machines.--The inventory level for nonautomatic carton-closing staple machines was * * * . * * * . * * * .

U.S. employment, wages, and productivity

Staples.--Data on U.S. employment, wages, and productivity were available only from ISM, the petitioner. ISM's workers are represented by the United Steelworkers of America, AFL-CIO. The available data show * * * (table 7). The average number of all persons employed at ISM * * * . * * * . The average number of production and related workers producing carton-closing staples * * * .

Table 7.--Average number of employees, total and production and related workers, in responding U.S. establishments producing carton-closing staples and nonautomatic carton-closing staple machines and hours worked by, productivity of, hourly wages paid to, total compensation earned by, and average hourly compensation of production and related workers producing these articles, 1979-81, January-September 1981, and January-September 1982

* * * * *

The hours worked by production and related workers producing carton-closing staples * * * . The productivity of these workers * * * . The hourly wages and total compensation earned by such workers * * * . The average hourly compensation for production and related workers * * * . * * * .

Staple machines.--The average number of production and related workers producing nonautomatic carton-closing staple machines * * * . * * * . The hours worked by these workers * * * . The productivity of such workers * * * . Hourly wages and total compensation earned by production and related workers * * * . Nonetheless, the hourly compensation of these workers * * * . * * * .

Financial experience of U.S. producers

Staples.--ISM, the petitioner, was the only firm to provide the Commission with any financial data. The data on ISM's carton-closing operations show * * * . ISM's net sales of carton-closing staples * * * (table 8). * * * .

Table 8.--Income-and-loss experience of ISM on its operations on carton-closing staples and nonautomatic carton-closing staple machines, accounting years 1979-81 and interim accounting periods through September 1981 and September 1982

* * * * *

In absolute terms, the cost of goods sold and the resulting gross income on ISM's carton-closing staple operations * * * . However, relative to net sales, the cost of goods sold * * * . As a share of net sales, the gross income * * * .

On an absolute basis, general, selling, and administrative expenses * * * . However, relative to net sales, such expenses * * * . Operating income * * * . * * * . Cash flow * * * . * * * .

Staple machines.--ISM's profitability on its operations producing nonautomatic carton-closing staple machines * * * . Net sales of nonautomatic carton-closing staple machines * * * . * * * . * * * , the cost of goods sold generally * * * . * * * .

ISM's gross income on its staple-machine operations * * * . The ratio of gross income to net sales * * * .

General, selling, and administrative expenses * * * . As a share of net sales, such expenses * * * . Operating income on nonautomatic carton-closing staple machines * * * . The ratio of operating income to net sales * * * . Cash flow from operations * * * .

Consideration of the Causal Relationship Between the Allegedly LTFV Imports and the Alleged Injury

U.S. imports

Staples.--There are no official import statistics for carton-closing staples or nonautomatic carton-closing staple machines, since both products are provided for under basket categories of the TSUS. However, the Commission has received responses to its questionnaire from U.S. importers which account for an estimated 90 percent of total imports of the subject merchandise. The data supplied by responding U.S. firms are presented in table 9. These data show an increase in the quantity of carton-closing staples imported from Sweden for each period under consideration, with particularly sharp increases appearing in the most recent periods. Such imports increased from 808 million staples in 1979 to 1.3 billion staples in 1981, or by 66 percent. Imports then increased by 21 percent in January-September 1982 relative to those in the corresponding period of 1981.

The value of such imports also increased in each period under consideration. However, the unit value increased only from 1979 to 1980, and has declined since then. The unit value of imports of carton-closing staples from Sweden increased from 83 cents per thousand staples in 1979 to 88 cents per thousand staples in 1980 and then declined to 83 cents per thousand staples in 1981, or by 6 percent. The unit value declined further, to 76 cents per thousand staples in January-September 1982, representing a 6-percent decline from the value in the corresponding period of 1981.

Table 9.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. imports for consumption from Sweden and from all other sources as reported by responding firms, 1/ 1979-81, January-September 1981, and January-September 1982

Item and source	1979	1980	1981	January-September--	
				1981	1982
Carton-closing staples					
Quantity:					
Sweden-1,000 staples--	808,263	929,873	1,338,604	917,533	1,111,979
All other					
1,000 staples--	863,839	755,507	578,046	477,046	714,673
Total-----do-----	1,672,102	1,685,380	1,916,650	1,394,579	1,826,652
Value: 2/					
Sweden-1,000 dollars--	668	819	1,116	771	880
All other					
1,000 dollars--	728	764	743	660	618
Total-----do-----	1,396	1,583	1,859	1,431	1,498
Unit value:					
Sweden					
per 1,000 staples--	\$0.83	\$0.88	\$0.83	\$0.84	\$0.79
All other					
per 1,000 staples--	\$0.84	\$0.99	\$1.29	\$1.38	\$0.86
Average-----do-----	\$0.83	\$0.94	\$0.97	\$1.03	\$0.82
Percent of total					
quantity:					
Sweden-----percent--	48.3	55.2	69.8	65.8	60.9
All other-----do-----	51.7	44.8	30.2	34.2	39.1
Total-----do-----	100.0	100.0	100.0	100.0	100.0
Nonautomatic carton-closing staple machines					
Quantity:					
Sweden-----units--	***	***	***	***	***
All other-----do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***
Value: 2/					
Sweden-1,000 dollars--	***	***	***	***	***
All other					
1,000 dollars--	***	***	***	***	***
Total-----do-----	***	***	***	***	***
Unit value:					
Sweden-----per unit--	***	***	***	***	***
All other-----do-----	***	***	***	***	***
Average-----do-----	***	***	***	***	***

See footnotes at end of table.

Table 9.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. imports for consumption from Sweden and from all other sources as reported by responding firms, 1/ 1979-81, January-September 1981, and January-September 1982--Continued

Item and source	1979	1980	1981	January-September--	
				1981	1982
Nonautomatic carton-closing staple machines--Con.					
Percent of total quantity:					
Sweden-----percent--:	***	***	***	***	***
All other-----do----:	***	***	***	***	***
Total-----do----:	100.0	100.0	100.0	100.0	100.0

1/ Based on responses of 18 firms.

2/ Customs value, landed and duty paid.

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

The quantity of carton-closing staples imported from countries other than Sweden declined during 1979-81, but increased in 1982. It declined from 864 million staples in 1979 to 578 million staples in 1981, or by 33 percent. However, imports from countries other than Sweden then increased by 50 percent in January-September 1982 relative to the quantity in the corresponding period of 1981.

The value of such imports also declined from 1979 to 1981. However, the unit value of imports increased through January-September 1981 and declined thereafter. The unit value of imports of carton-closing staples from countries other than Sweden increased from 84 cents per thousand staples in 1979 to \$1.38 per thousand staples in January-September 1981. It then declined to \$1.29 per thousand staples for the full year 1981 and to 86 cents for January-September 1982.

As a share of total imports, imports of carton-closing staples from Sweden increased significantly from 1979 to 1981, but then declined somewhat in 1982. The share increased from 48 percent in 1979 to 70 percent in 1981, but then declined to 61 percent in January-September 1982.

Staple machines.--The quantity of U.S. imports of nonautomatic carton-closing staple machines from Sweden increased significantly in each period under consideration. It increased from * * * in 1979 to * * * in 1981, or by * * *. Imports then increased by an additional 38 percent in January-September 1982 relative to those in the corresponding period of 1981.

The value of these imports also increased in each period under consideration. However, the unit value of imports from Sweden increased from * * * in 1979 to * * * in 1980 and then declined to * * * in 1981. It then fell from * * * in January-September 1981 to * * * in the corresponding period of 1982, or by 17 percent.

The quantity of imports of nonautomatic carton-closing staple machines from countries other than Sweden declined from 1979 to 1980, surged in 1981, but then dropped sharply in 1982. Imports declined from * * * . * * * .

The value of these imports followed the same general trend. However, the unit value of imports from countries other than Sweden declined from * * * .

As a share of total imports, imports from Sweden increased from * * * .

Market penetration of imports

Staples.--To the extent that apparent consumption is understated due to the lack of data from Container Staple Corp., Acme Staple, and Power-Line Fastening Systems, the market penetration figures discussed in the following sections, particularly those shown in table 10, are overstated, perhaps by as much as * * * percent. According to the available data, imports of carton-closing staples from Sweden increased as a share of apparent consumption over the entire period under consideration (table 10). Their share increased from * * * .

Table 10.--Carton-closing staples and nonautomatic carton-closing staple machines: Market penetration of U.S. imports from Sweden and from all other sources, 1979-81, January-September 1981, and January-September 1982

(In percent)						
Item and source	1979	1980	1981	January-September--		
				1981	1982	
Carton-closing staples:						
Sweden-----	***	***	***	***	***	
All other-----	***	***	***	***	***	
Total-----	***	***	***	***	***	
Nonautomatic carton-						
closing staple						
machines:						
Sweden-----	***	***	***	***	***	
All other-----	***	***	***	***	***	
Total-----	***	***	***	***	***	

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

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

Imports from countries other than Sweden declined as a share of apparent consumption from 1979 to 1981, but then increased sharply in 1982. Their share declined from * * * .

Total imports accounted for a relatively stable share of apparent consumption from 1979 to 1981, but that share increased sharply in January-September 1982. The ratio of total imports of carton-closing staples to consumption, increased from * * * .

Staple machines.--The available data on nonautomatic carton-closing staple machines show that as a share of consumption, imports from Sweden increased modestly in each year from 1979 to 1981, but then nearly doubled in 1982. The share of consumption accounted for by imports from Sweden increased from * * * in 1979 to * * * in 1981 and then jumped from * * * in January-September 1981 to * * * in the corresponding period of 1982.

The share of apparent consumption accounted for by imports from countries other than Sweden also increased from 1979 to 1981, but then declined somewhat in January-September 1982. Their share increased from * * * .

Total imports of nonautomatic carton-closing staple machines accounted for an increasing share of apparent consumption during the period under consideration. Their share increased from * * * .

Threat of material injury

The Commission has typically considered such factors as the capacity of the foreign producers to increase imports and U.S. importers' inventories when evaluating the threat of material injury. In this case, there is little if any specific information relating to either factor. However, at the conference a representative of Kihlberg indicated that it is currently operating at a relatively high level of capacity utilization and that the firm exports the subject merchandise to 35 markets other than the United States. 1/ It was also stated that exports to these other foreign markets have increased in recent years. 2/ Information on Kihlberg's capacity, production, and total exports relating to carton-closing staples and nonautomatic carton-closing staple machines was requested by the staff at the conference. However, such information has yet to be submitted.

Prices

Domestic producers and importers of carton-closing staples and staple machines publish price lists for these articles. List prices of staples vary according to the particular specification of the staple (leg length, crown size, and wire gage) and the quantity purchased; prices are generally quoted f.o.b. the producer's plant. List prices of staple machines vary according to the specific type (manual operation, air powered, top closing, bottom closing, and so forth), the number purchased, and, to a lesser extent, the type of

1/ See transcript of the conference, pp. 57, 92, and 93.

2/ Ibid., p. 61.

staple it is intended to handle. On occasion, both domestic producers and importers offer packages of machines and staples, with substantial reductions in the price of the machine with the purchase of specific quantities of staples. These packages, which frequently offer machines at no cost for a given purchase order of staples or related equipment, are generally of a promotional nature, but do not appear to a significant factor in the market at this time.

Staples.--The Commission requested U.S. producers and importers of staples from Sweden to provide data on the lowest net selling price to distributors and to end users of staples meeting a common specification. ^{1/} Of the several domestic producers, only the petitioner responded with any price information. Four importers provided information on their lowest transaction prices to distributors for all or part of the period 1980-82, and four provided information on prices to end users. Averages of the producer's and importers' price data are presented in table 11.

Table 11.--Carton-closing staples: U.S. producer's and importers' average prices to distributors and end users and margins of underselling, by quarters, January 1980-September 1982

* * * * *

^{1/} Manufactured of wire size 0.037 X 0.074 inch and having a crown size of 1.25 inches and leg length of 5/8 inch.

The petitioner, ISM, stated in submissions and testimony that it offers discounts from list prices only when necessary to meet competition for an account. 1/ Accordingly, ISM maintains that in all its sales to distributors during 1980-82, it strictly adhered to the price lists provided to the Commission, except in a limited number of instances. 2/ Opponents to the petition testified at the public conference, however, that list prices of staples are often discounted by the petitioner even in the absence of direct competition. 3/

Those importers reporting sales to distributors did not report sales to end users, and vice versa. This suggests that there is a two-tiered distribution system for imported staples, where some large importer/distributors sell only to smaller distributors that, together with smaller importers, sell only to end users. However, the petitioner stated that it sells to both distributors and end users but from separate price lists.

ISM's list prices to distributors increased * * * . ISM stated in testimony that its list prices increased by 4 percent in January 1983. Importers' prices to distributors increased slightly at the end of 1980 from * * * . Importers' prices declined to near * * * . Margins of underselling calculated from these data ranged from * * * .

The petitioner and four importers provided price data for sales to end users representing quantities of * * * . * * * . Importers' average prices increased from * * * . * * * . The margin of underselling calculated from * * * .

Staple machines.--The Commission requested domestic producers and importers of staple machines imported from Sweden to provide information on their lowest net prices to distributors and end users of manual and pneumatic top-closing staple machines. ISM, the only domestic producer responding, provided price lists for sales to distributors and average annual prices for sales to end users. One importer provided prices for sales to distributors. The data provided by other importers on sales to end users are inconsistent. Accordingly, table 12 shows only price data for sales to distributors of the two types of staplers. The importer's prices reflect actual sales of * * * ; ISM's prices are taken from applicable price lists submitted by ISM and are for sales of the same quantity of machines reported for the importer's sales. ISM stated that prices to distributors are not discounted except * * * . * * * .

The price data on ISM's staple machines, as presented in table 12, * * * . * * * . The importer's prices * * * . Margins of underselling appeared during * * * . * * * .

1/ See transcript of the conference, p. 38.

2/ ISM provided a list of several such instances occurring in June-September 1982 as part of its response to the lost revenue section of the Commission's questionnaire. These instances, addressed separately in this report, include price reductions of * * * .

3/ See transcript of the conference, p. 66.

Table 12.--Carton-closing staple machines: U.S. producer's and importer's prices to distributors and margins of underselling, by types of machines and by quarters, January 1980-September 1982

* * * * *

ISM's list prices of pneumatic staplers * * * . The importer's prices * * * . * * * .

Exchange rate adjustments.--The following tabulation shows the rate of exchange between the U.S. dollar and the Swedish krona during 1980-82:

<u>Period</u>	<u>Dollar per krona</u>
1980:	
Jan.-Mar-----	\$0.237
Apr.-June-----	.237
July-Sept-----	.241
Oct.-Dec-----	.235
1981:	
Jan.-Mar-----	\$0.220
Apr.-June-----	.205
July-Sept-----	.189
Oct.-Dec-----	.181
1982:	
Jan.-Mar-----	\$0.174
Apr.-June-----	.170
July-Sept-----	.162
Oct.-Dec-----	.140 (est.)

The value of the krona remained relatively stable at US\$0.24 throughout 1980 but began to decline in 1981. This decline accelerated in 1982, reaching slightly less than \$0.14 in October-December 1982, 42 percent below the 1980 value.

The decline in the value of the krona, particularly in 1982, coincides with the appearance of underselling mentioned in the previous sections. Kihlberg, the Swedish producer which exports the largest quantity of staples and staple machines to the United States, testified at the conference that the primary reason for the decline in its prices when denominated in U.S. dollars is the decline in the value of the Swedish krona. Kihlberg representatives submitted price lists and other supporting material which show increasing prices when the products are denominated in the Swedish currency and observed that Kihlberg does not discount from list prices. Customers contacted by the Commission staff confirmed that this is Kihlberg's normal practice.

Lost sales and lost revenue

The petitioner provided no allegations of specific sales of staples or staple machines lost to imports from Sweden. In its questionnaire response, ISM directed the attention of the Commission to an appendix to the petition in which it names firms which have reduced their purchases of ISM staples and machines allegedly because of increased purchases of Swedish staples and machines. Each of these customers received the Commission's importer/purchaser questionnaire, and the data submitted in response are included in this report as part of domestic shipments and imports. Because the petitioner provided no specific information on head-to-head competition through which it lost business, these allegations cannot be confirmed or refuted except in a general way. ^{1/} Accordingly, the petitioner's lost sales information is not discussed further here.

The petitioner provided allegations of lost revenues in the cases of eight customers purchasing staples. These allegations were in response to questions concerning price suppression and/or depression owing to competition from Swedish imports. No allegations were submitted regarding staple machines. These eight instances occurred between * * *. Revenues allegedly lost as a result of these competitive price reductions totaled * * * .

The Commission contacted six of the eight customers, which accounted for * * * of alleged lost revenues. The responses of each are discussed below. Each firm contacted was familiar with the Commission's investigation; several stated that they had not only received the Commission's questionnaire but had also received correspondence from ISM directing their attention to the allegations and possible legal ramifications. The firms stated that subsequently the Swedish producer had sent them copies of submissions to the Commission which refuted the charges of ISM.

^{1/} Data in this report show increased imports and declining domestic consumption since 1980. At such times, it is expected that some customers are buying fewer U.S.-produced articles, a situation confirmed by data on U.S. shipments.

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APPENDIX A

NOTICE OF THE COMMISSION'S INSTITUTION OF PRELIMINARY
ANTIDUMPING INVESTIGATIONS

[Investigations Nos. 731-TA-116 and 117
(Preliminary)]

**Carton-Closing Staples and
nonautomatic Carton-Closing Staple
Machines From Sweden**

AGENCY: International Trade
Commission.

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

EFFECTIVE DATE: December 17, 1982.

SUMMARY: The United States
International Trade Commission hereby
gives notice of the institution of
preliminary antidumping investigations
under section 733(a) of the Tariff Act of
1930 (19 U.S.C. 1673b(a)) to determine
whether there is a reasonable indication
that an industry in the United States is
materially injured, or is threatened with
material injury, or the establishment of
an industry in the United States is
materially retarded, by reason of
imports from Sweden of carton-closing
staples and nonautomatic carton-closing

staple machines, provided for in items 64.620 and 662.20, respectively, of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value.

FOR FURTHER INFORMATION CONTACT: Ms. Mairiam A. Bishop, Office of Investigations, U.S. International Trade Commission, 701 E St. NW., Washington, D.C. 20436, telephone 202-523-0291.

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to a petition filed December 17, 1982, on behalf of International Staple and Machine Co. The Commission must make its determination in these investigations within 45 days after the date of the filing of the petition or by January 31, 1983 (19 CFR 207.17).

Participation.—Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided for in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11, as amended by 47 FR 6189, February 10, 1982), not later than seven (7) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the notice.

Service of documents.—The Secretary will compile a service list from the entries of appearance filed in these investigations. Any party submitting a document in connection with the investigations shall, in addition to complying with section 201.8 of the Commission's rules (19 CFR 201.8, as amended by 47 FR 6188, February 10, 1982, and 47 FR 13791, April 1, 1982); serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b), as amended by 47 FR 33682, August 4, 1982).

In addition to the foregoing, each document filed with the Commission in the course of these investigations must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

Written submissions.—Any person may submit to the Commission on or before January 14, 1983, a written statement of information pertinent to the subject matter of these investigations

(19 CFR 207.15, as amended by 47 FR 6190, February 10, 1982). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8, as amended by 47 FR 6188, February 10, 1982, and 47 FR 13791, April 1, 1982).

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 section 201.6 of the Commission's rules (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m., on January 10, 1983, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. Parties wishing to participate in the conference should contact the staff investigator, Ms. Miriam A. Bishop (202/523-0291), not later than January 6, 1983, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Public inspection.—A copy of the petition and all written submissions, except for confidential business data, will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, subparts A and B (19 CFR Part 207, as amended by 47 FR 6182, February 10, 1982, and 47 FR 33682, August 4, 1982), and Part 201, Subparts A through E (19 CFR Part 201, as amended by 47 FR 6182, February 10, 1982, 47 FR 13791, April 1, 1982, and 47 FR 33682, August 4, 1982). Further information concerning the conduct of the conference will be provided by Ms. Bishop.

This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: December 22, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-35240 Filed 12-28-82; 8:45 am]

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APPENDIX B

NOTICE OF THE DEPARTMENT OF COMMERCE'S INSTITUTION OF
PRELIMINARY ANTIDUMPING INVESTIGATIONS

Initiation of Antidumping Duty Investigations; Certain Carton Closing Staples and Staple Machines From Sweden

AGENCY: International Trade Administration, Commerce.

ACTION: Initiation of antidumping duty investigations.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating antidumping duty investigations to determine whether certain carton closing staples and staple machines from Sweden are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of these actions so that it may determine whether there is a reasonable indication that imports of this merchandise are materially injuring, or are threatening to materially injure, a United States industry. If the investigations proceed normally, the ITC will make its determinations on or before January 31, 1983, and we will make our preliminary determinations on or before May 26, 1983.

EFFECTIVE DATE: January 13, 1983.

FOR FURTHER INFORMATION CONTACT: Mary A. Martin, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-1273.

SUPPLEMENTARY INFORMATION:

Petition

On December 17, 1982, we received a petition from counsel for International Staple and Machine Company, Inc. of Butler, Pennsylvania, on behalf of the domestic carton closing staples and staple machines industry. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from Sweden are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports are materially injuring, or are

threatening to materially injure, a United States industry. Critical circumstances have also been alleged under section 733(e) of the Act.

The allegations of sales at less than fair value are supported by comparisons of United States prices (based on price lists) on sales of the merchandise in the United States with the f.o.b. home market prices (based on price lists) on sales made in Sweden.

Initiation of Investigations

Under section 732(c) of the Act, we must determine, within 20 days after the petition is filed, whether it sets forth the allegations necessary for the initiation of antidumping duty investigations and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on the subject merchandise and we have found that it meets the requirements of section 732(b) of the Act. Therefore, we are initiating antidumping investigations to determine whether certain carton closing staples and staple machines from Sweden are being, or are likely to be, sold at less than fair value in the United States. If our investigations proceed normally, we will make our preliminary determinations by May 26, 1983.

Scope of Investigations

The merchandise covered by these investigations is certain carton closing staples in strip form and staple machines. Carton closing staples are made of steel, most often copper coated or galvanized. Non-automatic carton closing stapling machines can be divided for the most part into two categories: hand held top stapling machines and free standing bottom stapling machines. The subject staples and stapling machines are currently classifiable under item 646.2000 and item 662.2065, respectively, of the *Tariff Schedules of the United States Annotated* (TSUSA).

Notification to ITC

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

Preliminary Determinations by ITC

The ITC will determine by January 31, 1983, whether there is a reasonable indication that imports of certain carton closing staples and staple machines from Sweden are materially injuring, or are likely to materially injure, a United States industry. If its determinations are negative, these investigations will terminate; otherwise, they will continue according to the statutory procedures.

Judith Hippler Bello,

Acting Deputy Assistant Secretary for Import Administration.

January 6, 1983.

[FR Doc. 83-000 Filed 1-12-83; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX C
CALENDAR OF THE PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 731-TA-116 & 117 (Preliminary)

CARTON-CLOSING STAPLES AND NONAUTOMATIC CARTON-CLOSING STAPLE
MACHINES FROM SWEDEN

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigations at 9:30 a.m. on Monday, January 10, 1983, in Room 117 of the USITC Building, 701 E Street, N.W., Washington, D.C.

In support of the petition

Italo H. Ablondi--Counsel
Washington, D.C.
on behalf of

International Staple and Machine Co.

Alberto Merchiori, V.P. for Sales and Marketing

Dean King, Chief of Production

Mark Pozzuto, Assistant Financial Officer

Italo H. Ablondi)
F. David Foster)--OF COUNSEL

In opposition to the petition

Coudert Brothers--Counsel
Washington, D.C.
on behalf of

Josef Kihlberg AB

Goran Wendt, Managing Director

Robert P. Fischer, President, Salco, Inc.

Sherman E. Katz)
Mark D. Herlach)--OF COUNSEL

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

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